



**PROCESS FOR PERIODICALLY REVISING COURSE  
TIER DESIGNATIONS**

**REPORTED TO THE  
OFFICE OF STATE BUDGET AND MANAGEMENT  
AND  
FISCAL RESEARCH DIVISION OF THE GENERAL ASSEMBLY**

**MARCH 1, 2015**

As directed by Section 10.2 of S.L. 2014-100, the State Board of Community Colleges hereby submits its report on the process for periodically revising course tier designations to the Office of State Budget and Management and the Fiscal Research Division. The State Board recommends a biannual, three-step process for reviewing and recommending tier designation changes.

**Background**

Section 8.3 of S.L. 2011-145 directed the State Board of Community Colleges (State Board) to allocate curriculum and continuing education (occupational extension) formula funding on a weighted FTE basis. In response, the State Board of Community Colleges (State Board) implemented a tiered funding model, which has continued to evolve each subsequent fiscal year. The following is a summary of this evolution.

**FY 2011-12:** On July 15, 2011, the State Board adopted the 2011-2012 State Aid Allocations and Budget Policies, which included the initial implementation of the tiered funding model. To implement the model, all existing curriculum and continuing education course prefixes were assigned to one of three funding levels:

- Tier 1 included curriculum FTE in high cost areas of health care, technical education, and lab-based science courses.
- Tier 2 included a) all other curriculum FTE and b) continuing education (OE) courses that are scheduled for 96 hours or more and are mapped to a third-party credential, certification, or industry-designed curriculum; and
- Tier 3 included all other continuing education occupational extension courses.

The allocation model was designed to provide a 15% funding differential between each tier.

On January 20, 2012, the State Board adopted guidelines for the assignment of new-to-the-system curriculum prefixes and continuing education courses to the NCCCS Tiered Funding Formula (see Appendix A).

**FY 2012-13:** During the 2012 Legislative Session, the General Assembly approved the re-designation of college-level curriculum math courses to Tier 1. Also, the State Board decided on May 18, 2012, to simplify the Basic Skills Block Grant allocation formula. As part of this simplification, the State Board designated Basic Skills FTE as Tier 2. The State Board incorporated these changes into the tiered funding model when it adopted the 2012-13 State Aid Allocations and Budget Policies on July 20, 2012.

**FY 2013-14:** Section 10.5 of S.L. 2013-360 directed the State Board to allocate a portion of colleges' formula funding based on performance. Consequently, the State Board implemented the performance-based funding model when it adopted the 2013-14 State Aid Allocations and Budget Policies on August 16, 2013. The performance-based funding model complements the tiered funding model and its implementation did not cause any fundamental changes in how the tiered funding model worked.

**FY 2014-15:** During the 2014 Legislative Session, the General Assembly enabled the State Board to reinvest savings generated through developmental education efficiencies into the State

Board's "Closing the Skills Gap" proposal. This proposal recommended establishing a fourth funding tier (Tier 1A) that would provide higher funding rates for FTE in health care and technical education programs that train North Carolinians for jobs that have documented skills gaps and pay higher wages.

On August 15, 2014, the State Board of Community Colleges adopted the 2014-2015 State Aid Allocations and Budget Policies, which included the implementation of this four-tiered funding model. Under the revised tiered funding model, FTE are categorized into four tiers:

- **Tier 1A:** Includes curriculum budget FTE in health care and technical education courses that train North Carolinians for immediate employment in priority occupations that have documented skills gaps and pay higher wages. This tier also includes FTE in a limited number of continuing education (OE) courses that train students for the exact same third-party certification as curriculum courses in Tier 1A.
- **Tier 1B:** Includes curriculum budget FTE in other high cost areas of health care, technical education, lab-based science, and college-level math courses. This tier also includes FTE in certain short-term, workforce continuing education courses that help prepare students for jobs in priority occupations and lead to competency-based industry credentials.
- **Tier 2:** Includes all other curriculum budget FTE, all Basic Skills budget FTE, and FTE associated with other continuing education (OE) courses that are scheduled for 96 hours or more and are mapped to a third-party credential, certification, or industry-designed curriculum.
- **Tier 3:** Includes all other continuing education (OE) budget FTE.

The revised, four-tier model is designed to provide a funding differential between each tier. Tier 1A is funded at a level equal to 30% higher than Tier 2, while Tier 1B is funded at a level that is 15% higher than Tier 2. Tier 3 is funded at a rate that is 15% less than Tier 2.

