

**Purchasing Consortiums and Merging
Community Colleges Could Save
\$26.2 Million Over Seven Years**



**Final Report to the Joint Legislative
Program Evaluation Oversight Committee**

Report Number 2011-04

June 2011



NORTH CAROLINA GENERAL ASSEMBLY
Legislative Services Office

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June 7, 2011

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Representative Julia Howard, Chair, Joint Legislative Program Evaluation Oversight Committee

North Carolina General Assembly
Legislative Building
16 West Jones Street
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Honorable Co-Chairs:

Session Law 2009-451, Section 8.20 directed the Program Evaluation Division to study the most efficient and effective way to administer the local community college system. The legislation also directed the Division to consider the advisability of consolidating community college administration and strategies for ensuring access for students.

I am pleased to report the North Carolina Community College System Office and the Community Colleges cooperated with us fully and were at all times courteous to our evaluators.

Per Session Law 2009-451, Section 8.20, this report was also submitted to the Joint Legislative Education Oversight Committee and the Fiscal Research Division.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Turcotte".

John W. Turcotte
Director



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

June 2011

Report No. 2011-04

Purchasing Consortiums and Merging Community Colleges Could Save \$26.2 Million Over Seven Years

Summary

The General Assembly directed the Program Evaluation Division to study the most efficient and effective way to administer the local community college system and to consider the advisability of consolidating community college administration while ensuring access for students.

North Carolina's 58 community colleges were established to meet community needs, but their independence challenges administrative efficiency. Colleges vary widely in size (from 624 student full-time equivalents (FTE) up to 16,200) and may be located close to one another. They lack common policies, procedures, and administrative structures.

Small colleges have higher administrative costs than larger ones. Estimated administrative costs at the 58 colleges ranged from \$447 to \$1,679 per student FTE in Fiscal Year 2010-11. Analysis revealed colleges with fewer than 3,000 student FTE were significantly more costly to administer (\$983 per student FTE) than larger campuses (\$647 per student FTE).

Merging colleges could reduce costs and increase administrative efficiency. A review of community college structures in other states identified three potential models that could increase efficiency: creating multi-campus colleges by merging smaller colleges; forming regional colleges; or creating a single, centralized system.

North Carolina's community colleges have not taken full advantage of their purchasing power. Colleges are missing out on opportunities to use their combined purchasing power to get better pricing from existing vendors.

The General Assembly should direct the North Carolina Community College System to reduce the number of small colleges by merging colleges with fewer than 3,000 student FTE with another college. Assuming 15 mergers would be phased in and completed by 2018, merging could save up to \$5.1 million in administrative costs annually and up to \$3.5 million in additional savings.

In addition, the General Assembly should direct the North Carolina Community College System to establish a purchasing unit to develop purchasing consortiums for community colleges. Savings of \$1.8 million could be realized over seven years.

If the General Assembly adopts both recommendations, potential cumulative savings after seven years are estimated at \$26.2 million.

Purpose and Scope

The General Assembly directed the Program Evaluation Division to study the most efficient and effective way to administer the local community college system.¹ The legislation also directed the Division to consider the advisability of consolidating community college administration and strategies for ensuring access for students.

For this project, administration was defined as the activities funded from the Institutional Support purpose code, as defined by the North Carolina Community College System's *Accounting Procedures Manual*. These activities include executive management, financial services, general administration, and administrative information services. This project did not consider student support, instruction, or economic development activities.

This evaluation addressed the following research questions:

- How are local community colleges administered and what is the role of the system office?
- Is it feasible and appropriate to consolidate and/or centralize administrative functions while ensuring access to students?
- Are there opportunities for greater coordination within the community college system to ensure administrative effectiveness and efficiency?
- Are there efficiency gains that can be realized by looking at how other state systems are structured administratively?

To conduct this review, the Program Evaluation Division analyzed information from numerous sources. The following data were collected for each college:

- funding and actual expenditures, 2004-05 through 2009-10;
- budgeted full-time equivalent enrollment, 2004-05 through 2010-11;
- actual full-time equivalent enrollment, 2004-05 through 2009-10;
- organizational charts; and
- administrative activities data.

Additional data were gathered from

- surveys of all community college presidents and trustees from 27 colleges;
- site visits to 11 colleges;
- interviews with system office staff, the Chair of the State Board of Community Colleges, and other stakeholders;
- focus group with county managers; and
- information on other state community college administrative structures and activities.

¹ NC Sess. Laws, 2009-451, Section 8.20.

Background

The North Carolina Community College System was formed when two separate, publicly funded systems of post-high school, two-year institutions were merged to reduce costs and ensure access to higher education opportunities for North Carolina's citizens. These two systems—community colleges and industrial education centers—were developed after World War II, when North Carolina's economy began to shift from agricultural to industrial, creating the need for skilled workers.

Before the merger, the need for two separate systems was evaluated in 1961. Governor Sanford appointed the Governor's Commission on Education Beyond the High School (often referred to as the Carlyle Commission) to study the state's system of post-secondary education and address the number of students attending higher-education institutions.

The commission made 61 recommendations including the merger of community colleges and industrial education centers under the State Board of Education.² Many of the principles of North Carolina's community colleges were established in the Carlyle report such as

- a reasonable service area for a college is a 45-minute commute or 30 road miles;
- local communities should provide funding to colleges; and
- colleges should have an open-door admissions policy.

The General Assembly passed the Community College Act of 1963,³ which incorporated essentially all of the commission's recommendations. The legislation established the Department of Community Colleges and tasked it with the establishment, organization, and administration of the community colleges, which would offer two-year college transfer, technical, vocational, and adult educational programs.⁴ When this legislation passed, there were 20 industrial education centers, 6 community colleges, and 5 extension units.

The community college system grew rapidly after the passage of the Community College Act of 1963. Since 1978, there have been 58 colleges spread across the state (see Exhibit 1 and Appendix A for more information on each college). In 2010-11, colleges received funds to serve 243,854 budgeted student full-time equivalents (FTE).⁵ The student FTE varies from 624 at Pamlico Community College to 16,200 at Central Piedmont Community College (the median size of colleges is 3,121 student FTE). The number of student FTE systemwide has increased by 21% since 2007-08.

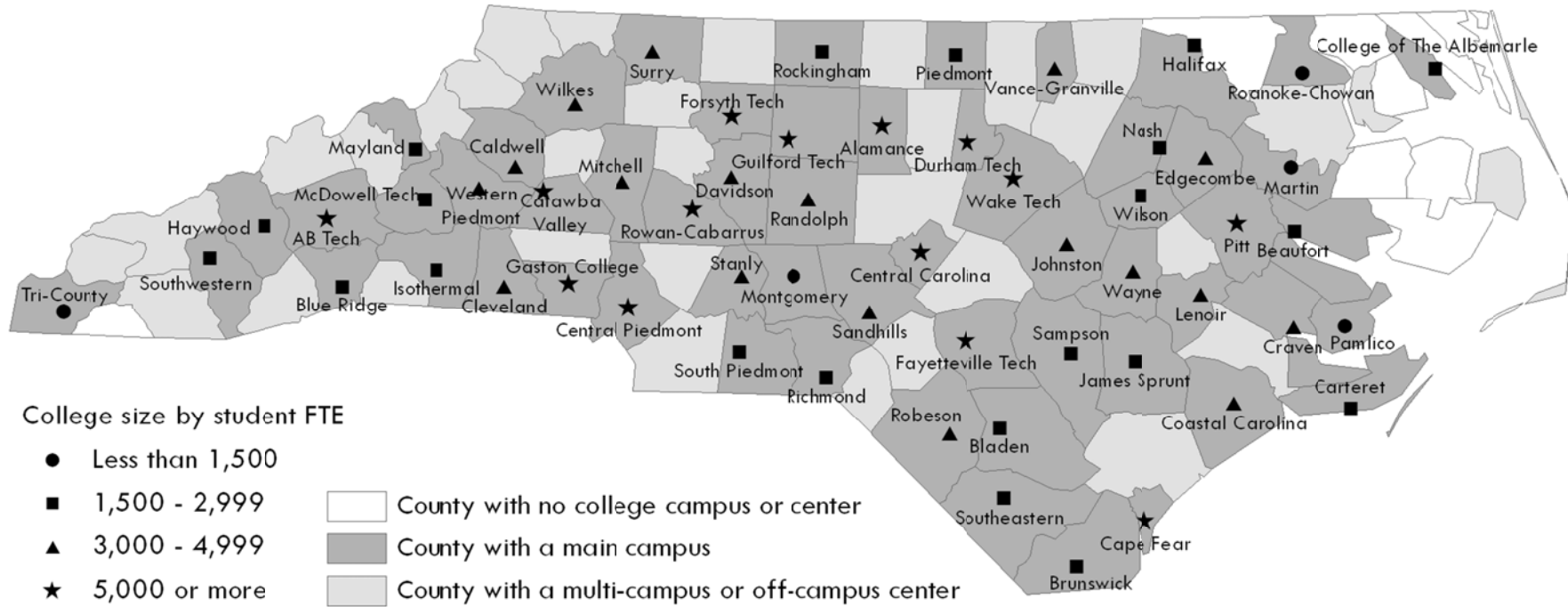
² In 1979 the General Assembly created a separate oversight board for the community colleges, the State Board of Community Colleges.

³ NC Gen. Stat. § 115D (originally NC Gen. Stat. § 115A).

⁴ The General Assembly changed the name from the Department of Community Colleges to the North Carolina Community College System in 1999.

⁵ FTE data used throughout this report are budgeted student FTE, which equals the average of the past three years or the latest year, whichever is greater.

Exhibit 1: Location of North Carolina's 58 Community Colleges



Source: Program Evaluation Division based on college location and enrollment data from the North Carolina Community College System.

Colleges serve students at several different types of locations: main campuses, multi-campus sites, and off-campus centers. The number and location of these different sites varies by college. Exhibit 1 shows which counties have main campuses (shaded dark gray) and which ones have multi-campus sites or off-campus centers (shaded light gray).

Of the 58 institutions, 20 are multi-campus colleges; in addition to the main campus, other locations within the service area provide access to students. These satellite campuses must provide students the opportunity to complete at least one associate's degree at each campus and have comprehensive instructional support functions including libraries and student development services based on accreditation requirements. These campuses usually have a small administrative staff on site. Currently, there are 33 approved multi-campus sites.⁶ Many colleges have off-campus centers—additional locations where students take classes but that typically do not have administrative staff on site. There are 71 off-campus centers. In all, there are 162 campuses and off-campus centers located in 91 counties in the community college system.

Today, the mission of the North Carolina Community College System is to open the door to high-quality, accessible educational opportunities that minimize barriers to post-secondary education, maximize student success, develop a globally and multi-culturally competent workforce, and improve the lives and well-being of individuals by providing

- education, training, and retraining for the workforce, including basic skills and literacy education, occupational, and pre-baccalaureate programs;
- support for economic development through services to and in partnership with businesses and industry and in collaboration with the University of North Carolina System and private colleges and universities; and
- service to communities and individuals, which improve the quality of life.⁷

Funding for community colleges is provided from federal, state, local, and student sources. In 2010-11, 55% of funding came from the General Fund, 27% from counties, 17% from tuition, and 1% from the federal government (see Exhibit 2).⁸

The amount of funding provided by the state is determined by the General Assembly and allocated to colleges based on funding formulas. These formulas determine the amount of money each college receives for operations, instruction and training, student support, equipment, and special programs. Institutional support is calculated as part of the funds allocated for operations and provides salaries, benefits, and other costs related to the management and administration of the institution, student support, and academic program support. In Fiscal Year 2010-11, each college received a base of \$2,056,736 designed to fund 9 administrative and 21 instructional support positions. An additional \$1,663 per student FTE above

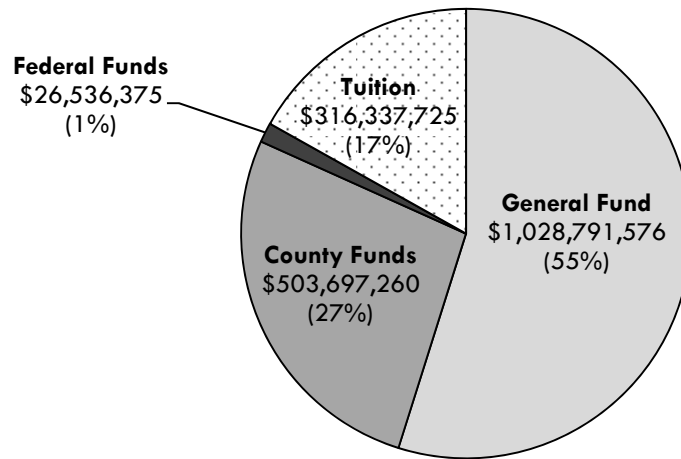
⁶ A northwestern campus of Guilford Technical Community College has been approved and is scheduled to open in 2012.

⁷ This working mission of the Community College System is derived from the statutory mission (NC Gen. Stat. § 115D-1).

⁸ Funding includes capital outlay.

750 was provided to support administrative activities based on college size.

