COLORADO COMMISSION ON HIGHER EDUCATION

ACCESS TO HIGH-QUALITY, AFFORDABLE EDUCATION FOR ALL COLORADANS

GOVERNOR'S TASK FORCE TO STRENGTHEN AND IMPROVE THE COMMUNITY COLLEGE SYSTEM

FINAL REPORT

APRIL 5, 2004

Executive Summary

Governor's Task Force to Strengthen and Improve
the Community College System

Governor Bill Owens established the Governor's Task Force to Strengthen and Improve the Community College System on December 23, 2003 by Executive Order B 012 03. After ten meetings from January 2004 through March 2004, the Task Force makes the following recommendations to Governor Owens. Once the recommendations are implemented, Colorado's Community College System will be more efficient and better able to serve the needs of its students, communities, and Colorado's taxpayers.

1. The Task Force recommends that the State Board for Community Colleges and Occupational Education (SBCCOE) implement a total-fund reduction of at least 35 percent in the administrative costs of the system office. Based on the $17 million FY04 budget, this reduction represents a cost savings of $5.95 million and should be redistributed to the colleges or invested in projects that will result in long-term efficiencies. In order to achieve the cost savings, the Board should:

    A. Eliminate unnecessary or duplicative positions at the system office.

    B. Adopt a centralized, standardized, and integrated Information Technology (IT) system, which includes standard software and hardware for all IT functions. The benefits of a centralized IT system offer greater efficiency, reliability, and the ability to use IT as a tool to standardize business functions.

    C. Restructure distance learning to increase revenues and decrease costs. The new structure would require the CCCS to provide, and all colleges to use exclusively, a common utility infrastructure; it would also maintain a common standard for security and accreditation. Individual colleges will develop and offer their own courses.

    D. All Institutional Research (IR) functions should be performed at the college level or by the Colorado Commission on Higher Education independent of system office support, except for audit functions. This will require the CCCS to maintain one universal database with individual college partitions for virtual privacy, with all data governed by standardized definitions, guidelines, and reporting standards and procedures.

    E. Investigate and implement improvements to financial-aid business practices and support technology with the goal of reducing the administrative per package cost to $30. On-campus financial-aid counseling will continue to be available directly to students.

2. The Task Force recommends the continuation of the system office managed by the State Board and the system president. The office should consist of the following functional areas: External Relations and Development, Legal and Human Resources, Finance and Budget, Academic Affairs, Lowry Campus Opportunities, and Information Technologies (IT).

3. The State Board should examine what steps would be necessary to remove itself from the current conveyance agreement with the U.S. Department of Education and to develop to the highest and best use the remainder of the Lowry Campus. Potential changes at the Lowry Campus should be based on discovering ways to increase revenues and decrease costs to the system. The plan will determine the existence of more profitable uses for the remainder of the land not currently used by the Community College of Denver and the Community College of Aurora, both of whom currently utilize the Lowry Campus.

4. It is recommended that the State Board conduct a comprehensive review of the administrative costs for Career and Technical Education (CTE) to realize future cost savings.

5. As the State Board begins the process of implementation, it is recommended that documents provided by CCCS staff be used for guidance and adapted as needed.

6. The State Board should address the concerns identified by at least one of the community college presidents: opting out of the state personnel system, enrollment management, tuition discounting policies, relief from state purchasing requirements, Board policy related to faculty, at-will employment contracts, residence halls, and identifying additional revenue sources for community colleges.

Options for Reform

Prior to making its recommendations, the Task Force thoroughly investigated various options for reform. Specifically, the Task Force looked at the current governance structure for Colorado's community colleges, the functions of the system office, distance learning or online education, information technology, the Lowry Campus, and Career and Technical Education (CTE) administration. System office employees and outside consultants provided analysis and data that informed the Task Force and led to the recommendations, all of which were reached by consensus.

Public Forums

At their first meeting, the Task Force decided to hold public forums to obtain feedback prior to making its final recommendations. Over 600 people attended the forums, demonstrating the tremendous support each of the 13 community colleges enjoys within its respective community. Opinions expressed at the public forums were taken into consideration by the Task Force and are reflected in the recommendations.

Timeline

The Task Force has fulfilled its role and provides the aforementioned recommendations and an implementation timeline to Governor Owens, the State Board for Community Colleges and Occupational Education, the Colorado Commission on Higher Education, and the General Assembly. Members of the community college system are prepared to ensure the implementation of the recommendations in a timely manner to create a better system for Colorado's community colleges.

