



**Community College Residency  
Determination Formula Report &  
Concerns Regarding the RDS System &  
Its Impact on Potential  
Community College Students**

**December 1, 2018**

Submitted by the State Board of Community Colleges to the:  
Joint Legislative Education Oversight Committee, House Appropriations  
Committee on Education, Senate Appropriations Committee on  
Education/Higher Education, Fiscal Research Division,  
and  
Office of State Budget and Management

## **As Required by Section 9.7 of Session Law 2018-5**

As directed by Section 9.7 of S.L. 2018-5, the State Board of Community Colleges hereby submits a report on a funding formula for computing The North Carolina Community College System costs of the residency determination service.

### **Background**

Section 9.7 of S.L. 2018-5 directed the State Board of Community Colleges to develop a funding formula for computing The North Carolina Community College System costs of the Residency Determination Service (RDS), administered by the State Education Assistance Authority pursuant to G.S. 116-204, for the purposes of potential inclusion of the formula in future enrollment growth requests. The Community College System Office shall not include the funding formula in an enrollment growth request to the General Assembly prior to submitting this required report.

If the Community College System Office includes the funding formula when submitting an enrollment request for the 2019-2020 fiscal year or subsequent fiscal years to the General Assembly following the submission of this report, the System Office shall distinguish in that request the portion of its request resulting from the formula.

As required by Section 9.7 of S.L. 2018-5, Part I of this Report is information on the RDS operational costs along with a recommended community college funding formula for RDS as it is currently structured. However, Part II addresses concerns raised by community college presidents and this Board regarding the Residency Determination Services System and the unintended, but deleterious, impact it is having on potential community college students.

### **PART I. RDS COSTS & RECOMMENDED FUNDING FORMULA**

#### **Residency Determination Service Operational Costs**

In order to develop a recommended funding formula, the System Office consulted with the State Education Assistance Authority (SEAA) to determine the estimated annual operating costs of

the residency determination service as well as the methodology used to allocate those costs amongst the participating agencies. SEAA reported the estimated annual operating costs to be \$3,651,382. The operational costs are estimated using 2018 activity (9 months of operating) as a model to compute a full year of costs for fiscal year 2018-2019. The table below provides the itemized operational costs provided by SEAA.

<b>Estimated Annual Operation Costs</b>	
Personnel: Operations and Management	\$ 1,338,750
Personnel: Call Center	914,600
Personnel: Accounting	20,000
Personnel: Development/QA/Project Mgmt	1,136,100
Personnel: Documentation and Training	42,432
Insurance	15,000
Annual Security Penetration Testing	15,000
Software Maintenance and Licensing	40,000
Data Validation	61,500
Miscellaneous	68,000
<b>Total Estimated Annual Operation Costs</b>	<b>\$ 3,651,382</b>

The methodology used to allocate these annual operating costs to the participating agencies is based upon a three-year average of new enrollments (Source: IPEDS Data Center, Fall Enrollment) for the UNC System and the North Carolina Community College System (NCCCS), and three-year average of grant recipients (Source: SEAA) for the NC Independent Colleges and Universities. This three-year average will be updated each year as data becomes available. SEAA computes the total for each participating agency, the total for all three sectors, and each agency's percentage of the total. As reported by SEAA, the three-year average of new enrollments for NCCCS is 78,689 and is 51.13% of the sector total of 153,907. SEAA then applies each sector's % of total to the annual operating costs to determine the cost each agency pays. For NCCCS 51.13% of the \$3,651,382 total annual operating cost is \$1,866,952.