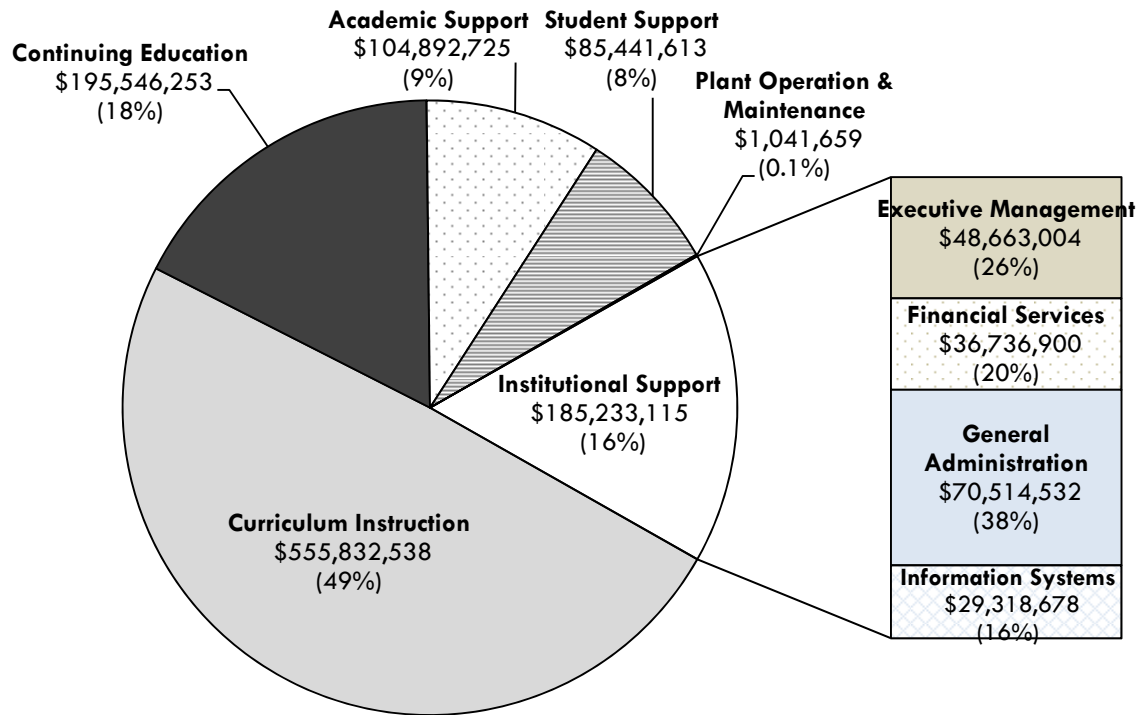
Exhibit 2: Community College Funding from All Sources, FY 2010-11



Source: Program Evaluation Division based on data from the North Carolina Community College System.

Colleges must account for the expenditure of state funds (which includes General Fund, federal funds, and tuition) in six broad categories: institutional support, curriculum instruction, continuing education, academic support, student support, and plant operations and maintenance. This evaluation focused on institutional support expenditures, which include executive management, financial services, general administration, and administrative information systems. In Fiscal Year 2009-10, community college expenditures for institutional support accounted for 16% of total state expenditures (see Exhibit 3).

Exhibit 3: State Expenditures by Category for North Carolina Community Colleges, FY 2009-10



Note: Information systems expenditures are for administrative functions.

Source: Program Evaluation Division based on expenditure data from the North Carolina Community College System.

Legislation directing this evaluation stated a clear focus on administrative functions and efficiency. A 2003 report⁹ by the education consulting group MGT of America, Inc. was directed¹⁰ to examine community college funding. One purpose of the report was to examine the belief that

the funding strategy, which in effect provides more funding to smaller colleges on a per-student basis than to larger colleges, serves to perpetuate a perceived problem of having too many colleges that are too small to operate efficiently.

The report noted “the relatively large number of smaller institutions results in reduced efficiency gained from economies of scale possible with larger institutions and typical of other state systems.” The report concluded that, despite the potential for administrative efficiencies, consolidation of the three smallest colleges might not be feasible and no consolidations resulted from this analysis. However, the report urged college administrators to explore options for consolidation and emphasized potential savings associated with administrative coordination.

Pressure to identify ways to stretch funding to pay for community colleges is apparent across the country. For example, a Pew Center on the States publication noted schools across the country are losing funding even as

⁹ MGT of America, Inc. (2003, June). *Analysis of Organization, Structure, and Funding of Instructional and Administrative Support in the North Carolina Community College System*. Report to Joint Legislative Education Oversight Committee and the State Board of Community Colleges. Raleigh, NC: General Assembly.

¹⁰ 2002 NC Sess. Laws, 2002-126, Section 8.7(a).

enrollment increases dramatically.¹¹ Administrative activities offer a potential source of savings. For example, facing a tough 2010 budget season, Mississippi Governor Haley Barbour observed, “there is no reason for each of the 15 community and junior colleges to have its own ‘back office’ operation, such as payroll, insurance, and purchasing.” Similarly, in a 2010 review of the state college and university system office, Minnesota legislative auditors identified opportunities for efficiencies through reconfiguring administrative services.

It may be argued that administrative costs for North Carolina’s community colleges should not be questioned because they are low. For example, community college institutional support expenditures in Fiscal Year 2009-10 were \$856 per student FTE as compared with \$1,781 for the University of North Carolina system. However, data reported for North Carolina in the MGT of America report and for other states suggest there may be opportunities to improve efficiency. Examining administrative functions is timely, particularly in light of tight budgets and soaring enrollment at North Carolina’s community colleges.

Findings

Finding 1. North Carolina’s 58 community colleges were purposefully established to meet community needs, but their independence challenges administrative efficiency.

North Carolina’s community colleges were established without a statewide plan. In 1963, the Governor’s Commission on Education Beyond the High School reported the number of people seeking higher education would exceed the present capacity and these needs should be met by expanding two-year public colleges.¹² The commission reported an urgent need to create new colleges, recommending the establishment of 15 within two years. Colleges were established based on a determination of unmet local need, availability of local financial support that would not adversely affect public schools, and available state financial support. As a result, the number of colleges increased dramatically in a short period of time.

Colleges, then, were established based on local needs and interests; there was no statewide plan to determine the most strategic placement of colleges to ensure even distribution across the state. The effect of this history is evident today: college service areas vary from one county to as many as seven. Further, in many cases, the size of the service area is much smaller than the 30 miles recommended in the Carlyle report. Exhibit 4 shows a 30-mile buffer around each main campus, demonstrating how close many colleges are to others.¹³ Only 7 colleges do not have another college within 30 miles of the main campus.¹⁴ The rationale for establishing colleges was to meet local needs, but statewide planning was absent.

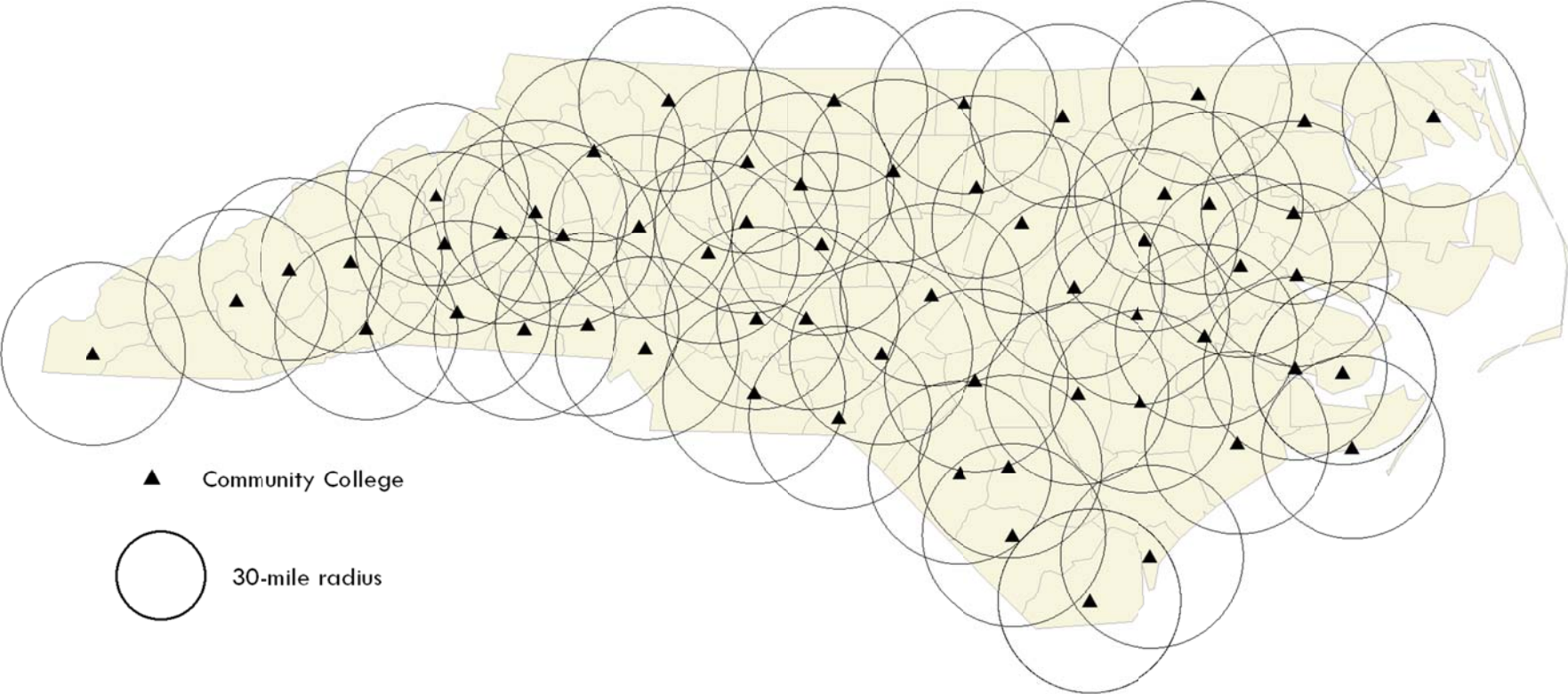
¹¹ Harrison, D. (2011, April 11). As enrollments soar and state aid vanishes, community colleges reconsider their role. *Stateline*. Retrieved April 14, 2011 from <http://www.stateline.org/live/details/story?contentId=566289>.

¹² Governor’s Commission on Education Beyond the High School. (1962, August). *The Report of The Governor’s Commission on Education Beyond the High School*. Report to Governor Sanford. Raleigh, NC.

¹³ Buffers were drawn based on a 30-mile radius from the main campus and are not based on driving distances.

¹⁴ The colleges that do not have another college within 30 miles are Coastal Carolina, College of the Albemarle, Fayetteville Tech, Halifax, Roanoke-Chowan, Tri-County, and Vance-Granville.

Exhibit 4: 30-Mile Radius around North Carolina Community Colleges

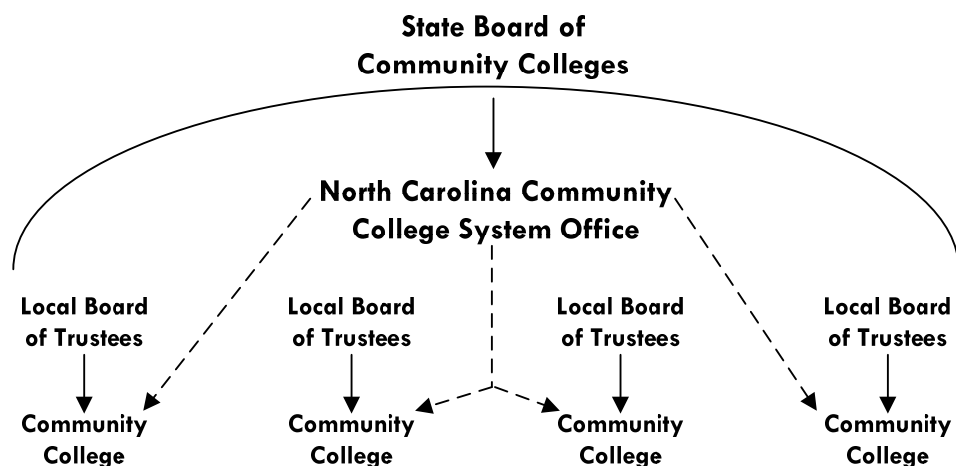


Source: Program Evaluation Division based on location of main campuses of community colleges.

North Carolina’s community colleges were established as quasi-independent entities. The State Board of Community Colleges is responsible for the overall governance of the system, but local control of colleges is vested in local boards of trustees, as described in the Community College Act of 1963. The governing bodies of the community college system are defined below and shown in Exhibit 5.

- **The State Board of Community Colleges** is the governing authority of the North Carolina Community College System. It oversees the system office and has the authority to adopt policies, regulations, and standards to ensure the quality of educational programs; promote systematic meeting of educational needs; and provide for equitable distribution of state and federal funds.
- **The North Carolina Community College System Office** is the administrative arm of the State Board and serves as a resource to the colleges. The system office provides technical assistance and consultation on state and federal law; ensures the equitable and fair distribution of funds; provides support services to some academic programs; provides technical assistance to colleges developing and implementing curriculums; and provides other services that would be difficult for an individual institution to complete, such as statewide data collection and reporting.
- **Local Boards of Trustees** set local policies and oversee college operations. The board is responsible for selecting a president; hiring and firing all other personnel; applying the standards and regulations for admission and graduation set by the State Board; purchasing and/or leasing land and equipment; and adopting and enforcing rules, regulations, and bylaws for the operation of the institution.

Exhibit 5
Current Structure of the
Community College
System



Note: Solid lines denote direct oversight; dashed lines denote indirect oversight.

Source: Program Evaluation Division based on interviews with system administrators.

Local origins and strong local control contribute to how deeply embedded community colleges are in their communities. In survey responses, college presidents stated their college’s administrative structure provides strong community connections and involvement. One president of a small rural college commented the community depends on the college for many resources: “We are the hub that holds it all together.” Several

presidents commented on their college's ability to respond to local needs, including those of business, industry, students, and economic development. Colleges may have connections to local industries as workforce training providers; some locations offer specialized classes tailored to local job markets, such as livestock technology at Sampson Community College or winemaking at Surry Community College.

Two organizational factors further contribute to the sense of embeddedness. Local Boards of Trustees are comprised of members who are committed to and enthusiastic about their college. A local funding requirement also contributes to the sense of local ownership.¹⁵

Local control of community colleges results in different organizational structures, pay scales, policies, and procedures across the 58 colleges.

Each college determines the number, type, organizational structure, and staff salaries needed to meet the administrative needs of the institution. Because these decisions are local and not based on any statewide standards, there are 58 different organizational charts. Although each college is required to appoint a president, colleges vary as to how the position is funded. Most counties provide a salary supplement to the president ranging from \$4,992 to \$154,896; five presidents do not receive a local supplement at all.

Below the level of president there is wide variation in administrative structures.