April through June 2004

- Formulate task groups made up of board members, presidents, faculty, students, and staff to lead the change efforts in the areas of online instruction delivery; financial aid; information technology; Lowry Campus; central administration operations; and career and technical education administration.
- Board resolution to refrain from long-term financial commitments during change implementation period (completed).
- Establish a Presidents' Council with a defined role and defined responsibilities.
- Begin analysis of centralized, standardized, and integrated system-wide IT configuration.

July 1, 2004

- The State Board shall review both the written and oral comments made to the Task Force by e-mail and at the public forums.
- Reduce system office operating budgets.
- Refinance positions from other fund sources.
- Streamline Perkins Act (Career and Technical Education) operations.
- Eliminate select system office positions.
- Implement standard-data elements for Institutional Research reporting – for both external reporting and system-wide reporting.
- Implement standardization of charts of accounts and fiscal policy – for both external reporting and system-wide reporting.
- Begin implementation of centralized, standardized, and integrated system-wide IT configuration.
- Progress Report to Governor (October 2004).

January 2005

- Consolidate CCCOnline operations.
- Eliminate/refinance additional system office positions.
- Transfer regional Human Resource functions.
- Complete Human Resources solution installation.
- Determine delivery system for financial aid, securing vendor and software to be used.

July 1, 2005 through July 1, 2006

- Progress Report to Governor (July 2005).
- Implement possible processing changes to financial aid.
- Implement possible recommendations on reconfiguration of Lowry Campus.
- IT reconfiguration in place.

Final Report to Governor Bill Owens from the Task Force to Strengthen and Improve the Community College System

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FINAL REPORT

Governor's Task Force to Strengthen and Improve
the Community College System

Introduction

Governor Bill Owens established the Governor's Task Force to Strengthen and Improve the Community College System on December 23, 2003 by Executive Order B 012 03 (Appendix A). The Task Force was charged with evaluating the current structure of governance and administration in the community college system and recommending reforms and cost savings to the Governor, the Colorado Commission on Higher Education, the State Board for Community Colleges and Occupational Education, and, if applicable, the Colorado General Assembly. According to the Executive Order, all recommended reforms are to be focused on enabling the colleges "to better serve the needs of students, employers, community college faculty and administrators, and taxpayers" (Appendix A, p.2).

Although the Task Force received a great deal of flexibility and self-determination regarding the direction of the proceedings, the Governor laid out the following guidelines; "The Task Force shall study the governing structures of the State Board for Community Colleges and Occupational Education, the colleges, and the community college system office including but not limited to:

- An examination of the system's administrative costs, rather than the closure of any school

- Determining if there are efficiencies or cost-savings that would be realized by restructuring the manner in which colleges are governed

- Whether the statute accurately reflects the current duties of the state board and the system office

- Whether the duties of the system office and of the individual colleges are appropriate, in conflict, or duplicative; and

- Whether changing or reducing the functions of the state board and the system office would provide more funds for the operation and education of students at the colleges" (Appendix A, p. 2).

Essentially, the Task Force was charged with conducting an efficiency study to ensure the community college system was delivering services in the most economical and effective manner. To meet this goal, the Task Force met weekly - ten times over a two-month period. During its first meeting on January 9, 2004, the Task Force decided to examine the following areas: duties of the state board, the system office and the individual colleges, an examination of the organization and cost of the system office, a review of CCCOnline, an investigation of different governance structures to realize cost savings, and an examination of how all cost savings would translate into more funding for the individual colleges. The Task Force also decided to hold public forums around the state to obtain feedback prior to making their final recommendations.

In order to ensure fair representation of the primary constituents of the community college system, the Task Force was represented by members of the State Board for Community Colleges and Occupational Education (SBCCOE), Patty Erjavec, chair, Tamra Ward, Andy Wyatt, Steve Chapman, Kurt Culbertson, Barbara McKellar, Ralph Nagel, Jeannie Reeser, and Jerry Heimlicher (who resigned from the State Board on March 1st); two Colorado Commission on Higher Education (CCHE) members, Ray Baker, chair and Judy Weaver (who resigned in mid-February); two community college presidents representing one urban and one rural school, Christine Johnson, Community College of Denver, and Jim Rizzuto, Otero Junior College; two Colorado citizens, John Buechner and Bob Hessler; and the Executive Director of CCHE, Tim Foster. The co-chairs named by the Governor were Tim Foster and Patty Erjavec. The two ex-officio members of the SBCCOE, Christopher Jones (student representative) and John Salladay (faculty representative) were ex-officio members of the Task Force.