### **Recommended Funding Formula Under Current RDS System**

Since the residency determination service is utilized for students enrolling in Curriculum Programs in NCCCS, it is recommended that Curriculum budget FTE (BFTE) be used in the funding formula. It recommended that the NCCCS share of the residency determination service

annual operating costs

(to be provided by SEAA to the System Office by October 1 each Fall) be computed per Curriculum Budget FTE. For example, for 2018-2019, using the data and methodology provided by SEAA, the NCCCS share of the residency determination service annual operating costs is estimated to be \$1,866,952. NCCCS Curriculum BFTE for 2018-2019 is 181,963. So, the Community College residency determination service cost per Curriculum BFTE is \$10.26 ( $\$1,866,952/181,963 = \$10.26$ ). Each year the SEAA would update both the three-year average enrollment data as well as the annual operating cost (estimated to increase at least 2-3% each year primarily due to salary and benefit increases since 94.5% of the cost is for personnel). SEAA would provide the System Office a cost annually by October 1 so the System Office can update the funding formula that will be submitted as a part of the NCCCS enrollment growth request for the upcoming fiscal year.

## **PART II. CONCERNS REGARDING THE RDS SYSTEM**

The stated purpose of RDS is to establish a coordinated and centralized residency determination process that enables efficiencies, simplifies the process, and enhances accuracy and consistency of outcomes among North Carolina's higher education institutions. Community colleges implemented RDS during 2017 using a phased-in deployment. Currently, all 58 community colleges participate in RDS. This Board, along with the NC Community College System and college presidents, certainly understands and appreciates the need for consistency in residency determinations. However, since implementation of the RDS System, rather than simplifying the process, college presidents have expressed increasing concerns that the System's complexity has become a significant barrier for potential students. Many RDS questions are complicated and require access to information the student may not have readily available. Furthermore, the community college application and enrollment process is vastly different from four-year institutions. Senior institutions have a long period of time between application, acceptance, and enrollment. In contrast, students who attend a community college often apply to start classes within a few days, sometimes the same or next day. If students experience difficulties with the RDS system, those students may not enroll or be forced to pay out-of-State tuition and go through an involved and time-consuming appeals process to determine in-State residency. In June 2018, the State Education Assistance Authority (SEAA)

prepared a RDS data analysis for community college presidents. This analysis showed that over 5,200 community college admission applications were started by individuals who did not complete RDS. That number represents potentially 5,200 students who did not have an opportunity to work towards their educational goals. More importantly, however, is that the inability of potential students to enroll impacts not only the student's economic mobility, but his or her family, potential employers, and the State as a whole. Delayed or derailed entry into college means there are fewer qualified employees to fill critical jobs. The State's interests are adversely affected as well since increased earnings translate into more taxes paid and less reliance on government services.

The mission of the North Carolina Community College System is to "open the door to high-quality, accessible educational opportunities that minimize barriers to postsecondary education, maximize student success, develop a globally and multi-culturally competent workforce, and improve the lives and well-being of individuals." As it currently exists, the residency law as implemented through RDS creates, rather than minimizes, barriers for our students. The State Board of Community Colleges strongly supports ways to eliminate RDS barriers for our students and looks forward to working with the General Assembly on legislation. Over the past several months, the NC Community College System Office staff has worked closely with staff from SEAA and the Higher Education Collaborative Advisory Committee (HECAC) in an effort to determine ways in which the process could be simplified. In addition, the NC Association of Community College Presidents (NCACCP) has worked to formulate a legislative proposal to address these concerns. “.

The State Board of Community Colleges fully supports the NCACCP proposal to repeal G.S. 116-143.1(e) which would remove the presumption that a student's domicile is with his or her parents. The proposed legislation is attached to this Report.

## Attachment

### **§ 116-143.1. Provisions for determining resident status for tuition purposes.**

~~(e) — When an individual presents evidence that the individual has living parent(s) or court-appointed guardian of the person, the legal residence of such parent(s) or guardian shall be prima facie evidence of the individual's legal residence, which may be reinforced or rebutted relative to the age and general circumstances of the individual by the other evidence of legal residence required of or presented by the individual; provided, that the legal residence of an individual whose parents are domiciled outside this State shall not be prima facie evidence of the individual's legal residence if the individual has lived in this State the five consecutive years prior to enrolling or reregistering at an institution of higher education.~~