- Financial services may be the responsibility of the vice president of administrative services, vice president of finance, comptroller, or business office chief financial officer.
- Information management responsibilities vary from a management-level chief information officer or vice president of business and institutional services to an associate dean of technology.
- The research and planning function can be found under the vice president of academic affairs, vice president for administration, and in one college with five vice presidents, it is the responsibility of the vice president of college advancement.

Whereas organizational structures at each college were presumably created to meet local needs, the lack of consistency can hinder cross-campus efforts. For example, an administrator at the system office wanted to form a group of chief information officers from each of the colleges. However, the effort was complicated when system office staff could not readily identify the appropriate person to contact at each college.

Organizational differences across colleges in turn create inconsistencies and redundancies in administrative activities.

The high level of local control that allows colleges leeway in how they implement administrative structures and activities is staunchly supported by college administrators, but it reduces the efficiency of the colleges and the system office. Back-office functions—administrative activities that do not necessarily require face-to-face interactions, such as payroll or receiving—are performed at every college, resulting in 58 iterations of each activity.

¹⁵ Local funding is provided by the local tax-levying authority per NC Gen. Stat. § 115D-32.

For example, one of the challenges reported by college staff was the number of reports necessary to meet state, federal, and other requirements. This large number of reports is multiplied because 58 colleges must compile the information. To further complicate the matter, many colleges reported problems with the electronic system used to pull the information for these reports. As a result many colleges needed assistance from the system office, which is then overwhelmed with help-desk calls.

In summary, each community college was founded to meet local needs, but the lack of a statewide strategy to guide the number and placement of colleges has resulted in the proliferation of independent entities. Further, the relatively limited role of the system office in administrative activities has resulted in a collection of colleges that perform the same activities, but each in their own way.

Finding 2. Small colleges have higher administrative costs per student full-time equivalent than larger ones.

To examine administrative costs, the Program Evaluation Division collected information from all community colleges on administrative activities performed by college employees or through contracts funded in the institutional support purpose code. These activities included back-office functions such as administration, human resources, financial services, public information, planning, and information technology. Colleges were asked to report estimated administrative costs for Fiscal Year 2010-11 for these activities from all sources (state, local, and institutional). Data provided by the colleges consisted of the proportion of time each administrative employee worked in 42 different administrative activities; employee salaries and benefits; and contract costs for services in these areas. This information was used to calculate costs for each administrative activity.

Administrative activity costs were then divided by budgeted student full-time equivalent (FTE) for Fiscal Year 2010-11 to generate the administrative services cost per student FTE for each college.¹⁶ These analyses revealed wide variation between colleges, ranging from \$447 to \$1,679 per student FTE.¹⁷

Estimated administrative costs per student FTE at each college were significantly associated with college size as measured by the number of student FTE. To further examine whether or not specific types of administrative activities were driving this association, each activity type—such as human resources or information technology—was examined independently. Results indicated no single administrative activity drove the association. College size, then, determined total administrative cost: larger

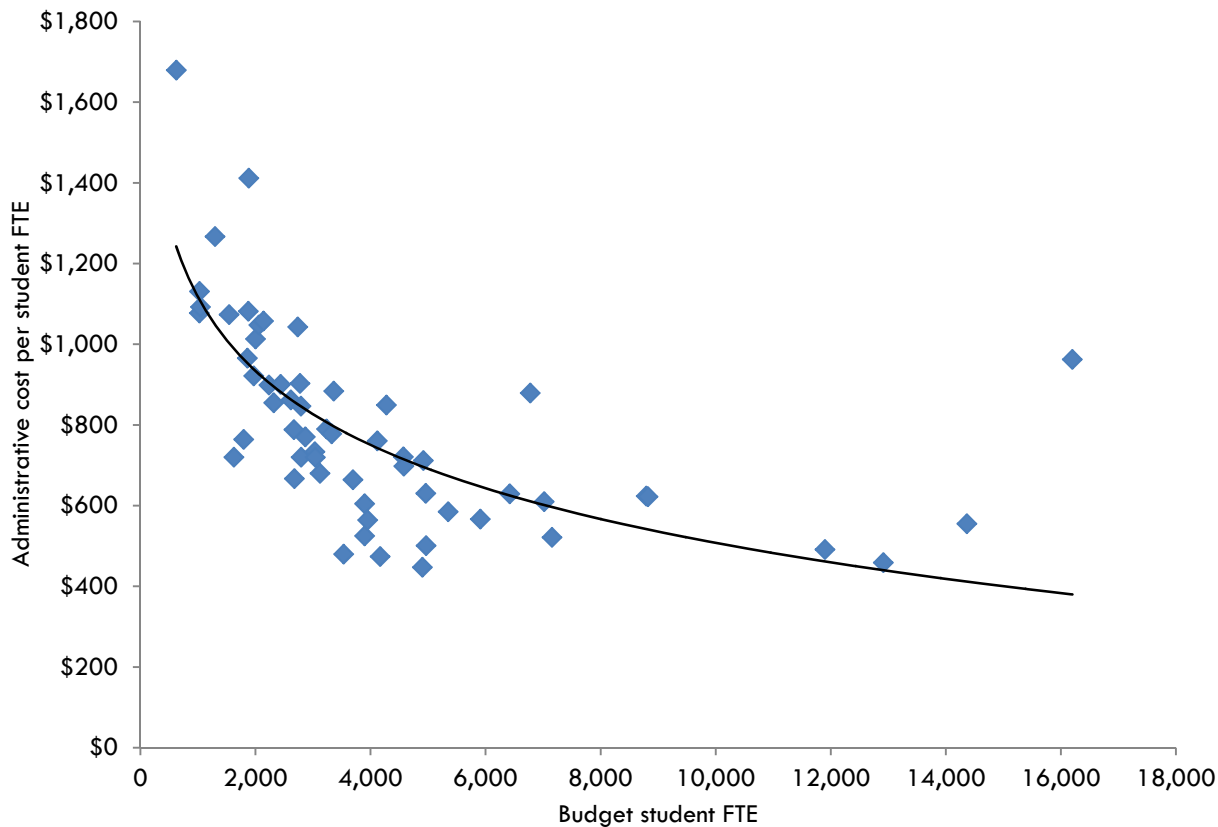
¹⁶ Cost data may reflect variability in how colleges allocate and expend funding for administrative activities. They may transfer funds between institutional support and other expenditure categories; conversely, administrative activities may be funded through purpose codes other than the 100-level codes reported in this evaluation. The amount of funding available to colleges also varies because some colleges receive more county funding than others. Finally, some colleges reported staff turnover, which may affect costs depending on the proportion of staff comprised of new, lower-salaried administrative members.

¹⁷ Cost per student FTE is a widely accepted measure of higher-education efficiency. It was used by Georgia Technical College System to analyze administrative efficiencies when selecting colleges to merge in 2009.

colleges had lower administrative costs per student FTE than smaller colleges.

The relationship between college size and administrative cost is shown in Exhibit 6. In the graph, each individual college is represented by a diamond plotted as a function of the number of budgeted student FTE in Fiscal Year 2010-11 (horizontal axis) and the cost of administrative activities for that same year (vertical axis). The curved line illustrates the trend across colleges: administrative costs were higher at colleges with lower student FTE, then level out as colleges become larger (that is, as the line moves to the right of the graph). In other words, administrative costs decreased as student FTE increased.

Exhibit 6: Administrative Cost per Student FTE Decreases as Student FTE Increases



Source: Program Evaluation Division based on administrative activities data reported by the community colleges.

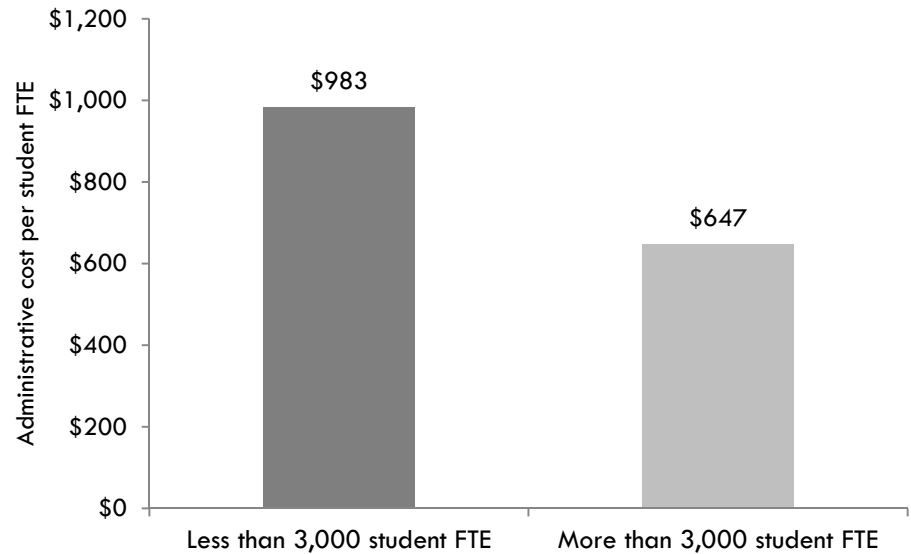
These data demonstrate the association between college size and cost, but they do not reveal the college size needed to become relatively more efficient. To further explore this issue, the Program Evaluation Division examined the point at which the size of the college gains efficiency. Results of cluster analyses suggested two groups: colleges with fewer than 3,000 FTE and those with more than 3,000 FTE.¹⁸ These two groups are represented by the two bars in Exhibit 7, where average administrative

¹⁸ The 3,000 threshold was upheld when analysis was based on three and four groups.

cost per student FTE among colleges with less than 3,000 FTE was \$983, as compared with \$647 at larger institutions (see Exhibit 7).¹⁹

Exhibit 7

Average Administrative Cost per Student FTE for Colleges Above and Below 3,000 Student FTE



Source: Program Evaluation Division based on administrative activities data reported by the community colleges.

Together, this analysis shows college size, as measured by the number of student FTE, was significantly associated with administrative cost per student FTE: the smaller the school, the higher the cost per student.²⁰ No single administrative function was responsible for this correlation, and college size was the determining factor driving cost. The analysis found colleges with more than 3,000 student FTE were significantly more efficient than those with fewer, suggesting larger colleges benefitted from economies of scale.

Finding 3. Community colleges are not taking advantage of existing purchasing consortiums or opportunities to collaborate to purchase products and services for higher-education institutions.

Community colleges are missing out on opportunities to use their combined purchasing power to get better pricing from existing vendors. The total budgeted student full-time equivalent (FTE) for all community colleges was 243,854 FTE in Fiscal Year 2010-11. Despite the purchasing power of the community college system, the colleges do not routinely work together to get discount pricing for goods and services. Although state contracts offer volume pricing on common purchases such as office supplies and furniture (community colleges are required to use state contracts to purchase all supplies, equipment, and materials),²¹ products specific to the

¹⁹ Group means were significantly different at $p < .0001$.

²⁰ This same pattern of results was replicated when the analysis was conducted using actual state expenditure data reported by the North Carolina Community College System Office.

²¹ NC Gen. Stat. § 115D-58.5(b). Community colleges are exempt from state contracts for all printing and services and for all acquisitions which involve solely a rental or lease. N.C. Gen. Stat § 115D-58.14(a) and (a1) grants colleges some flexibility under certain conditions.

needs of higher education institutions are not covered. The following three examples illustrate missed opportunities.

Example One: Testing materials. Community colleges purchase skills assessment tests from ACT and the College Board, but these items are not available on state contract. Currently, 40 of the 58 colleges purchase college placement tests from ACT, but there is no statewide purchasing agreement in place to allow colleges to reduce their costs for these tests. In 2010, community colleges ordered 235,000 assessment tests, the second largest number of units among southeastern states. Yet, North Carolina is the only state in the southeast that does not have a statewide purchasing agreement with ACT.²² Collectively, community colleges must order at least 175,000 units to get discount pricing from \$1.66 per test to \$1.21 per test—a savings of 45 cents per test. Exhibit 8 shows the potential cost savings to community colleges under a statewide purchasing agreement.

Exhibit 8

North Carolina Community Colleges Could Save Money With a Statewide Purchasing Agreement for ACT Tests

	Cost Per Test	Number of Units	Total Cost
Regular price per college	\$ 1.66	235,000	\$ 390,100
Price with statewide purchasing agreement	\$ 1.21	235,000	\$ 284,350
Potential cost savings			\$ 105,750

Source: Program Evaluation Division based on interviews with ACT.

Example Two: Software support. Community colleges duplicate efforts to obtain support for upgrading and troubleshooting Datatel software. The North Carolina Community College System office has dedicated staff to provide subject matter expertise, technical support, and training to colleges for the software, but they are inadequately staffed to respond to the volume of requests. As a result, some colleges have hired contractors to assist with upgrades and fixes and to help colleges use the software more efficiently. In 2009-10, 22 colleges reported at least 29 different contracts with four different vendors with Datatel expertise for a total cost of \$336,447.

Example Three: General purchasing. Savings opportunities offered by the National Association of Educational Procurement, a professional association of higher education purchasing officers, offers member institutions access to its not-for-profit buying cooperative, Education and Institutional Cooperative Purchasing. Colleges, universities, K-12 schools, hospitals, medical research institutions, and hospital purchasing organizations may join the cooperative for a \$5 fee in addition to their annual membership dues. The membership fee is based on FTE—ranging from \$440 to \$2,980 annually—and would cost North Carolina's community colleges less than \$1,000 per year. However, only nine community colleges participate in this

²² Alabama, Georgia, Kentucky, Tennessee, South Carolina, and Virginia have negotiated a statewide purchasing rate with ACT; Mississippi is pursuing a similar agreement.

purchasing cooperative compared to all 16 campuses of the University of North Carolina system.²³

Purchasing consortiums (also known as collaborative purchasing) allow independent entities to achieve economies of scale. Consortiums are formed when two or more independent organizations join together, formally or informally, or through an independent third-party, to procure goods, services, supplies, or technology and leverage their combined requirements to secure better pricing or a higher level of service than could be purchased individually. The Center for College Affordability identified collaborative purchasing as one way to reduce college costs. According to their report, the benefits of purchasing consortiums include

- greater efficiency in the procurement of goods and services;
- cost savings associated with economies of scale;
- increased buying power; and
- a reduction in information and transaction costs.

