



Appropriate and Predictable Funding Update

Predictability: As “Forward by Design” focuses on appropriate and predictable funding, we should look at the immediate budget situation in a longer-term perspective. Over time, “predictable” should mean consistent annual progress toward an “appropriate” level of funding for the system. Here is where we stand this year:

- With special session cuts and the additional holdback of state funds, core inflation-adjusted funding per student is down 6% compared to 2006-07. Funding is near the 2003-04 all-time low.
- System funding is about \$500 million lower than it would be at national average levels and \$1 billion lower than it would be if funded at the North Carolina system level.
- To reach North Carolina’s level over 10 years, we would need:
 - With no inflation and no enrollment growth, 3% annual increases in state funds and tuition
 - With 3% inflation and no enrollment growth, 6% annual increases in state funds and tuition
 - With 3% inflation and 2% annual enrollment growth, 7.5% annual increases in state funds and tuition

Appropriateness: Defining “appropriate” funding – whether the national average, a North Carolina level, or some other benchmark – will be a challenge. No matter what, however, annual progress should be measured in constant, not nominal, dollars. As measured by the Higher Education Price Index, the cost of goods and services purchased by colleges is increasing at about 3.4% annually. (By contrast, the most recent Consumer Price Index is up 4.3%.)

This means we would need a nominal increase of about \$100 million to maintain our 2007-08 funding level in real dollars, *assuming zero enrollment growth*. This translates into:

- a 4.9% increase in state funds with no tuition increase; or,
- an 11% across-the-board tuition increase with no state funds increase (15% if a quarter of the increase goes to need-based aid); or,
- an 18% increase in resident undergraduate tuition and 5% average increase in other tuition revenues (higher if a portion goes to need based aid).
- an additional 1% increase in both state funds and tuition for each percentage point of enrollment growth.

TUITION AND APPROPRIATIONS SCENARIOS FOR 2008-09

If this happens . . .

Inflation Rate	Enrollment Growth	State Funds Change	Tuition Increase
0.0%	0%	-4%	5%
3.4%	0%	-4%	0%
3.4%	1%	-4%	22%
3.4%	0%	0%	11%
3.4%	1%	0%	35%
3.4%	1%	6%	21%

2008-09 funds per student will be

Compared to 07-08	Compared to 06-07
-1.2%	-7%
-6%	-12%
0%	-6%
0%	-6%
6%	0%
6%	0%