

*Draft policy regarding adjusting NCHEMS-gap allocation model for resident FTE.*

The Commission finds that the allocation of general fund state support to each institution should be based on its total NCHEMS revenue gap (state support and tuition) and its share of resident students.

Adjusting state support based on assumptions about the extent to which each institution should rely on tuition revenue does not justify the complexity of including an explicit “tuition share” model. However, it is appropriate for the Commission and budget policy-makers to consider that the ability of an institution or governing board to raise tuition rates may be limited for various reasons.

The allocation of general funds remaining after the adjustment prescribed in the inflation adjustment policy should be calculated according to each institution’s total revenue gap compared to its peers, adjusted by its share of all resident student FTE according to the most recent student census data.

The Commission believes the governing boards face a continuing need to set tuition and fees to meet operating requirements *and to improve program quality*. The Commission recognizes that institutions with resident tuition below that of their national peers have greater flexibility in this area. *Tuition flexibility is all the more important if the state is not able to make adequate progress in raising state support to levels in parity with peer institutions.*

The Commission also recommends that the legislature provide greater flexibility in tuition spending authority in order to reconcile spending authority *and appropriated funds* with actual COF-eligible enrollment levels at the end of each fiscal year.