Collaborative purchasing at community colleges has been limited by the funds available to the North Carolina Community College System office and the lack of dedicated purchasing staff. The North Carolina Community College System manages several system-level contracts on behalf of community colleges. Some examples include contracts with the following companies:

- Sirsi-Dynix for integrated library system services for 46 of the 58 colleges;
- Datatel for software licensing, maintenance, and technical support of the enterprise resource planning platform with all 58 colleges; and
- MCNC for a subscription to the North Carolina Research and Education Network and broadband connectivity for all 58 colleges.

Although these agreements have resulted in cost savings for community colleges, the contracts are paid by the system and thus are limited by the level of funding available. Further, the system office does not have dedicated staff to focus on purchasing goods and services to benefit community colleges. Existing system-level contracts are managed by high-level staff with other responsibilities.

Without system-level funding or dedicated purchasing staff, some colleges have taken the initiative to collaborate on specific purchases. The North Carolina Community College Student Development Personnel Association formed an ad-hoc working group to select a vendor to provide job-posting services because the system office did not have funding for a contract to provide this service to all community colleges. In the fall of 2009, the colleges decided to pay for the software individually and formed a committee to select an appropriate vendor. The system office was indirectly involved in this process by coordinating the informational webinar and participating in product demonstration meetings.

The ad-hoc group has negotiated an agreement with a vendor who will provide each college the flexibility to select the price point and features it

²³ The participating community colleges are Cape Fear, Central Carolina, Central Piedmont, Nash, Pitt, Richmond, Vance-Granville, Wilkes, and Wilson.

needs. The consortium agreement will provide a higher level of service for colleges that did not have job-posting services previously and also will save money for colleges that had their own contracts. For example, Central Piedmont Community College paid \$5,000 for these services; with the new pricing, the college's costs will go down to \$3,000 a year—a savings of \$2,000 annually.

The University of North Carolina system uses coordinated technology management to improve efficiency and achieve cost savings. Since 2000-01, University of North Carolina General Administration has coordinated and collaborated with participating campuses in centralizing hardware, software, and licensing. These system-level agreements capitalize on economies of scale from volume purchasing, alleviate the workload on individual campuses, and reduce the duplication of effort for contract negotiation. Whereas these agreements are not purchasing agreements, they do establish the terms and conditions under which the campuses may choose to do business. Each campus has the option to participate in agreements that meet their needs and fall within their purchasing delegation authority.

University of North Carolina General Administration has dedicated staff to provide coordinated technology management for the 16 campuses. The system's Shared Services Alliance Division is responsible for 41 system-level agreements for various technology products and services and works with the Office of Information Technology Services under a memorandum of understanding to ensure consistency in procurement rules.²⁴ Having dedicated staff for coordinated technology management allows the University of North Carolina system to identify common technology products used by campuses. When campuses use a particular software solution, the division contacts the vendor to negotiate better pricing and/or an improved level of service. For example, the division negotiated a licensing agreement for a statistical software package that includes the campus site license as well as faculty and student home use of the software. The license agreement was based on the combined student population of the University of North Carolina campuses and is available to all faculty and students. In Fiscal Year 2010-11, this agreement cost the system \$75,566 compared to \$350,147, the total cost of the software if the campuses had separate contracts with the vendor—a savings of \$274,581.

Public and private higher-education institutions in other states use purchasing consortiums. The Program Evaluation Division identified several examples of purchasing consortiums among other state college and university systems as well as among private, independent institutions. These collaborative agreements include the following characteristics:

- use the combined purchasing power of member institutions to purchase goods and services at a discount;
- allow institutions the flexibility to choose to participate in collaborative agreements; and
- provide centralized contract management to reduce duplication of effort that would be done at each college and university.

²⁴ NC Gen. Stat. § 143B-472.66 exempts the constituent institutions of the University of North Carolina from the authority of the Office of Information Technology Services.

Exhibit 9 summarizes the structure of these consortiums.

Higher education purchasing consortiums have resulted in cost savings for participating institutions. The University of Texas System implemented cooperative contracting and purchasing and reported savings of \$429.6 million between 2006 and 2010 for health institutions, libraries, campus administrative software systems, and other systemwide agreements. The Kentucky Community and Technical College System negotiates most contracts at the systemwide level and reported cost savings of at least \$100,000 for financial aid disbursement services and \$45,000 for the production of 1098T tax filings. In 2009, the Wisconsin Association of Independent Colleges and Universities negotiated a contract with a large office supplies retail chain that saved participating colleges a total of \$9 million.

Although collaborative purchasing arrangements offer community colleges an opportunity for cost savings, they are not without their limitations. These agreements may reduce the flexibility with which colleges can purchase preferred goods or services, reduce the opportunity for customization for some goods and services, and be restricted by state purchasing rules.

Exhibit 9: Examples of Purchasing Consortiums and Collaborative Purchasing in Other States

State Organization	Member Institutions	Description	Purchasing Agreement Example
Kentucky Community and Technical College System	16 community and technical colleges	<ul style="list-style-type: none"> The system office is responsible for procurement of all goods and services according to the Kentucky Model Procurement Code (KRS 45A) Most contracts are systemwide 	In 2009-10, the system saved an excess of \$100,000 for a contract for student financial aid disbursement
North Carolina Association of Independent Colleges and Universities	36 private colleges and universities	<ul style="list-style-type: none"> 24 collaborative agreements for campus safety, technology, student services, procurement, tuition exchange, tuition payment plan, insurance, compliance, and facilities Association retains a modest amount to defray administrative costs for some agreements Member institutions have option to participate in agreements and purchase items on state contract 	The Association's Microsoft Campus Agreement provides participating colleges with Level B pricing for Microsoft products, which requires at least 3,000 faculty/staff full-time equivalent employees
Inter-University Council Purchasing Group of Ohio	36 institutions made up of the 14 state universities, 14 community colleges, and 8 technical colleges and institutes that receive state appropriated funds	<ul style="list-style-type: none"> 29 price agreements ranging from dormitory mattresses to computers Makes every effort not to duplicate or conflict with State of Ohio contracts Vendors have the option to extend pricing to private colleges and universities Member institutions have option to participate in agreements 	In 2009, the group coordinated the effort to establish a single purchasing card agreement for the University System of Ohio
Association of Independent Colleges and Universities of Pennsylvania	87 private colleges and universities	<ul style="list-style-type: none"> 27 price agreements for finance, environmental compliance, computer technology, employee benefits, telecommunications, and procurement Member institutions have option to participate in agreements 	In Fiscal Year 2009-10, half of the participating association members reduced their electricity bill by 10% or more, saving over \$2.5 million total
University of Texas System	9 public universities and 6 health institutions	<ul style="list-style-type: none"> Cooperative contracting and purchasing was an efficiency initiative implemented by the system 	Between 2006 and 2010, the system saved \$22.4 million from a site license agreement with Oracle
Wisconsin Association of Independent Colleges and Universities	20 private colleges and universities	<ul style="list-style-type: none"> 34 procurement contracts Most agreements are exclusive agreements with vendors to ensure the best price A cross-section of colleges serve on a three to five member taskforce for each collaborative program to review bids and recommend a vendor Member institutions have option to participate in agreements 	In 2009, the Association's contract with Staples saved participating colleges a total of \$9 million

Source: Program Evaluation Division based on review of documents and correspondence with other states.

Finding 4. Merging colleges could reduce costs systemwide and increase administrative efficiency.

Since its inception in 1963, the North Carolina Community College System has grown to 58 colleges. When asked about merging colleges, several administrators interviewed for this evaluation noted if the system were designed now it would not have as many institutions. Indeed, mergers in higher education across the nation are not a new phenomenon—higher education systems in other states have adopted mergers, and they may become more frequent as systems grapple with cost reduction.

Legislation directing this evaluation required consideration of consolidation. Based on a review of community college structures in other states, the Program Evaluation Division identified three merger options that could improve the efficiency of community college administration without affecting student access:

- reduce the number of community colleges by creating multi-campus colleges;
- create a regional system of community colleges; and
- centralize all community colleges in North Carolina.

These approaches have common benefits and challenges. The biggest benefit is increased administrative efficiency and reduced cost. Larger colleges also could benefit students by providing access to more programs and courses.

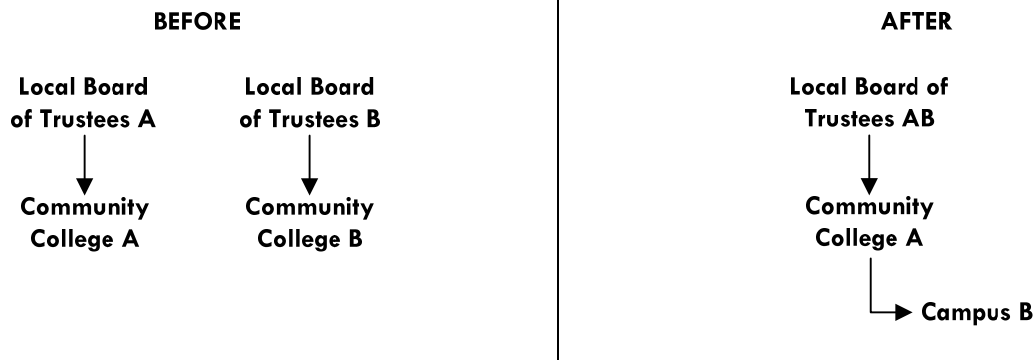
Multi-Campus Colleges

Creating multi-campus colleges would create economies of scale and reduce administrative costs. Multi-campus colleges could be created by merging the administrations of two or more colleges that are located in close proximity to each other. Program Evaluation Division analysis showed administrative costs are higher at small colleges than at larger ones; currently, there are 26 small colleges, defined by the Program Evaluation Division as those with fewer than 3,000 student full-time equivalent (FTE).

To create a multi-campus college, the administration of one college would merge with the administration of another college to create one administration (see Exhibit 10). One college would be designated as the main campus and the other would become a satellite campus. There would be no change in the locations where classes are held—what would change is the number of administrators.

This structure mirrors current multi-campus colleges in the system. There are already 20 multi-campus colleges in the North Carolina Community College system. These multi-campus colleges have 33 approved satellite campuses, some of which are in the same county as the main campus and others are located in other counties in the service area.

Exhibit 10: Multi-Campus Colleges



Note: Solid lines denote direct oversight.

Source: Program Evaluation Division.

The multi-campus colleges resulting from mergers would have one board of trustees and one president who would govern and oversee the main campus and all satellite campuses. The president would be located at the main campus, and the satellite campus would have a high-level administrator to oversee the operations of that campus. Community college administrators and county managers interviewed for this project mentioned the importance of having a top administrator at each campus who is from the local area, can advocate for the campus, and will ensure that it is meeting the needs of the local community.

Staff at existing multi-campus colleges noted the state saved money by having the campus exist as part of a college. These savings are found in the efficiency gained from having administrative activities performed at the main campus and limited staff at the satellite campus. Specifically, accounting, purchasing, and personnel were areas that were located only on the main campus.

One example of merging smaller institutions to achieve economies of scale can be found in Georgia. The Technical College System of Georgia implemented an administrative merger to consolidate 33 colleges into 26 colleges, with two additional mergers planned for 2011. Based on data showing higher administrative costs at smaller colleges, the system's smallest colleges, as measured by student FTE, were selected to merge. Cost savings were attributed to reduction in redundant upper-level administrative positions.

Regional Colleges

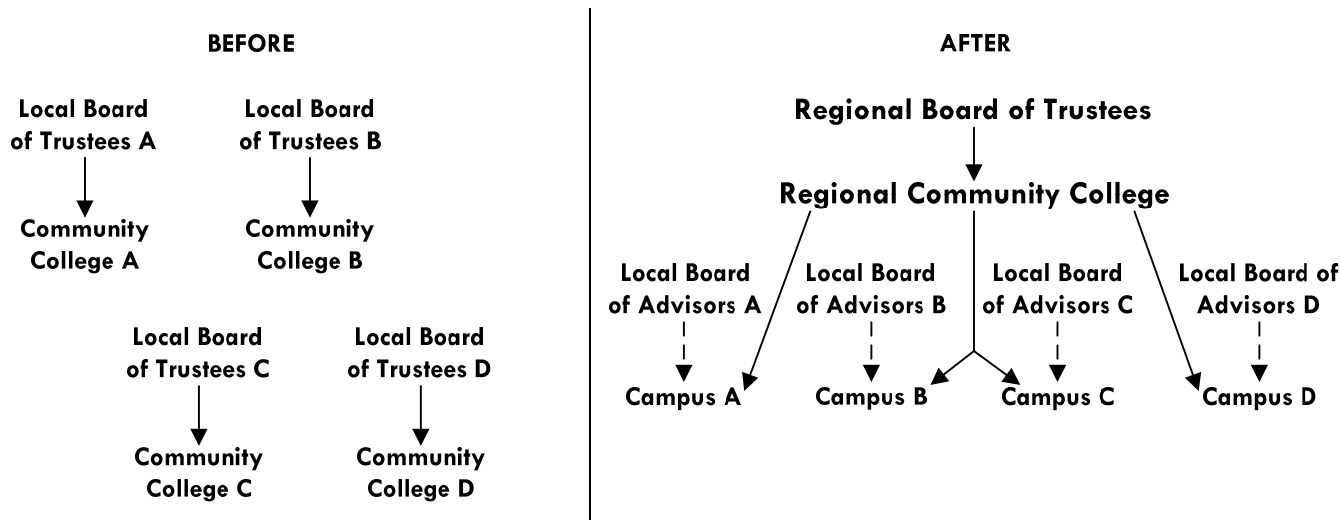
A system of regional colleges could reduce administrative inefficiencies.

