

# Performance Funding

## **I. Background**

The 1999 Session of the General Assembly, in House Bill 168<sup>1</sup>, directed the State Board of Community Colleges (State Board) “to implement the findings of the consultant’s Phase IV Funding Study Report” on performance budgeting. A “task force”<sup>2</sup> was assembled by President Martin Lancaster to study issues relating to the use of State Board approved performance measures and standards for funding purposes. The State Board adopted on February 18, 2000 a “Report from the Performance Funding Implementation Task Force”, setting forth recommendations to the General Assembly, as required by law<sup>3</sup>, on the implementation of Performance Budgeting. The report identified the measures and standards for use in the process. The legislation and the report approved by the State Board enabled the Board to:

*“authorize each institution meeting the new performance standards to carry forward funds remaining in its budget at the end of each fiscal year in an amount not to exceed two percent (2%) of the State funds allocated to the institution for that fiscal year.”<sup>4</sup>*

## **II. Review of the Content of Special Provision**

There were six pertinent parts within the special provision that directed the State Board how to carry out legislative intent. These parts and directives include:

- (1) The creation of new accountability measures and performance standards;
- (2) Authorization to carry forward at the end of a fiscal year an amount not to exceed 2% of the State funds allocated to the institution;
- (3) The designation of five required performance measure and the ability to select one additional measure for performance funding, and an six additional measures that would be reported, for a total of twelve measures;
- (4) A requirement for each college to publish its performance on the six measures;
- (5) A mandatory annual report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division by March 1 of each year; and,
- (6) Effective dates of July 1, 1999; July 1, 2000; and July 1, 2001.

The 2000 Session of the Assembly revisited the State Board’s Performance Budgeting program by making several “clarifications” to G.S. 115D-31.3. First, the Assembly stated that the State Board “shall evaluate each college on six performance measures.” The six measures consist of five required measures, plus one measure selected from the remaining six eligible measures. The Assembly further stated that “for each of these six performance measures on which a college

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<sup>1</sup> Ratified as Session Law 1999-237

<sup>2</sup> the Performance Funding Implementation Task Force

<sup>3</sup> Section 9.2(b) of S.L 1999-237

<sup>4</sup> 115D-31.3

performs successfully or attains the standard of significant improvement, the college may retain and carry forward into the next fiscal year one-third of one percent (1/3 of 1%) of its fiscal year-end General Fund appropriations.”

The 2001 Session of the Assembly, as requested by the State Board of Community Colleges, amended<sup>5</sup> the “mandatory performance measures” by clarifying the “Goal Completion” measure. The Assembly amended this measure by DELETING “goal completion of program completers and non-completers, and SUBSTITUTING “The proportion of those who complete their goal.”

The 2007 Session of the Assembly, as requested by the State Board of Community Colleges, amended the “mandatory performance measures” and the “performance funding” formula. In this action, the number of performance measures was reduced from 12 to 8 with all 8 measures being eligible for performance funding at a value of one-fourth of one percent (1/4 of 1%) of its fiscal year-end General Fund appropriations. In addition, the designation of Superior Institutional Performance was changed to Exceptional Institutional Performance.

### **III. Current Performance Funding Data: Charts and Interpretations**

Data collection and reporting on performance measures is now in its eleventh annual cycle. Due to the timing of the availability of data, this report will present information from the 2008-09 collection cycle. Data from the 2009-10 cycle should be ready in June. It is important to note that the data collected are “after the fact” data. That is to say, the data reflect college performance from the previous year. Just as community colleges are funded based on FTE earned the prior year, performance data indicates how well the colleges did on specific measures during the prior year and performance funding is based on that prior year’s results. Thus, the 2008-09 performance report provides data on college performance during the 2007-08 academic year.

Table 1 presents a summary of the performance of the System on the 8 accountability measures. The performance of the System as a whole can be seen in Table 1 along with the number of colleges that met each standard. As can be seen in Table 1, the System, as a whole, exceeded all performance measures.

Table 2 provides a summary chart on which colleges met each of the 8 measures. In addition, data on the total number of performance measures met and the designation of Exceptional Institutional Performance by a community college can be seen. In 2008-09, twenty-six (26) colleges had the distinction of meeting all eight measures. Eleven (11) colleges achieved the designation of Exceptional Institutional Performance.