### **Recommended Process for Periodically Revising Tier Designations**

In preparation for the budget development cycle for every other fiscal biennium, the System Office shall convene in 2016 and every four years thereafter the Tier Designation Review Committee. The charge of this committee is to review the current tier designations and make recommendations to the State Board on any potential changes. The Committee shall include the following: System CFO (Chair), System Chief Academic Officer, NC Association of Community College Presidents (NCACCP) Finance Committee Chair, NCACCP Program Committee Chair, President of the NC Community College Association of Instructional Administrators, and the President of the NC Community College Adult Educators Association. Each committee member may choose to appoint a designee to serve in his or her place.

The Committee's work will include three steps:

- **Step 1 – Review of Base Tier Designations:** The first phase will focus on ensuring that curriculum course prefixes and continuing education courses are properly categorized per the base determination criteria as described in Appendix B. These criteria are consistent with the existing tiered funding framework.
- **Step 2 – Review of Priority Tier Upgrades:** The second phase will focus on reviewing what occupational sectors are identified as top State workforce priorities by the State's

workforce community (NC Works Commission, NC Department of Commerce, NC Economic Developers Association, etc.) and labor market data for those sectors. Using that labor market data, the Committee will identify priority occupations within those sectors for which community colleges train students. Those priority occupations will then be mapped to curriculum programs using Classification of Instructional Programs (CIP) codes. In turn, the curriculum course prefixes in these programs and related continuing education courses would be recommended for a tier designation upgrade to the next highest tier level.

- **Step 3 – Estimated Fiscal Impact and Budget Request Development:** Based on the Committee’s analysis and recommendations, the System Office shall calculate the estimated fiscal impact of the proposed changes to the System’s formula budget. The Committee’s recommendations and associated fiscal impact would then be considered as the System developed its budget priorities for the subsequent Long Session of the General Assembly. As directed by Section 10.2 of S.L. 2014-100, any requested revisions to the model would be included in the budget requests for the 2017-19 fiscal biennium and applicable future fiscal biennia.

**STATE BOARD OF COMMUNITY COLLEGES**

Guidelines for Assignment of New-to-System Prefixes  
to the NCCCS Tiered Funding Formula

The State Board of Community Colleges is asked to approve Guidelines for Assignment of New-to-System Prefixes to the NCCCS Tiered Funding Formula.

**Background**

On July 15, 2011 the State Board of Community Colleges adopted the 2011-2012 State Aid Allocations and Budget Policies, which included implementation of the Tiered Funding Formula Model. To implement the Tiered Funding Formula Model, all existing curriculum and continuing education course prefixes were assigned to one of three funding levels: Tier 1 included selected high-cost curriculum courses, Tier 2 included all other curriculum courses and selected continuing education courses that are mapped to a third-party credential or certification, and Tier 3 included all other continuing education occupational extension courses.

The Presidents' Association Program Committee Chair appointed a committee of presidents, a chief academic officer, and a chief continuing education officer to develop guidelines for the assignment of new-to-the-System curriculum and continuing education prefixes to the Tiered Funding Formula. These Guidelines were approved by the Presidents' Association on October 28, 2011.

Staff recommends for the State Board's approval the following Guidelines to apply to new-to-the-System prefixes approved by the State Board after July 15, 2011. Upon approval, staff will utilize the guidelines to recommend for the Board's approval the assignment of new-to-the-System prefixes to the funding tiers.

**Proposed Guidelines for Assignment of New-to-System Prefixes to the  
NCCCS Tiered Funding Formula**

Tier 1	<ul style="list-style-type: none"> <li>• Curriculum Health Science Prefixes</li> <li>• Curriculum Technical Education Prefixes in the areas of Construction, Engineering, Industrial Systems, and Transportation Systems</li> <li>• Curriculum Lab-Based Science Prefixes</li> <li>• Other Curriculum Prefixes Based on the Following Considerations:  <div style="padding-left: 20px;">Facility requirements; equipment start-up costs; equipment ongoing costs; supply &amp; software start-up costs; supply &amp; software ongoing costs; enrollment limitations resulting from student/faculty ratios or program enrollment caps; instructor costs resulting from SACS requirements, required licensure or certification, or market demand</div> </li> </ul>
Tier 2	<ul style="list-style-type: none"> <li>• All Other Curriculum Prefixes</li> <li>• Continuing Education Occupational Extension Prefixes for each course that is scheduled for 96 or more hours <b>and</b> is mapped to a third-party credential, certificate, or industry-designed curriculum</li> </ul>
Tier 3	<ul style="list-style-type: none"> <li>• All Other Continuing Education Occupational Extension Prefixes</li> </ul>

# Appendix B: Tier Designation Criteria