A regional system would have one college in each of the defined regions with many campuses spread throughout that region. One basis for forming regional colleges is the geographic area of the existing seven economic development partnerships. Using these regions would allow the community colleges to more closely align colleges with economic development entities.

A regional college would have one board of trustees and one chancellor who would govern and oversee all campuses (see Exhibit 11). The chancellor would be located at the main campus and a majority of administrative activities would be performed at this location. The other

colleges in the region would become satellite campuses of the regional college and each would be overseen by a provost. Each campus would have a local board of advisors that would advise on the local needs of each campus.

Exhibit 11: Regional System of Community Colleges



Note: Solid lines denote direct oversight; dashed lines denote indirect oversight.

Source: Program Evaluation Division.

A regional college system could reduce some of the administrative inefficiencies that exist because there are 58 colleges. For example, instead of 58 colleges submitting monthly reports to the system office, only 7 colleges would be submitting information if the colleges were reorganized based on economic development regions.

Texas community colleges follow a regional approach in which 74 community college campuses are in 50 districts across the state. There is no dedicated system office, but all higher education in the state is overseen by the Texas Higher Education Coordinating Board. Some districts comprise several colleges, where the district is overseen by a chancellor and each campus has its own president. Most districts consist of a single college, each with its own president or chancellor.

Creating a regional community college system would be a major overhaul of the current system. It would require a new organizational structure, new funding formula, and rethinking the role of the system office. However, it has the potential to create administrative efficiency and ultimately increase access for students to a wide array of offerings. A potential downfall is it could result in separate community college systems. Some also suggested that it may only add another layer of bureaucracy to the current system.

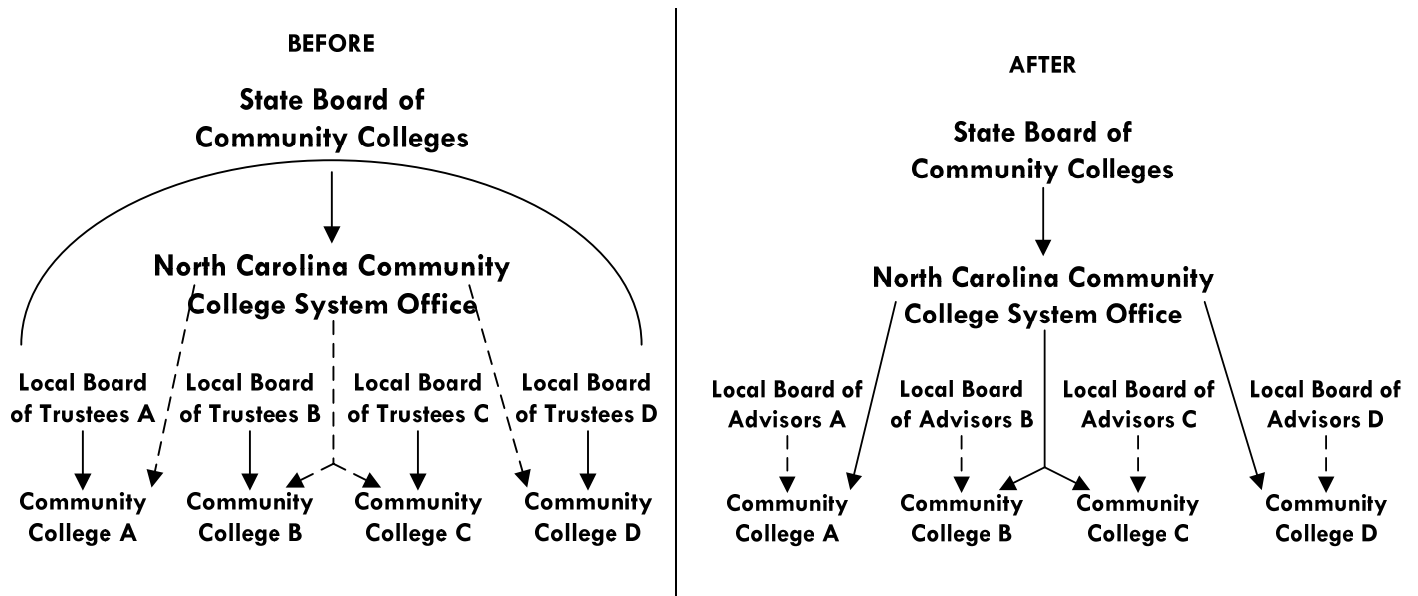
Centralized System

A centralized community college system would standardize policies and procedures across all colleges in the state and allow administrative activities to be performed at the system office. As discussed in Finding 1, North Carolina community colleges are a collection of 58 quasi-independent colleges each with their own structures, policies, and

procedures. Because of variations across the system, the system office cannot perform administrative functions for the colleges even if it had the capacity to do so.

In a centralized system, all colleges would be governed by the State Board of Community Colleges, report to the system president, and the system office would perform administrative activities for all colleges (see Exhibit 12). Each college would remain as a college, but many decisions about college operations would be made by the State Board or the system president; current boards of trustees would become boards of advisors.

Exhibit 12: Centralized System of Community Colleges



Note: Solid lines denote direct oversight; dashed lines denote indirect oversight.

Source: Program Evaluation Division.

A centralized system would result in one set of policies and procedures, consistent technology plans across the system, consistent structures and position titles, and a standard salary scale. It would make it possible for administrative activities to be performed at the system office or through shared services contracts. This structure could increase administrative efficiency. For example, payroll could be centralized at the system level.

Several other states have a centralized system, although the structure of each state system is slightly different.

- Kentucky’s Community and Technical College System, which was created in 1998, included community and technical colleges. The 29 colleges were then merged into 16 individually accredited comprehensive community colleges.
- Minnesota’s State Colleges and Universities System was created in 1995 following legislative approval. The merger of all state higher education systems brought 45 institutions together; today, there are 32 institutions with 54 campuses.

- Indiana is home to the only statewide community college system, where all community college campuses are part of a single college, with a single accreditation. Ivy Tech Community College was established in 2005 and includes 23 campuses.

Creating a centralized system has some implementation issues. The state values the local autonomy of community colleges and the ability of community colleges to meet the local needs of the community. Although there would still be a president at each college, the decision-making ability of this position would be limited. Also, the system is dependent on local funding, which could be jeopardized by creating a centralized system. Finally, the University of North Carolina system, the other higher education system in North Carolina, is not centralized in this way.

Each of these models creates the opportunity to capitalize on economies of scale. Each approach to reducing the number of institutions provides administrative savings by pooling resources and reducing staff redundancy. One strategy to reduce administrative costs that has been explored by both public and private entities is shared services arrangements, where back-office functions are extracted from sites and centralized. Shared services have the potential to reduce duplication of effort, share fixed costs among consumers (in this case, community colleges), provide more services for the money, and focus on high-quality work for the system. Industry estimates for savings associated with a shared services approach are 20-30% over time. Shared services exist or are being implemented in Georgia, Illinois, Ohio, and Texas.

Implementation of mergers does pose some challenges. Several activities would need to be accomplished with each administrative merger:

- establish new boards for colleges;
- work with accreditation organizations to ensure accreditation at each college;
- align policies and procedures;
- address salary differences; and
- address local funding.

Also, because colleges are embedded in their communities, there is strong support of community colleges and many presidents and trustees do not support mergers. One president stated “consolidation of administrative activities ... would be parallel to the South Carolina legislature attempting to run North Carolina.” Another stated, “move administrative services and you miss the point of community colleges!”

In summary, North Carolina has 58 quasi-independent community colleges that were established based on local needs and without a statewide plan. As a result, many colleges are small, operate independently from one another, and have small service areas, resulting in administrative inefficiencies. Purchasing consortiums and merging colleges could reduce costs and increase administrative efficiencies.

Recommendations

Recommendation 1. The General Assembly should direct the State Board of Community Colleges to reduce the number of small colleges by merging colleges with fewer than 3,000 student full-time equivalents with another nearby college.

Program Evaluation Division analyses showed that smaller colleges—those with fewer than 3,000 student full-time equivalents (FTE)—have higher administrative costs per student FTE than larger ones, and there are 26 small colleges in the system; of these, 22 are located within 30 miles of another college (see Exhibit 13). Merging these small institutions with other colleges would increase administrative efficiencies and could save up to \$5.1 million annually. Of the three structures described in Finding 4, the Program Evaluation Division determined this approach was the best solution for consolidation in North Carolina as it mirrors the existing multi-campus colleges in the system.

Mergers would involve combining the administrations of two or more colleges into one, creating a multi-campus college. Functions such as senior administration, financial services, human resources, public information, institutional information, and information technology would be merged. The newly merged administration would determine the staff needed at each campus to ensure smooth operations of the college.

The State Board of Community Colleges would be responsible for determining the number of mergers based on the groupings of colleges selected. Assuming each merger involves two schools within 30 miles of each other, at least one of which is a small school, there would be 15 mergers.²⁵ However, the system may opt to merge three or more schools to create one multi-campus college.

Of the 26 small colleges in the system, 4 are not located within 30 miles of the main campus of another college (Roanoke-Chowan, Tri-County, Halifax, and College of the Albemarle). The Program Evaluation Division does not recommend merging the administrations of these colleges. Based on interviews with college presidents and a focus group of county managers, service areas that are too large reduce the ability of a college to provide quality services to the community.

²⁵ In many cases the nearby college is another small college. For example, James Sprunt Community College is the only college within 30 miles of Sampson Community College; both schools have fewer than 3,000 student FTE. Under this recommendation, these two colleges could merge to become one multi-campus college.

Exhibit 13

22 Small Colleges are
Located within 30 Miles of
Other Colleges

Small Colleges	Colleges within 30 Miles
Beaufort	Martin, Pitt
Bladen	Robeson, Southeastern
Blue Ridge	Asheville-Buncombe
Brunswick	Cape Fear
Carteret	Pamlico
Haywood	Asheville-Buncombe, Southwestern
Isothermal	Cleveland, McDowell, Western Piedmont
James Sprunt	Lenoir, Sampson, Wayne
Martin	Beaufort, Edgecombe, Pitt
Mayland	McDowell, Western Piedmont
McDowell Technical	Isothermal, Mayland, Western Piedmont
Montgomery	Sandhills, South Piedmont, Stanly,
Nash	Edgecombe, Wilson
Pamlico	Craven, Carteret
Piedmont	Durham
Richmond	Sandhills, South Piedmont
Rockingham	Alamance, Guilford
Sampson	James Sprunt
South Piedmont	Montgomery, Richmond, Stanly
Southeastern	Bladen, Robeson
Southwestern	Haywood
Wilson	Edgecombe, Johnston, Nash, Wayne

Note: Small colleges that do not have another college located within 30 miles of the main campus are not listed here.

Source: Program Evaluation Division based on student data and college addresses from the North Carolina Community College System.

The General Assembly should direct the State Board of Community Colleges to merge community colleges with fewer than 3,000 student FTE with another college located within 30 miles of the main campus. The General Assembly should require the State Board of Community Colleges to

- submit its merger plan, identifying the colleges that will be merged and a timeline for completing all mergers, to the General Assembly by January 1, 2012;
- provide written justification for not merging any small college that has a nearby college; and
- provide annual reports to the General Assembly throughout the merger process.

The North Carolina Community College System should oversee the mergers and hire consultants to work with colleges and local communities to

facilitate a smooth transition. The General Assembly should appropriate \$350,000 the first year and \$300,000 each of the next five years for the consultants.

The first step for the system office will be to identify the most appropriate pairs or groups of colleges to merge. As part of this review, the system office should consider the service areas of all colleges to ensure that citizens and businesses are served effectively.

Next, a timeline should be established for completing the mergers identified. The Program Evaluation Division estimates that it will take approximately 18 to 24 months for each administrative merger. Mergers of all colleges should be done in groups and phased in over time to ensure that access to students is not compromised, beginning with a pilot group of two mergers. Once these two are underway and a process is in place, remaining mergers should be phased in and completed by June 30, 2017.

The consultants would convene a working group in the first year comprised of representatives from each college involved in a merger, system representatives, and other key stakeholders. The group would identify issues, formulate a methodology, and establish an implementation plan as the roadmap for mergers. Consultants would serve as stakeholder resources and facilitate mergers throughout the process.

North Carolina's community colleges are quasi-independent entities with their own structure, policies and procedures, and pay scales. In addition, there may be differences in facilities, technology, and programs that will need to be addressed during the merger process. The implementation process will likely include but not be limited to the following steps, with support and guidance from the consultants as needed:

- create working groups of campus administrators to inform the merger process;
- establish and maintain open communication with all staff and faculty at the colleges to facilitate a smooth transition;
- work with the local boards of education and county commissioners to establish a board of trustees that represents the new service area;
- work with the new board of trustees to determine the president;
- ensure accreditation is maintained during the merger process;
- align policies and procedures and pay scales;
- address technological differences;
- explore ways to create administrative efficiencies (e.g., through shared services arrangements); and
- ensure that the new satellite campus has a strong administrator with connections to the local community of the campus.

Currently, 20 approved multi-campus colleges have satellite campuses and receive additional funding for operations and academics at these campuses.²⁶ Merged colleges should be identified as approved multi-campus colleges and should receive multi-campus funding for new campuses.

²⁶ Currently, there are 33 approved multi-campus sites; 6 of these campuses do not receive multi-campus funding.

The Program Evaluation Division calculated cost savings for 15 mergers using the Fiscal Year 2010-11 funding formula and levels of institutional support. As shown in Exhibit 14, each merger generates estimated recurring administrative cost savings from institutional support and the president's salary and benefits. As shown in Exhibit 14, funding for the newly formed multi-campus colleges would be required, resulting in a net recurring savings per merger of \$340,619.

Additional recurring savings in child care centers, small business centers, equipment, and instructional resources are possible, based on the determination of needs by the State Board of Community Colleges. These additional potential savings could total up to \$235,254 per merger. Together, 15 mergers could generate \$5.1 million in recurring administrative cost savings and another potential recurring savings of \$3.5 million in other costs (see Exhibit 14).

