

STATE BOARD FOR TECHNICAL AND COMPREHENSIVE EDUCATION

PROCEDURE

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TITLE: STATE FUNDS ALLOCATION FORMULA
FOR PROGRAM OPERATIONS

**POLICY
REFERENCE NUMBER:** 7-1-201

**DIVISION OF
RESPONSIBILITY:** FINANCE

DATE OF LAST REVISION: June 16, 2016

DATE OF LAST REVIEW: April 19, 2024

The State Funds Allocation Formula “Funding Formula” provides the method that is used to disburse funds to the SC Technical Colleges for the purpose of supporting operations in a uniform and equitable manner. The Funding Formula includes the following components:

- Mission Resource Requirement
- Supplemental Funding for Small Colleges
- Performance Funding Allocation

Available funds for the Technical College System will be distributed to the Colleges based on each college’s proportionate share of these components.

MISSION RESOURCE REQUIREMENT (MRR):

In order to determine the amount needed for operations at the colleges, both instructional and non-instructional costs must be determined. Instructional costs include salaries, employer contribution, and support. Non-instructional costs include academic support, institutional support, library support, and student support services. The combined total of these cost elements is considered the Educational and General (E&G) cost.

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STEP 1: DETERMINE EDUCATIONAL AND GENERAL (E&G) COST

With the exception of Student Support Services, which is based on student headcount; the E&G cost calculation uses total number of full-time equivalent (FTE) students. FTE students are derived according to the credit hours for each Classification of Instructional Programs (CIP). Examples of CIP codes and descriptions are included below:

CIP Code 1 Agriculture, Agriculture Operations, and Related Sciences

CIP Code 65 Sponsored Occupation Upgrading and OJT

Step 1A – Collect Enrollment Data:

The formula is based on a three year rolling average using annualized enrollment data; therefore data must be collected for the most recent complete three years. The current year's data elements will be audited, annually, by the South Carolina Technical College System (SCTCS) audit staff.

Technical Education Programs (TEP) Data Collection

Collect Ending Fall, Spring, and Summer Credit and Contact hours for TEP.

Credit hours are defined as the number of hours assigned to a class. The Academic Affairs Division of the SC Technical College System decides how many credit hours are assigned to each class.

Contact hours are defined as the number of hours an instructor is in front of a student.

Collect TEP Dual Enrollment hours for in-service areas only.

- Dual Enrollment is defined as a student enrolled in high school and college classes simultaneously. Dual Enrollment applies to TEP classes only.
- Hours for in-service areas include students that reside and attend college in the college's service area. If the county is marked as "unknown," the hours will not be collected.

Collect Student Headcount for TEP students only.

Continuing Education Programs (CEP) Data Collection

Collect Fall, Spring, and Summer Contact Hours for CEP.

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The credit and contact hours are extracted from the SC Technical College System Enterprise Decision Support System (EDSS). The hours are loaded into EDSS, by the colleges, in accordance with the SC State Board for Technical and Comprehensive Education Procedure 3-3-101.1 “Required Database Reporting Elements.”

Step 1B - Convert Enrollment Data to FTE Students:

The SCTCS Technical Education Programs FTE students, to be funded, are developed by using only Fall credit hours derived from most recent ending Fall data; therefore the hours must be annualized. An Annualization Factor is used to convert the hours to an annual number. Fall, Spring, and Summer credit hours are used in the Annualization Factor. The annualized credit hours for each CIP are derived by dividing its Fall credits by the annualization factor. The annualization factor is developed as follows for the three most recent complete years:

Divide Total Credit Hours by 30 = Annualized FTE
Divide Ending Fall Credit Hours by 15 = Fall FTE
Divide Fall FTE by the Annualized FTE = Annualization Factor

The annualization factor is applied to the TEP Fall credits only and the three years are averaged. The average credits, for each CIP, are divided by 15 to determine the number of FTE students. The annualization factor is independent to each college.

The SCTCS Continuing Education Programs FTE students are developed by using Fall, Spring, and Summer contact hours. The contact hours must be converted to credit hours in order to utilize the same measurement for both CEP and TEP. The conversion factor is developed as follows for the most recent complete year:

Divide Total TEP Credit Hours by 30 = Annualized FTE
Divide Annualized FTE by Total TEP Contact Hours = Conversion Factor

The CEP contact hours, for the most recent three years, are averaged and the conversion factor is applied, by CIP, to develop the number of FTE students. The conversion factor is the same for all colleges.