### **IV. Calculation of the Carry Forward**

A college’s individual performance is the determining factor in its ability to carry forward its own funds to a subsequent fiscal year. A college may carry forward up to .25% of its final State Appropriations for each measure for which it either meets the standard or improves (to be defined) its performance. The maximum amount that may be carried forward is two percent (2%). The formula looks like this:

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<sup>5</sup> House Bill 438, as Ratified.

$$\boxed{\text{Final State Appropriations}} \times \boxed{2\%} = \boxed{\text{Eligible Funds}}$$

$$\boxed{\text{Eligible Funds}} / \boxed{8} = \boxed{\text{Amount per Measure}}$$

There are 8 measures. Each measure therefore is = 1/4<sup>th</sup> of 1% or .25%

The General Assembly also spoke to the issue of “exceptional institutional performance.” This term is defined as the point at which a college meets the standard on all 8 performance measures and meets the following criteria:

(1) The passing rate on all reported licensure /certification exams for which the colleges have authority over who sits for the exam must meet or exceed 70% for first-time test taker, and.

(2) The percent of college transfer students with a 2.0 gpa after two semesters at a four-year institution must equal or exceed the performance of students who began at the four-year institution (native students).

The process of allocating funds to the group of colleges that attains this status is specified as follows:

*“Funds not allocated to colleges in accordance with (the first 2% process) shall be used to reward exceptional institutional performance. After all State Aid budget obligations have been met...”*

The key words are “after all State Aid obligations have been met.” This means that after the Division of Business & Finance has paid all outstanding invoices on behalf of the colleges (Worker’s comp, unemployment, longevity, etc.), whatever is left may be divided equally among the colleges that qualify, as noted by the criteria above.

**The formula for this is illustrated as follows:**

$\boxed{\text{Funds left over after first 2\% calculated}}$

MINUS

$\boxed{\text{College Bills that must be paid by the System Office}}$

EQUALS

$\boxed{\text{EXCEPTIONAL INSTITUTIONAL PERFROMANCE POOL \{\$\$\$ equally divided by \# eligible colleges\}}$

## **V. Permissible Uses of Funds<sup>6</sup>**

The General Assembly has defined the uses of the funds that are carried forward by the college. The permissible uses include:

1. Purchase of Equipment
2. Initial Program Start-up Costs Including Faculty Salaries for the first year of a program
3. One-time Faculty and Staff Bonuses

The funds may not be used for continuing salary increases or for other obligations beyond the fiscal year into which they were carried forward. The funds shall be encumbered within 12 months of the fiscal year into which they were carried forward.

## **VI. Performance Funding - Carry forward Earned By Colleges But Not Awarded**

**Unfortunately, the North Carolina Community College System was not permitted to carry funds forward for Performance Funding. Instead, the funds reverted to the state's General Fund.**

## **VII. Recommendations for Modifications to Performance Funding**

During the 2010-11 fiscal year, the North Carolina Community College System will conduct an extensive review of the performance measures and standards. The purpose of this review will be to align the performance measures with System, State and Federal accountability requirements to ensure that the appropriate measures are utilized when assessing the performance of the 58 community colleges.

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<sup>6</sup> As defined by the General Assembly in Session Law 2000-67

**SUMMARY REPORT ON PERFORMANCE MEASURES, 2007-2008**  
**NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

MEASURE	STANDARD	SYSTEM AVERAGE	# COLLEGES MEETING STANDARD
Progress of Basic Skills Students	75%	82%	56
Passing Rates on Licensure/ Certification Exams for First- Time Test Takers	Aggregate = 80%	86%	45*
Performance of College Transfer Students	83%	88%	44**
Passing Rates in Developmental Courses	75%	77%	48
Success Rate of Developmental Students in Subsequent College- Level Courses	80%	89%	57
Student Satisfaction of Completers and Non-Completers	90%	96%	56
Curriculum Student Retention, Graduation & Transfer	65%	69%	57
Client Satisfaction with Customized Training	90%	94%	53

\* 45 colleges met the 80% standard; 30 colleges had no exam for which they controlled who took the exam with a passing rate < 70; 28 colleges met the Exceptional Institutional Performance level.

\*\* 44 colleges met the 83% standard; 30 colleges met or exceeded the performance of native UNC sophomores and juniors (87%).