Exhibit 14

Cost Savings Based on the Fiscal Year 2010-11 Funding Formula and Budgeted Student FTE, Assuming 15 Mergers

	Average Cost Savings per Merger	Total Recurring Savings
Institutional Support	\$ 823,455	\$ 12,351,828
President's Salary and Benefits	138,831	2,082,461
Subtotal Administrative Savings	962,286	14,434,289
Multi-campus funding	(621,667)	(9,375,000)
Total Cost Savings	\$ 340,619	\$ 5,109,289

Potential Additional Savings		
State Child Care	\$ 20,000	\$ 300,000
Small Business Center	90,254	1,353,810
Equipment	100,000	1,500,000
Instructional Resources	25,000	375,000
Total Additional Savings	\$ 235,254	\$ 3,528,810

Source: Program Evaluation Division based on Fiscal Year 2010-11 funding formula.

The two pilot mergers should begin immediately and be completed by the start of Fiscal Year 2013-14. The second group of mergers should begin in year two (beginning in Fiscal Year 2012-13), and a new group should begin each year thereafter. All mergers should be completed by Fiscal Year 2016-17. Because mergers will take time, savings from the initial group of mergers will not be realized until Fiscal Year 2013-14 (see Exhibit 15).²⁷ Program Evaluation Division analysis shows approximately \$5.1 million in administrative costs could be saved annually once all mergers are complete.

²⁷ To ensure student access is not compromised, full funding to each college involved in a merger should be provided until the merger is complete.

Exhibit 15: Estimated Timeline for Administrative Cost Savings from Community College Mergers

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Merger Group 1 (2 mergers)	\$ 681,239	\$ 681,239	\$ 681,239	\$ 681,239
Merger Group 2 (4 mergers)		1,362,477	1,362,477	1,362,477
Merger Group 3 (4 mergers)			1,362,477	1,362,477
Merger Group 4 (5 mergers)				1,703,096
Cumulative Savings	\$ 681,239	\$ 2,043,716	\$ 3,406,193	\$ 5,109,289

Note: Savings are based on 15 mergers done in four groups with a new group of mergers starting each year.

Source: Program Evaluation Division based on Fiscal Year 2010-11 funding formula.

Recommendation 2. The General Assembly should direct the North Carolina Community College System to establish a unit to develop and maintain purchasing consortiums for community colleges.

Purchasing consortiums and other collaborative purchasing arrangements provide economies of scale and reduce duplication of effort for participating institutions. Unlike the University of North Carolina system and higher education institutions in other states, North Carolina's community colleges are not taking full advantage of their combined purchasing power to negotiate better pricing and levels of service from vendors providing goods and services specific to higher education.

The General Assembly should direct the State Board of Community Colleges to establish a dedicated purchasing unit in the North Carolina Community College System. This unit would identify opportunities for purchasing consortiums and negotiate better pricing with existing vendors; its activities would include

- identifying college needs, selecting appropriate vendors, and monitoring consortium agreements;
- establishing working groups to define college needs and participate in the vendor selection process;
- ensuring pricing agreements are structured to give community colleges the flexibility to opt into contracts according to their funding and unique needs;
- establishing memorandums of understanding with the Division of Purchase and Contracts and Office of Information Technology Services to ensure consistency in procurement rules and that these contracts do not duplicate state contracts;
- reviewing purchasing rules in consultation with the Division of Purchase and Contracts, Office of Information Technology Services, and the State Auditor to determine if statutory changes are needed to allow community colleges to obtain supplies, materials, equipment, and information technology through a purchasing consortium in lieu of state contracts; and
- reviewing colleges' purchasing delegation thresholds to ensure they can take advantage of consortium agreements.

The North Carolina Community College System will need three additional staff members for this purchasing unit, including two purchasing officers and

an accounting technician. The General Assembly should appropriate \$200,000 annually to the North Carolina Community College System for these positions. The system office should report savings achieved through the purchasing unit to the General Assembly beginning in January 2012.

The Program Evaluation Division estimates the purchasing unit can achieve cost savings for community colleges by pursuing a consortium. The Division identified three collaborative purchasing opportunities that could be negotiated in the second year. Based on these three contracts alone, community colleges could save \$270,000 by the second year. As the purchasing unit staff works with colleges to identify areas of need and negotiate contracts with new and existing vendors, additional cost savings could be achieved each year.

The potential estimated savings and expenditures associated with 15 mergers and a systemwide purchasing unit are summarized in Exhibit 16.

Exhibit 16: Estimated Cost Savings to the State from Community College Mergers and Purchasing Consortium

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Cumulative
Savings								
Administrative Savings from Mergers	\$ 0	\$ 0	\$ 681,239	\$ 2,043,716	\$ 3,406,193	\$ 5,109,289	\$ 5,109,289	\$ 16,349,726
Potential Additional Savings from Mergers	0	0	470,508	1,411,524	2,352,540	3,528,810	3,528,810	11,292,192
Savings from Purchasing Consortium	0	270,000	283,500	297,675	312,559	328,187	328,187	1,820,108
Subtotal Savings	0	270,000	1,435,247	3,752,915	6,071,292	8,966,286	8,966,286	29,462,026
Investments								
Consultants for Merger	(350,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	0	(1,850,000)
Staff for Purchasing Unit	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(1,400,000)
Subtotal Investments	(550,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(200,000)	(3,250,000)
Net Savings	\$ (550,000)	\$ (230,000)	\$ 935,247	\$ 3,252,915	\$ 5,571,292	\$ 8,466,286	\$ 8,766,286	\$ 26,212,026
<i>Cumulative Savings</i>	<i>\$ (550,000)</i>	<i>\$ (780,000)</i>	<i>\$ 155,247</i>	<i>\$ 3,408,162</i>	<i>\$ 8,979,454</i>	<i>\$ 17,445,740</i>	<i>\$ 26,212,026</i>	

Notes: Consultants for community college mergers will help develop a plan for college mergers that will increase the cost of the contract the first year. Savings from purchasing consortiums are estimated based on 5% growth in savings from newly identified sources in years two through six, then leveling off at an estimated \$328,187 per year.

Source: Program Evaluation Division based on current funding formula.

Appendices

Appendix A: Community College Location, Size, and Administrative Cost per Student FTE

Appendix B: Data Collection and Analysis of Community College Administrative Activities

Appendix C: Community College Administrative Costs by Function Area

Appendix D: Salaries of Full-Time Community College Administrative Employees

Agency Response

A draft of this report was submitted to the North Carolina Community College System and North Carolina Association of Community College Presidents to review and respond. Their responses are provided following the appendices. Responses from community college presidents are available online at www.ncleg.net/PED/Reports/reports.html.

Program Evaluation Division Contact and Acknowledgments

For more information on this report, please contact the lead evaluator, Catherine Moga Bryant, at Catherine.MogaBryant@ncleg.net.

Staff members who made key contributions to this report include Michelle Beck, Carol H. Ripple, and Pamela L. Taylor. John W. Turcotte is the director of the Program Evaluation Division.

Appendix A: Community College Location, Size, and Administrative Cost per Student FTE

College	City of Main Campus	Number of Multi-Campus Sites	Colleges within 30-mile Radius	2010-11 Budgeted Student FTE	Administrative Cost per Budgeted Student FTE
Alamance	Graham		Durham, Rockingham	4,966	\$500.81
Asheville-Buncombe	Asheville		Blue Ridge, Haywood	6,777	\$879.05
Beaufort County	Washington		Martin, Pitt	2,060	\$1,047.65
Bladen	Dublin		Robeson, Southeastern	1,796	\$763.88
Blue Ridge*	Flat Rock	1	Asheville-Buncombe, Southwestern	2,615	\$861.91
Brunswick	Supply		Cape Fear	1,885	\$1,411.70
Caldwell	Hudson	1	Catawba, Western Piedmont, Wilkes	4,959	\$630.31
Cape Fear	Wilmington	1	Brunswick	8,824	\$622.13
Carteret	Morehead City		Pamlico	2,002	\$1,013.07
Catawba Valley	Hickory		Caldwell, Mitchell, Western Piedmont, Wilkes	5,350	\$584.74
Central Carolina	Sanford	2	Sandhills	5,908	\$566.51
Central Piedmont	Charlotte	5	Gaston	16,200	\$962.30
Cleveland	Shelby		Gaston, Isothermal	3,899	\$604.75
Coastal Carolina	Jacksonville			4,902	\$447.02
College of the Albemarle	Elizabeth City	1		2,678	\$666.80
Craven	New Bern	1	Pamlico	3,324	\$777.79
Davidson County	Lexington	1	Forsyth, Guilford, Randolph, Rowan-Cabarrus	4,578	\$697.70
Durham Technical	Durham		Alamance, Piedmont, Wake,	4,919	\$711.54
Edgecombe	Tarboro	1	Nash, Martin, Pitt, Wilson	3,121	\$679.81
Fayetteville Technical	Fayetteville	1		11,900	\$491.02
Forsyth Technical	Winston-Salem		Davidson, Guilford	8,792	\$623.75
Gaston College	Dallas	1	Central Piedmont, Cleveland	6,421	\$629.15
Guilford Technical	Jamestown	2	Forsyth, Rockingham, Randolph, Davidson	12,915	\$458.50

* College has an approved multi-campus not receiving state funding. Rowan-Cabarrus has two multi-campus not receiving state funding.

College	City of Main Campus	Number of Multi-Campus Sites	Colleges within 30-mile Radius	2010-11 Budgeted Student FTE	Administrative Cost per Budgeted Student FTE
Halifax	Weldon			1,859	\$965.45
Haywood	Clyde		Asheville-Buncombe, Southwestern	2,139	\$1,057.54
Isothermal	Spindale		Cleveland, McDowell, Western Piedmont	2,794	\$719.88
James Sprunt	Kenansville		Lenoir, Sampson, Wayne	1,542	\$1,073.42
Johnston	Smithfield		Wake, Wayne, Wilson	4,572	\$720.63
Lenoir	Kinston		Pitt, Wayne	4,168	\$473.56
Martin	Williamston		Beaufort, Edgecombe, Pitt	1,028	\$1,130.67
Mayland	Spruce Pine		McDowell, Western Piedmont	1,877	\$1,081.52
McDowell Technical	Marion		Isothermal, Mayland, Western Piedmont	1,626	\$719.85
Mitchell	Statesville		Catawba, Rowan-Cabarrus, Wilkes	3,235	\$789.63
Montgomery	Troy		Sandhills, South Piedmont, Stanly	1,025	\$1,077.27
Nash	Rocky Mount		Edgecombe, Wilson	2,867	\$770.31
Pamlico	Grantsboro		Carteret, Craven	624	\$1,679.30
Piedmont	Roxboro	1	Durham	2,792	\$846.59
Pitt	Greenville		Beaufort, Edgecombe, Lenoir, Martin	7,155	\$521.09
Randolph	Asheboro		Davidson, Guilford, Montgomery	3,032	\$733.64
Richmond	Hamlet		Sandhills, South Piedmont	2,319	\$854.65
Roanoke-Chowan	Ahoskie			1,044	\$1,092.42
Robeson	Lumberton		Bladen, Southeastern	3,951	\$564.17
Rockingham	Wentworth		Alamance, Guilford	2,437	\$900.28
Rowan-Cabarrus*	Salisbury	3	Davidson, Mitchell, Stanly	7,017	\$609.91
Sampson	Clinton		James Sprunt	1,969	\$921.32
Sandhills	Pinehurst		Central Carolina, Montgomery	4,118	\$760.44

* College has an approved multi-campus not receiving state funding. Rowan-Cabarrus has two multi-campus not receiving state funding.

College	City of Main Campus	Number of Multi-Campus Sites	Colleges within 30-mile Radius	2010-11 Budgeted Student FTE	Administrative Cost per Budgeted Student FTE
South Piedmont	Polkton	1	Montgomery, Richmond, Stanly	2,735	\$1,042.68
Southeastern	Whiteville		Bladen, Robeson	2,774	\$902.64
Southwestern*	Sylva	1	Haywood	2,667	\$788.22
Stanly*	Albemarle	1	Montgomery, Rowan-Cabarrus, South Piedmont	3,040	\$719.65
Surry	Dobson		Wilkes	3,532	\$479.50
Tri-County	Murphy			1,297	\$1,267.04
Vance-Granville	Henderson	2		4,277	\$849.23
Wake Technical*	Raleigh	4	Durham, Johnston	14,366	\$555.14
Wayne	Goldsboro		James Sprunt, Johnston, Lenoir, Wilson	3,897	\$524.97
Western Piedmont	Morganton		Caldwell, Catawba, Isothermal, Mayland, McDowell	3,694	\$663.93
Wilkes	Wilkesboro	1	Caldwell, Catawba, Mitchell, Surry	3,360	\$883.67
Wilson	Wilson		Edgecombe, Johnston, Nash, Wayne	2,234	\$898.88

Source: Program Evaluation Division based on college location and enrollment data from the North Carolina Community College System and administrative activities data reported by the community colleges.

* College has an approved multi-campus not receiving state funding. Rowan-Cabarrus has two multi-campus not receiving state funding.

Appendix B: Data Collection and Analysis of Community College Administrative Activities

Data Collection

The Program Evaluation Division reviewed the chart of accounts provided by the North Carolina Community Colleges System office and each college’s organizational chart to develop a list of administrative activities. Two colleges reviewed the list, made suggestions of additional activities, and provided suggestions on how best to collect information on administrative activities at all community colleges.¹ As a result, the Program Evaluation Division identified 42 administrative activities covering seven function areas.