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Step 1C- Determine Instructional Costs for Salaries:

Instructional salaries are calculated by CIP code and are determined by applying the average salary rate to the number of FTE faculty. The Continuing Education Program faculty cost is 50% of the base salary rate. Calculations for instructional salaries include the following:

- FTE Faculty Ratio
 - Total TEP FTE is used as the basis for each college in determining student to faculty ratios to be used to calculate the number of faculty that should be funded. For Institutions with TEP FTE 1301 or greater, each CIP is assigned the higher or “upper” student to faculty ratio from the “Student to Faculty Ratio Table” included as a link on Attachment A of this Procedure.
 - For institutions with TEP FTE less than 1301, a variable ratio is assigned between the lower and upper ratio based on a formula that is incorporated in the “Student to Faculty Ratio Table” included as a link on Attachment A of this Procedure. An example of the variable ratio formula is included at the bottom of the table. The variable range is used in order to provide an economy of scale factor between small and large institutions.
- Average salary rate for comparable two-year institutions
 - The average salary rate is obtained from the latest Southern Regional Educational Board (SREB) periodic publication and adjusted by HEPI each year.
- Number of Faculty
 - Faculty needed is determined, by CIP Code, by dividing the number of FTE students by the Student to Faculty ratio.
 - Student to faculty ratios are listed in the “Student to Faculty Ratio Table” included as a link on Attachment A of this Procedure.

Step 1D- Determine Instructional Costs for Employer Share:

Employer share is determined by multiplying the instructional salaries, for each CIP, times the employer share percentage. The employer share percentage, established annually, is based on the average of the sixteen technical colleges.

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Step 1E- Determine Instructional Costs for Instructional Support:

Instructional Support is determined by multiplying the instructional salaries, for each CIP, times the instructional support percentage. The individual instructional support percentages are obtained from the Commission on Higher Education's (CHE's) "Formula Requirements Technical College Sector - Instructional Cost Rates and Ratios" table. A link to this table can be found on Attachment A of this Procedure.

Step 1F – Determine Non-instructional Costs:

Non-instructional costs are necessary for the operations of the institution but are not directly related to the instruction of the student; therefore, they are considered indirect costs. An indirect cost calculation is necessary to determine the non-instructional costs.

An economy of scale factor is necessary in the indirect cost calculation due to the fact that basic indirect/overhead cost factors relating to college expenditures are dependent on the size of a college. The "Economy of Scale Indirect Cost FTE Rate Table," found as a link on Attachment A of this Procedure, is used to develop the Indirect Cost FTE Rate and in turn the Indirect Rate Percentage to be used for each college as it is applied to the most recent comparable college data.

An indirect cost curve factor, derived from historical SREB data, is used in the calculation of the FTE Rate as follows:

$$\text{Indirect Cost FTE Rate} = 6720 \text{ divided by } (\wedge \text{ Total FTE}) \text{ (5th root...or to the power of 2)}$$

The indirect FTE rate percentages are determined by dividing each college's FTE rate by the rate of the college with the highest number of FTE students. The FTE percentage essentially increases the cost per FTE funded for the smaller institutions.

Calculation of the Indirect FTE Percentage:

Indirect FTE Percentage for College with highest number of FTE Students = 100%

Indirect FTE Percentage for Other Colleges = College's FTE Rate divided by FTE Rate of College with 100% Indirect FTE Percentage

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The rates, listed as “Expenditure per Full-time Equivalent Student,” for academic support, institutional support (including libraries), and student support services are obtained from the most recent available Integrated Postsecondary Education Data System’s (IPEDS’) data as published in the National Center for Education Statistics Digest (NCES). A link to this publication can be found on Attachment A of this Procedure.

The rates are adjusted to current value using the Higher Education Price Index (HEPI). The HEPI rate is obtained from the Commonfund Higher Education Price Index Table. A link to this table can be found on Attachment A of this Procedure.

Non-instructional costs for academic support, institutional support, and libraries, are determined by multiplying the number of FTE Students times the “Expenditure per Full-time Equivalent Student” and applying the indirect FTE rate percentage.

Non-instructional costs for student support services are determined by multiplying the relative FTE Headcount times the “Expenditure per Full-time Equivalent Student” and applying the indirect FTE rate percentage.