STATUS OF NORTH CAROLINA COMMUNITY COLLEGES MEETING PERFORMANCE STANDARDS, 2007-2008  
(M = Met Standard)

College	Progress of Basic Skills Students	Passing Rates on Licensure Certif. Exams	Performance of College Transfer Students	Passing Rates in Develop. Courses	Success Rate of Develop. Students in College Level Courses	Student Satisfaction of Completers & NonComp.	Curriculum Student Retention, Graduation & Transfer	Client Satisfaction with Customized Training	Total Standards Met	Recognition of Exceptional Institutional Performance*
Alamance CC	M	M	M	M	M	M	M	M	8	Yes
Asheville-Buncombe TCC	M	M	M	M	M	M	M	M	8	Yes
Beaufort County CC	M			M	M	M	M	M	6	
Bladen CC	M	M		M	M	M	M	M	7	
Blue Ridge CC	M	M	M	M	M	M	M	M	8	Yes
Brunswick CC	M		M	M	M	M	M	M	7	
Caldwell CC & TI	M		M	M	M	M	M	M	7	
Cape Fear CC	M	M	M	M	M	M	M	M	8	
Carteret CC	M	M	M	M	M	M	M		7	
Catawba Valley CC	M	M	M	M	M	M**	M	M	8	
Central Carolina CC	M	M	M	M	M	M	M	M	8	
Central Piedmont CC	M	M	M	M	M	M	M	M	8	Yes
Cleveland CC				M	M	M	M	M	5	
Coastal Carolina CC	M	M	M	M	M	M	M	M	8	Yes
College of The Albemarle	M	M	M	M	M	M	M	M	8	
Craven CC	M	M	M		M	M**	M	M	7	
Davidson County CC	M	M	M		M	M	M	M	7	
Durham TCC	M	M	M		M	M	M	M	7	
Edgecombe CC	M	M		M	M	M	M	M	7	
Fayetteville TCC	M	M	M		M	M	M	M	7	
Forsyth TCC	M	M		M	M	M	M	M	7	
Gaston College	M	M	M	M	M	M	M	M	8	
Guilford TCC	M	M	M	M	M	M	M		7	
Halifax CC	M				M	M	M	M	5	
Haywood CC	M		M		M	M	M	M	6	
Isothermal CC	M	M	M	M	M	M	M		7	
James Sprunt CC	M	M		M	M	M	M	M	7	
Johnston CC	M	M	M		M	M	M	M	7	
Lenoir CC	M	M	M	M	M	M	M	M	8	
Martin CC	M			M		M	M	M	5	
Mayland CC	M		M	M	M	M	M	M	7	
McDowell TCC	M	M	M	M	M	M	M	M	8	Yes

\*Met all measures and exceptional standard on licensure exams and transfer student performance.  
 \*\*Not eligible for performance funding due to the response rate to be too low (statistically invalid sample size).

STATUS OF NORTH CAROLINA COMMUNITY COLLEGES MEETING PERFORMANCE STANDARDS, 2007-2008  
(M = Met Standard)

College	Progress of Basic Skills Students	Passing Rates on Licensure Certif. Exams	Performance of College Transfer Students	Passing Rates in Develop. Courses	Success Rate of Develop. Students in College Level Courses	Student Satisfaction of Completers & NonComp.	Curriculum Student Retention, Graduation & Transfer	Client Satisfaction with Customized Training	Total Standards Met	Recognition of Exceptional Institutional Performance*
Mitchell CC	M	M	M	M	M	M	M	M	8	Yes
Montgomery CC	M	M		M	M	M	M	M	7	
Nash CC	M		M	M	M	M	M	M	7	
Pamlico CC	M			M	M	M	M		5	
Piedmont CC	M	M	M	M	M	M	M	M	8	
Pitt CC	M	M	M	M	M	M	M	M	8	Yes
Randolph CC	M	M	M	M	M	M	M	M	8	Yes
Richmond CC	M	M		M	M	M	M		6	
Roanoke-Chowan CC		M	M		M			M	4	
Robeson CC	M		M		M	M	M	M	6	
Rockingham CC	M	M	M	M	M	M	M	M	8	
Rowan-Cabarrus CC	M	M	M	M	M	M	M	M	8	
Sampson CC	M	M		M	M	M	M	M	7	
Sandhills CC	M	M	M	M	M	M	M	M	8	
South Piedmont CC	M	M		M	M		M	M	6	
Southeastern CC	M		M	M	M	M	M	M	7	
Southwestern CC	M	M	M	M	M	M	M	M	8	
Stanly CC	M	M	M	M	M	M	M	M	8	
Surry CC	M		M	M	M	M	M	M	7	
Tri-County CC	M	M	M	M	M	M	M	M	8	
Vance-Granville CC	M	M	M	M	M	M	M	M	8	
Wake TCC	M	M	M	M	M	M	M	M	8	Yes
Wayne CC	M	M	M	M	M	M	M	M	8	
Western Piedmont CC	M	M	M		M	M	M	M	7	
Wilkes CC	M	M	M	M	M	M	M	M	8	Yes
Wilson CC	M	M		M	M	M	M	M	7	

\*Met all measures and exceptional standard on licensure exams and transfer student performance.

\*\*Not eligible for performance funding due to the response rate to be too low (statistically invalid sample size).