<u>College Administration</u>	<u>Financial Services</u>	<u>Public Information</u>
Senior Administration	Accounts Receivable	Public Relations
Campus Administration (MCCs)	Accounts Payable	Advertising, Marketing
Budgeting	Banking	Publication Design
Strategic Planning	General Ledger	Website
Policy Development/Management	Cash Management	Event Coordination
Legal/General Counsel	Cashier	<u>Information Technology</u>
Insurance	Internal Auditing	Technical Support, Help Desk
Affirmative Action/EEOC	Payroll	Network Services
Development/Fundraising	Grants and Contracts	Application Development
<u>Administrative Assistance</u>	Reporting (NCCCS, IPEDS, etc.)	Telecommunications
Administrative Assistance	Purchasing	<u>Human Resources</u>
Switchboard	Shipping and Receiving	Recruiting, Hiring, Employment
Mailroom	Equipment and Inventory Control	Benefits, Retirement
Courier Services	<u>Institutional Information</u>	Training and Staff Development
Printing	Research, Evaluation, Assessment	
	Planning	
	Accreditation	

The Program Evaluation Division developed a data collection tool to collect the following information for each of the 42 administrative activities:

- name of each employee or contractor funded fully or partially through the administrative services purpose code (1XX) to perform the activity;
- employee’s division or department;
- purpose code from which employee or contractor is funded;
- full-time equivalency (FTE) for employees in Fiscal Year 2010-11;
- percentage of time employee or contractor spends on each administrative activity performed;
- annual salary and benefits for employees in Fiscal Year 2010-11; and
- annual contract costs for contractors in Fiscal Year 2010-11.

All 58 colleges provided data for administrative activities for employees and 49 colleges provided data for contractors. Nine colleges reported they did not have contracted services.²

Data Analysis

The Program Evaluation Division calculated annual costs for each of the 42 administrative activities by multiplying total employee costs (salary and benefits) or amount of contract by percentage of time spent on the activity.³ Administrative cost per student FTE data was analyzed by activity and function to look for patterns as they relate to costs.

¹ The two colleges were Central Carolina and Montgomery.

² The nine colleges were Beaufort, Bladen, Carteret, College of the Albemarle, Durham, Haywood, Roanoke-Chowan, Southwestern, and Wilkes.

³ Percentage of time for part-time employees was adjusted accordingly.

- Correlation analyses showed a strong negative correlation between administrative costs and student FTE ($r=-.49$, $p<.0001$).
- Analysis of variance models showed administrative cost was significantly associated with student FTE.
- Median cluster analysis examined the point at which the administrative cost decreased as student FTE increased by calculating the distance between student FTE and cost of administrative services at a college. The Program Evaluation Division ran several models for 2, 3, and 4 group divisions by college size. In all models, the most consistent break for groups was around 3,000 FTE.
- Wilcoxon-Mann-Whitney test analyses revealed the administrative costs for colleges below 3,000 FTE and above 3,000 FTE were statistically different (\$983 versus \$647, respectively, $p<.0001$).

Appendix C: Community College Administrative Costs by Function Area

College	Admin. Staff FTE	Number of Contracts	Total Administrative Costs	Percentage of Administrative Costs by Function Area									
				Staff	Contracts	Community College Admin.	Admin. Assistance	Financial Services	Human Resources	Public Information	Institutional Information	Information Technology	Other Activities*
Alamance	38.25	3	\$ 2,487,015	99%	1%	30%	18%	23%	4%	6%	2%	15%	1%
Asheville-Buncombe	78.70	7	\$ 5,957,308	92%	8%	29%	10%	22%	6%	6%	5%	5%	17%
Beaufort County	34.80	0	\$ 2,158,151	100%	0%	24%	12%	24%	6%	8%	9%	6%	11%
Bladen	20.75	0	\$ 1,371,931	100%	0%	32%	10%	25%	4%	6%	7%	11%	4%
Blue Ridge	36.90	6	\$ 2,253,890	93%	7%	31%	19%	16%	8%	8%	3%	14%	2%
Brunswick	42.38	1	\$ 2,661,047	100%	0%	41%	11%	13%	6%	15%	5%	7%	2%
Caldwell	52.00	3	\$ 3,125,705	99%	1%	26%	15%	19%	3%	12%	3%	20%	2%
Cape Fear	79.72	3	\$ 5,489,641	98%	2%	22%	8%	29%	5%	9%	5%	10%	12%
Carteret	29.75	2	\$ 2,028,173	100%	0%	34%	10%	19%	8%	6%	7%	16%	0%
Catawba Valley	47.00	2	\$ 3,128,362	99%	1%	28%	21%	19%	6%	8%	3%	15%	0%
Central Carolina	49.50	3	\$ 3,346,955	97%	3%	27%	10%	28%	8%	8%	5%	13%	0%
Central Piedmont	214.94	7	\$ 15,589,238	99%	1%	26%	11%	25%	8%	12%	3%	15%	0%
Cleveland	29.00	2	\$ 2,357,925	97%	3%	26%	3%	25%	6%	10%	9%	7%	13%
Coastal Carolina	40.37	5	\$ 2,191,313	99%	1%	19%	18%	24%	6%	11%	8%	8%	5%
College of the Albemarle	29.80	0	\$ 1,785,678	100%	0%	30%	9%	22%	4%	6%	3%	12%	14%
Craven	36.19	4	\$ 2,585,368	95%	5%	29%	9%	23%	5%	8%	4%	21%	1%
Davidson County	51.25	2	\$ 3,194,068	99%	1%	30%	12%	25%	5%	11%	3%	16%	0%
Durham Technical	55.20	0	\$ 3,500,075	100%	0%	32%	6%	19%	8%	7%	3%	20%	6%
Edgecombe	29.40	5	\$ 2,121,673	96%	4%	26%	9%	20%	7%	12%	9%	7%	9%
Fayetteville Technical	92.50	5	\$ 5,843,149	99%	1%	21%	16%	28%	5%	3%	6%	18%	2%
Forsyth Technical	77.13	2	\$ 5,484,037	85%	15%	24%	13%	27%	4%	18%	2%	12%	0%
Gaston College	55.38	3	\$ 4,039,771	99%	1%	27%	11%	27%	5%	9%	6%	5%	9%
Guilford Technical	72.25	6	\$ 5,921,498	89%	11%	24%	10%	33%	8%	7%	4%	10%	3%
Halifax	29.00	2	\$ 1,794,772	100%	0%	31%	18%	24%	3%	5%	6%	5%	8%
Haywood	37.10	0	\$ 2,262,086	100%	0%	26%	7%	24%	5%	11%	5%	16%	6%
Isothermal	33.00	2	\$ 2,011,346	100%	0%	23%	10%	18%	5%	9%	4%	14%	17%
James Sprunt	27.50	4	\$ 1,655,206	99%	1%	37%	15%	19%	7%	3%	3%	13%	3%
Johnston	48.50	3	\$ 3,294,736	95%	5%	28%	9%	23%	6%	6%	7%	18%	3%
Lenoir	33.50	2	\$ 1,973,798	100%	0%	32%	13%	19%	5%	15%	4%	12%	0%
Martin	17.75	2	\$ 1,162,326	99%	1%	22%	8%	23%	7%	6%	8%	13%	13%
Mayland	30.50	3	\$ 2,030,019	98%	2%	29%	11%	20%	3%	9%	8%	10%	9%
McDowell Technical	19.00	3	\$ 1,170,469	96%	4%	32%	15%	25%	4%	4%	4%	16%	0%
Mitchell	44.87	3	\$ 2,554,445	99%	1%	25%	10%	30%	4%	6%	6%	15%	5%
Montgomery	17.00	2	\$ 1,104,199	99%	1%	32%	6%	26%	7%	11%	7%	11%	0%

* Other administrative activities include responsibilities funded by the 2XX through 9XX purpose codes (i.e., curriculum instruction, continuing education, academic support, student support, plant operations and maintenance, student aid, and buildings, grounds, equipment, books, and fixed assets).

College	Admin. Staff FTE	Number of Contracts	Total Administrative Costs	Percentage of Administrative Costs by Function Area									
				Staff	Contracts	Community College Admin.	Admin. Assistance	Financial Services	Human Resources	Public Information	Institutional Information	Information Technology	Other Activities*
Nash	32.30	3	\$ 2,208,490	99%	1%	24%	15%	15%	2%	15%	9%	11%	8%
Pamlico	16.50	2	\$ 1,047,881	99%	1%	28%	4%	27%	4%	10%	9%	14%	6%
Piedmont	34.48	5	\$ 2,363,689	98%	2%	32%	12%	27%	5%	9%	5%	6%	4%
Pitt	52.83	2	\$ 3,728,433	98%	2%	26%	17%	26%	6%	10%	9%	0%	5%
Randolph	35.75	1	\$ 2,224,409	100%	0%	23%	12%	20%	6%	11%	5%	16%	7%
Richmond	29.00	4	\$ 1,981,942	98%	2%	27%	19%	13%	4%	11%	7%	12%	7%
Roanoke-Chowan	15.63	0	\$ 1,140,485	100%	0%	37%	6%	27%	6%	5%	10%	9%	0%
Robeson	32.19	4	\$ 2,229,035	99%	1%	31%	15%	28%	4%	8%	4%	10%	0%
Rockingham	31.00	2	\$ 2,193,978	100%	0%	40%	10%	15%	4%	8%	3%	19%	0%
Rowan-Cabarrus	61.21	4	\$ 4,279,711	97%	3%	31%	8%	26%	10%	7%	5%	5%	8%
Sampson	24.65	2	\$ 1,814,084	100%	0%	42%	10%	21%	2%	3%	3%	12%	6%
Sandhills	41.20	1	\$ 3,131,509	100%	0%	31%	6%	22%	7%	7%	4%	22%	0%
South Piedmont	44.25	4	\$ 2,851,740	100%	0%	32%	8%	24%	7%	6%	7%	8%	7%
Southeastern	37.63	2	\$ 2,503,923	100%	0%	25%	12%	22%	5%	6%	6%	10%	14%
Southwestern	29.50	0	\$ 2,102,188	100%	0%	36%	9%	24%	6%	6%	4%	9%	5%
Stanly	32.10	0	\$ 2,187,721	95%	5%	34%	11%	21%	2%	7%	3%	17%	5%
Surry	25.50	4	\$ 1,693,592	94%	6%	30%	8%	23%	7%	12%	6%	11%	5%
Tri-County	24.25	1	\$ 1,643,352	100%	0%	32%	9%	18%	4%	3%	9%	5%	19%
Vance-Granville	58.13	6	\$ 3,632,148	96%	4%	26%	16%	19%	5%	10%	3%	10%	10%
Wake Technical	115.00	2	\$ 7,975,081	99%	1%	24%	9%	22%	8%	9%	3%	24%	0%
Wayne	31.00	2	\$ 2,045,807	98%	2%	18%	12%	21%	9%	12%	3%	13%	12%
Western Piedmont	41.90	5	\$ 2,452,561	99%	1%	19%	12%	24%	5%	8%	5%	14%	12%
Wilkes	45.30	0	\$ 2,969,143	100%	0%	30%	7%	22%	4%	22%	3%	8%	4%
Wilson	30.00	2	\$ 2,008,104	100%	0%	17%	13%	27%	5%	12%	6%	8%	12%
Community College Average	44.00	2.67	\$ 2,966,282	98%	2%	29%	11%	23%	6%	9%	5%	12%	6%

Source: Program Evaluation Division based on administrative activities data reported by the community colleges.

Appendix D: Salaries of Full-Time Community College Administrative Employees*

College	2010-11 Budgeted Student FTE	Number of Administrative Employees	Average Administrative Employee Salary*	Minimum Administrative Employee Salary	Maximum Administrative Employee Salary*
Alamance	4,966	35	\$48,651	\$27,847	\$84,012
Asheville-Buncombe	6,777	76	\$53,106	\$27,768	\$128,262
Beaufort County	2,060	32	\$49,253	\$26,208	\$97,448
Bladen	1,796	19	\$49,671	\$27,629	\$95,000
Blue Ridge	2,615	34	\$49,163	\$28,272	\$106,572
Brunswick	1,885	37	\$49,667	\$26,634	\$106,590
Caldwell	4,959	51	\$44,429	\$24,924	\$113,163
Cape Fear	8,824	74	\$49,607	\$25,824	\$150,079
Carteret	2,002	28	\$50,057	\$28,989	\$96,820
Catawba Valley	5,350	44	\$50,511	\$27,660	\$120,576
Central Carolina	5,908	44	\$51,032	\$27,144	\$121,781
Central Piedmont	16,200	196	\$58,797	\$26,513	\$251,474
Cleveland	3,899	28	\$56,941	\$25,404	\$112,692
Coastal Carolina	4,902	30	\$42,210	\$24,144	\$120,576
College of the Albemarle	2,678	28	\$44,374	\$16,902	\$90,000
Craven	3,324	34	\$49,812	\$27,360	\$110,004
Davidson County	4,578	45	\$46,080	\$22,440	\$115,500
Durham Technical	4,919	48	\$54,944	\$29,868	\$120,000
Edgecombe	3,121	28	\$50,949	\$24,840	\$121,136
Fayetteville Technical	11,900	89	\$47,695	\$23,168	\$159,870
Forsyth Technical	8,792	63	\$48,916	\$23,566	\$115,104
Gaston College	6,421	53	\$54,263	\$16,874	\$122,234

* Salaries include all sources of funding for full-time administrative employees and excludes the president's salary for average and maximum.