STEP 2: DETERMINE REVENUE DEDUCTION

The E&G costs are supported in part by academic fee revenues from the students; therefore the costs are reduced by a student revenue factor. The Revenue Deduction is defined by CHE as 40% of total E&G costs.

In addition, an amount is deducted for students who pay tuition at the out-of-state student (OOSS) rates. CHE provides the OOSS headcount for each college. The deduction is determined by multiplying the OOSS headcount by the MRR rate per FTE student times the State Funding Rate Percentage.

- The calculation for the MRR Rate per FTE is as follows:
Total E & G Cost minus Revenue Deduction divided by Total FTE
- The calculation for the State Funding Rate Percentage is as follows:
Available Funds divided by Total System MRR Need

STEP 3: DETERMINE STATE BASE SUPPORT NEED

The base support need of the colleges is determined by reducing total E&G cost by the revenue deduction amount. This amount is entered as the System MRR on the Formula Calculation Summary as described below.

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STEP 4: DETERMINE TOTAL MRR ALLOCATION

The MRR produces an estimate of funds required for operations for each college. The MRR amounts may exceed available funding. Therefore, distributions to the colleges are limited to available funding as calculated in the “MRR Funding Formula Calculation Summary” worksheet outlined below.

MRR FUNDING FORMULA CALCULATION SUMMARY

1. The System MRR for each college represents the college’s estimate of actual need.
2. The relative percentage to total appropriations is determined by dividing the available funds, after reduction for Performance Funding, Priority Initiative, and Supplemental Allocation (if applicable), by the Total System MRR.
3. The State Formula Allocation is each college’s pro-rata share of the System MRR based on the relative percentage applied to the available funds after the reduction for Performance Funding, Priority Initiative, and Supplemental Allocation (if applicable).
4. A percentage of change between current and prior year base is determined in order to minimize the impact of any change in funding.
5. The percentage of change is applied to the difference between the current System MRR and the prior year base for each college.
6. The result is added to the prior year base allocation to develop the differential.
7. The Actual Allocation is the average of the State Formula Allocation and the differential.
8. Total Allocation is the sum of the Actual Allocation and applicable Supplemental Funding.

SUPPLEMENTAL ALLOCATION:

Colleges with 3,000 FTEs or less will receive a Supplement. The Supplement will have a straight-line reduction per FTE within a range. The range is defined as the smallest college’s FTEs plus one to 3,000 FTEs.

Example: Smallest College’s FTEs = 511
Supplemental Range = 512 to 3,000

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PERFORMANCE FUNDING:

Performance Funding is allocated to the colleges based on specific measurements as outlined in the Performance Funding Procedure. A certain percentage of State Appropriated Funds is established for the Performance Funding amount. This percentage is subtracted from the total amount of State Appropriated Funds and set aside for distribution to the colleges.

OPERATING ALLOCATION SUMMARY

For this allocation, the total available appropriation to the colleges is classified as follows:

Base Appropriation (Prior Year) + New Appropriations = Total Appropriation

Total Appropriation is subdivided into the following categories:

Priority Initiative – Funds maintained by the System for central projects to benefit all colleges.

Performance Funding – Funds distributed to colleges based on the Performance Funding Allocation Formula.

Supplemental Funding – Funds allocated based on maximum number of FTEs.

Mission Resource Requirement - The balance of total appropriations after reduction of funds for Priority Initiatives, Performance Funding, and Supplemental Funding.

Note: Allocations to the colleges are made in three disbursements. Prior to the third disbursement, workers' compensation and unemployment compensation insurance fees are reconciled and paid.

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ATTACHMENT A – TABLES AND REFERENCES TO SOURCE DATA

South Carolina Technical College System Student to Faculty Ratio Table

N/A

South Carolina Technical College System Economy of Scale Indirect Cost FTE Rate Table

N/A

Southern Regional Education Board (SREB) - Average Faculty Salaries

<https://www.sreb.org/post/average-salaries-full-time-instructional-faculty-public-two-year-colleges-and-technical>

National Center for Education Statistics (NCES) Rates for Academic Support, Institutional Support, and Student Support Services (Expenditure per FTE)

https://nces.ed.gov/programs/digest/d23/tables/dt23_334.10.asp

Commonfund Higher Education Price Index (HEPI) Rate

<https://www.commonfund.org/higher-education-price-index>

Commission on Higher Education (CHE) - Instructional Support Percentages

N/A

Commission on Higher Education (CHE) – Out-of-State Students

N/A