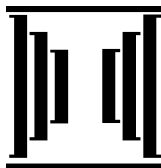
College	2010-11 Budgeted Student FTE	Number of Administrative Employees	Average Administrative Employee Salary*	Minimum Administrative Employee Salary	Maximum Administrative Employee Salary*
Guilford Technical	12,915	70	\$55,696	\$24,162	\$152,375
Halifax	1,859	28	\$45,431	\$24,381	\$96,000
Haywood	2,139	34	\$46,403	\$23,400	\$85,000
Isothermal	2,794	32	\$44,476	\$23,172	\$85,285
James Sprunt	1,542	26	\$43,463	\$23,172	\$104,496
Johnston	4,572	47	\$48,896	\$19,474	\$110,004
Lenoir	4,168	31	\$45,969	\$23,304	\$91,229
Martin	1,028	16	\$47,088	\$22,585	\$89,611
Mayland	1,877	29	\$49,373	\$24,552	\$89,335
McDowell Technical	1,626	18	\$46,201	\$30,900	\$91,284
Mitchell	3,235	38	\$45,607	\$24,200	\$97,738
Montgomery	1,025	15	\$45,803	\$27,876	\$72,912
Nash	2,867	28	\$54,786	\$23,856	\$126,001
Pamlico	624	15	\$45,889	\$25,256	\$85,008
Piedmont	2,792	30	\$54,693	\$13,363	\$113,510
Pitt	7,155	48	\$52,456	\$28,356	\$114,471
Randolph	3,032	34	\$44,219	\$26,928	\$92,454
Richmond	2,319	28	\$49,805	\$28,608	\$100,892
Roanoke-Chowan	1,044	14	\$54,750	\$35,496	\$96,204
Robeson	3,951	29	\$51,617	\$28,332	\$114,111
Rockingham	2,437	30	\$51,357	\$25,944	\$104,328
Rowan-Cabarrus	7,017	58	\$51,657	\$26,124	\$120,576
Sampson	1,969	23	\$54,199	\$23,256	\$112,083

* Salaries include all sources of funding and exclude the president's salary for average and maximum.

College	2010-11 Budgeted Student FTE	Number of Administrative Employees	Average Administrative Employee Salary*	Minimum Administrative Employee Salary	Maximum Administrative Employee Salary*
Sandhills	4,118	39	\$56,403	\$26,004	\$123,745
South Piedmont	2,735	41	\$48,083	\$27,300	\$100,020
Southeastern	2,774	33	\$51,227	\$27,239	\$96,357
Southwestern	2,667	28	\$53,280	\$28,500	\$103,860
Stanly	3,040	27	\$50,680	\$28,008	\$106,467
Surry	3,532	23	\$48,878	\$23,472	\$90,915
Tri-County	1,297	22	\$50,875	\$21,482	\$87,661
Vance-Granville	4,277	56	\$47,798	\$27,000	\$115,834
Wake Technical	14,366	114	\$52,929	\$25,500	\$143,940
Wayne	3,897	30	\$50,686	\$22,380	\$89,736
Western Piedmont	3,694	33	\$48,045	\$26,112	\$135,807
Wilkes	3,360	42	\$47,953	\$23,772	\$114,290
Wilson	2,234	28	\$48,847	\$25,416	\$114,137

Source: Program Evaluation Division based on enrollment data from the North Carolina Community College System and administrative activities data reported by the community colleges.

* Salaries include all sources of funding and exclude the president's salary for average and maximum.



NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

Dr. R. Scott Ralls, President

May 13, 2011

Mr. John W. Turcotte, Director
North Carolina General Assembly
Program Evaluation Division
300 N. Salisbury Street, Suite 100
Raleigh, NC 27603-1406

Dear Mr. Turcotte:

North Carolina is widely regarded as having one of the best, if not the best, systems of community colleges in the nation. But we are not perfect, and we are certainly a system that has been under more strain since the start of the Great Recession than during any period in our almost 50-year history. The short three-year period since the latest recession started has seen our system grow by 25 percent, or the equivalent number of students attending NC State University and UNC-Charlotte, while our per-student funding from state appropriations has declined by 12 percent. To accommodate the historic surge of student enrollments, our colleges and our system have diligently sought out operating and programming efficiencies.

This is why we appreciate the review of the Program Evaluation Division in providing information that can assist us in gaining further efficiencies to serve more students. We are supportive of your report's Recommendation Two suggesting ways we should aggressively move toward more purchasing consortium opportunities to fully harness the pricing economies of scale that can arise from the collective purchasing power from multiple colleges. We have been moving in this direction by fostering appropriate system-level contracts, or as we refer to them "system-wide projects," that were acknowledged on page 18 of the report. Additionally, as a system, we are working together on program redesigns and curriculum improvement processes that will ultimately enhance the opportunities available to our students and also the way our colleges operate. In recent months, we have also sought out private sector advice in helping us to identify opportunities to further strategies for gaining savings through collaborative purchasing. Recommendation Two in this report will accelerate our efforts to move in this direction.

Our system is frequently regarded as a very efficient form of education delivery, a point that was acknowledged on page 8 of the report. As the fastest-growing education sector

Mr. John W. Turcotte, Director
May 13, 2011
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at a time of declining public resources, we, by necessity, have to strive for efficiency. In that regard, I have been very proud of our college leaders who consistently and deliberately seek out administrative savings so as to serve more students. While recognizing our efficiency, the report also pointed to a lack of consistency in organizational structures, which I do not think is a negative because North Carolina's community colleges were not built on the "franchise," one-size-fits-all model or form of delivery. And our colleges and communities are proud of that heritage, even if it can make it more difficult in attempting to implement some administrative efficiencies.

One of the great hallmarks of our nationally well-regarded system is that we are a system of community colleges. In fact, I have frequently said that "community" is the most important word in our names. While we receive the majority of our funding from the state, we are not state colleges and so centralized systems outlined on pages 25 and 26 would change the very nature of our system. While our colleges collectively support and propel regional economies, we are not regional colleges and so regional systems outlined on pages 23 through 25 would, again, alter our core mission. North Carolina is comprised of a great diversity of communities and the organizational structure that we have provides for a level of support and local leadership, for communities and citizens from Murphy to Manteo, not found in other states. While referencing other community college system structures, the PED recommendation does not propose changing the overall organization of our system, and I believe that is appropriate because changing the organization and the fabric of our system would carry an untold cost to the citizens and communities we serve.

Given the significant budget challenges facing state government, we know that every suggestion for potential cost savings must be considered seriously at this time. However, with respect to Recommendation One, it is my opinion that the overall costs of merging 15 smaller community colleges is far greater than the estimated \$5 million in annual savings that this report indicates would be generated.

While \$5 million in savings is certainly not something to be taken lightly at a time of necessary budget austerity, the fact that only **\$5 million** would be saved by consolidating **15** community colleges speaks directly to the lean nature of our colleges. The savings estimated by the PED report by consolidating 15 smaller colleges is equivalent to 5.3 percent of the spending reductions proposed for community colleges in the recent 2011 House budget, and .4 percent of the overall state appropriation for community colleges this year. It represents a savings of only .04 percent to the overall education budget of \$11.9 billion. In effectuating \$5 million in budget reductions, I would hope that there may be several places state leaders would want to look first before tackling the costs, both tangible and intangible, that would come through such a drastic change to our state, our citizens' access to education, our communities and our colleges.

Mr. John W. Turcotte, Director
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The 22 smaller, rural colleges listed in the report for possible consolidation provide education and training to 36 North Carolina counties that have an average unemployment rate of 11 percent compared to the current state average of 9.7 percent. They include nearly half, 19, of our state's 40 most economically depressed Tier 1 counties. Just as our state has judged it wise to provide more lucrative economic incentives to encourage industry in our poorer, more rural areas, I believe it is equally, if not more, important to provide those same communities the leadership and support that come from our community colleges.

While admittedly courses and programs could be provided through multi-campus operations of other larger colleges, North Carolina's community colleges are more than the locations of educational and training programs. They are frequently the hubs of leadership and economic opportunity in our most economically vulnerable communities and counties. Their operations are made possible by the local support they receive that financially sustain the physical college sites and plant operating costs, and I worry about the sustainability of that local support if existing colleges are converted to multi-campus sites.

In their 2009 book, *Hollowing Out the Middle: The Rural Brain Drain and What it Means for America*, Patrick Carr and Maria Kefalas, based on research funded by the MacArthur Foundation, noted the uniquely vital role of local community colleges in rural economic prosperity. Prior to the recent recession, our state placed a particular focus on this issue through the Rural Prosperity Task Force, chaired by former UNC President Erskine Bowles, which produced the mantra "One North Carolina" and the idea that we are only as strong as our weakest links.

Our state's historic support of our community colleges, including the smaller, more rural ones, makes the concept of "One North Carolina" more than a mantra or a slogan. The cost of losing community support, leadership, and cultural and economic centers is, in my mind, much, much greater than the proposed \$5 million in annual savings that would be incurred by merging 15 rural community colleges, and that cost is just too high for our state, our citizens and our communities to bear.

Sincerely,



R. Scott Ralls

RSR:phm



MONTGOMERY COMMUNITY COLLEGE

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OFFICE OF THE PRESIDENT

April 12, 2011

Mr. John W. Turcotte, Director
NC General Assembly
Program Evaluation Division
300 N. Salisbury Street, Suite 100
Raleigh, NC 27603-1406

Dear Mr. Turcotte:

Thank you for your letter of April 25, 2011 and receipt of the Preliminary Draft of the findings on the North Carolina Community College System Efficiency Study. Please accept this correspondence as the North Carolina Association of Community College Presidents' formal response to this draft.

The program evaluation team under the leadership of Catherine Moga-Bryant is to be complimented for their research and study of a difficult assignment. It is obvious that a great deal of research and thought went into this report. We respect the work of the Program Evaluation Division and acknowledge the General Assembly's interest in reviewing potential efficiencies in the community college system. The North Carolina Community College System has always been open to improving our system and for the last fifty years, the system has been flexible and adaptable to our mission and to the requests of the General Assembly.

This response is the result of the initial review of the document by only five community college presidents. It is our understanding that the final draft will be reviewed by all 58 community college presidents. Although responding only to the recommendations, some statements in the report will require further analysis and conversations with appropriate parties, to include all community college presidents, community college trustees, respective county managers and county commissioners.

Our technical response will be included as a part of the System Office's technical response. Our formal response to the recommendations is as follows:

Recommendation 1: The General Assembly should direct the North Carolina Community College System to reduce the number of small colleges by merging colleges with fewer than 3,000 FTE with another college. Assuming 15 mergers would be phased in and completed by 2018, merging could save up to \$5.1 million in administrative costs annually and up to \$3.5 million in additional savings.

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Response:

We are opposed to this recommendation for the following reasons. The impact of consolidating fifteen colleges would result in:

1. A negative impact on economic development, community relations and reduced response to community needs,
2. The loss of community colleges as the hubs of education, innovation and cultural activities in rural counties.
3. A potential loss of funding from county government due to a reduced response to community and business needs, and loss of ownership in the education and cultural needs of the county.
4. A \$5.1 million savings out of a \$1.2 billion budget would result in a savings of less than ½ of 1 percent of the total budget.
5. A loss of college personnel contribution to the tax base of the affected counties.
6. A loss of community college faculty and staff leadership to county and civic organizations and a loss of established loyalty for the community by the college employees.
7. A reduction in county and community financial contributions to the colleges' foundations that support thousands of scholarships for community college students.
8. A negative impact on the sense of importance of the constituents in the service areas. If education is a priority, access is a must and the proposed consolidation diminishes the importance of literacy, learning, and workforce development.

Recommendation 2: In addition, the General Assembly should direct the North Carolina Community College System to establish a purchasing unit to develop purchasing consortiums for community colleges. Recurring savings of \$1.9 million could be realized over seven years.

The five presidents reviewing this draft report see value in developing purchasing consortiums and recognize that implementation of such an initiative would require input from both the 58 community colleges and the NC Community College System Office.

Consortiums have been an efficiency tool used by North Carolina's community colleges for some years. Following the MGT of America, Inc. study conducted in 2003, we noted the encouragement for colleges to become more efficient and such a recommendation did not go unnoticed. The following is documentation of some of those initiatives:

System efficiencies throughout the 58 community colleges:

- Common Course Library – course outlines for all courses available to all colleges
- Curriculum Improvement Projects – conducted and applied statewide for improving curriculum programs
- Super Curriculum Improvement Project currently underway, streamlining program offerings and incorporating green programming and technology
- Developmental Math Project - improving success rates of students statewide
- Placement Strategies – to be implemented statewide in assisting students

The above demonstrate academic efficiencies which affect our business operations. We are committed to our mission.

Operational Efficiencies:

- Conversion to Datatel software system for financial, instructional and student records
- Information Technology Equipment Purchasing – researching and obtaining the lowest costs for necessary equipment
- On-line course delivery through Blackboard – reducing costs for online delivery
- State wide email system – connectivity for all colleges and system office at a savings
- Subject Matter Experts – individuals who are available to help colleges statewide on datatel needs; program and financial audit issues; information technology and financial problem solving. The expertise of these individuals is a resource for all colleges.
- Shared call center to increase student services between colleges – implementing a personnel cost savings and providing more efficient service to students.

The above demonstrate operational efficiencies that positively impact the academic mission. We are not opposed to regionalism in purchasing, technology, distance learning, call centers for financial aid and student admission questions. We are not opposed to collaborative initiatives with economic development as it relates to customized training. Collaboration has been our focus with each other, and with other state agencies.

Regionalism of state-funded purchasing dollars is, again, a sound recommendation. However, maintenance/custodial costs are covered by local counties and cannot be part of the "efficiencies" quotient.

Mr. John W. Turcotte, Director

May 12, 2011

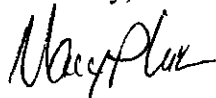
Page 4

Finally, although centralized control of all colleges was not part of the recommendations, discussion of same was included on page 25 of the report. We believe that local autonomy and responsiveness have been both the heart and the success of our system in urban and rural areas. Our organization would challenge such a recommendation for centralized control of all colleges and would view such action as an attack on the very essence of our mission in North Carolina and of our success in meeting North Carolinians' needs.

In summary, our state's system of 58 community colleges is in balance, both respecting our historic mission and improving our present-day procedures and processes. As a result, we have been recognized nationally as a superior system by the Lumina and Gates Foundations. We respectfully submit that our strength, our reputation as being the best community college system in the nation, and our collective and individual success has always been and will continue to be the work of all of our 58 community colleges.

Thank you for the opportunity to submit this formal response.

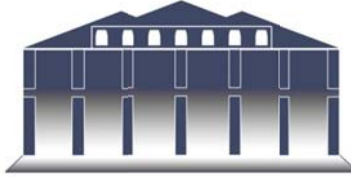
Sincerely,

A handwritten signature in black ink, appearing to read "Mary P Kirk".

Mary P Kirk, Ed.D.

President

North Carolina Association of Community College Presidents Association



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