Staff support was provided by Joan Johnson, Jennifer Nettesheim, Andy Carlson, George Delaney and Geoff Barsch. Presenters included Dale Beckmann, Mary Davis, Jim Yamane, Midge Cozzens, George Delaney, Geoff Barsch, Mary Stecklein, Dan Lucero and Sherrie Schneider.

The following report is divided into two main sections. The first section summarizes critical presentations and the public forums that informed the Task Force, details the recommendations of the Task Force to the State Board, and the timeline for implementation. The second section describes the economic context facing Colorado and the history and current governance structure of the community college system.

Part I

<u>Summary of Critical Presentations to the Task Force</u>

Throughout the Task Force meetings, various presentations were made to address potential issues and to help educate the Task Force prior to making recommendations. This section highlights presentations that directly impacted the recommendations set forth by the Task Force. In no way does this section represent a thorough review of the presentations; however, it does illustrate the studies and analyses that support the Task Force recommendations.

<u>Functional Analysis of System Office</u>

CCCS Chief Operating Officer George Delaney and Director of Budgets Geoff Barsch presented a functional analysis of the system office, which included potential cost and staff reductions (Appendices B and C). Since the Task Force had not addressed Information Technology (IT) by the time of the presentation, the system office functional analysis did not address possible reductions to the IT functional area. Additionally, the possible reductions are not necessarily immediate and may take six to twelve months to implement.

Some of the possible changes included eliminating contract employee legislative lobbying as a function of the President's staff and shifting those duties to current employees within the Communications Department. Since the system and college presidents also perform legislative liaison duties, there may not be a need for additional contract lobbyists. Another potential cost savings is to realign staff duties and reduce staff within human resources. After conducting the analysis, it was the

opinion of the presenters that system office staff could be reduced 20 percent and the cost to run the office could be reduced between 25 and 30 percent. Once again this analysis did not address the IT Department within the system office.

Delaney explained that cuts to the system office could transfer costs to the individual colleges, whereby true cost savings might not occur. All members of the Task Force shared this opinion, and it was agreed that any restructuring of the system office should not shift unfunded cost burdens to the individual colleges.

Based on the information presented, the Task Force reached consensus and agreed that a reduction of at least 35 percent of all funds to system office administrative costs was feasible. It was recommended to the Board that this reduction be accomplished.

Information Technology

Consultant James W. Yamane, formerly with the Governor's Office of Innovation and Technology, presented an overview of Information Technology (IT) systems and the potential cost savings that could arise from a decentralized or centralized IT structure. According to Yamane, the current IT system is a "federated" model with both centralized and decentralized aspects. To move toward an entirely decentralized model would eliminate all IT functions at the system office but would require significant investment in infrastructure and staffing at colleges. Overall, he estimated a $2 million increase in cost, not including the cost of additional software licensing, to establish a decentralized IT system.

Moving to a centralized system has both advantages and disadvantages. Potential cost savings could be realized through the elimination of duplicated processes at the system and college levels, but there is potential for overall cost increases due to less accountability and potential delays at the college level. According to Yamane, the primary advantages of a centralized IT system are efficiency, standardization and reliability. However, a centralized system can create increased bureaucracy, inflexibility, and less opportunity to pursue innovation at the local level.

During the presentation on governance structures in other states, Midge Cozzens of the Colorado Institute of Technology (CIT) explained that Connecticut's community college system office has implemented an entirely centralized IT structure (Appendix D). The community college system in Connecticut is similar in size to Colorado's, with 12 colleges serving 45,800 student FTE. At the Connecticut system office, 45 employees work in IT, compared to 61 employees at Colorado's system office. After an initial investment in infrastructure, Connecticut's highly centralized IT structure appears to generate efficiencies, based on the number of employees devoted to IT within the system office.

By consensus, the Task Force determined that a centralized, standardized and integrated IT system would improve the community college system and recommended that the Board adopt such a system.

Distance Learning Programs

The system office provided an overview of CCCOnline for the Task Force. Starting with 32 students in Spring 1998, CCCOnline currently provides instruction to an estimated 10,000 students and is entirely self-sustaining. In fact, in FY03 CCCOnline generated a net operating income of $802,817. System office staff estimate that CCCOnline will produce a net operating income of $787,774 in FY04 (Appendix E). The primary role of CCCOnline is to provide instruction on a system which involves

security, course development and approval, faculty training and evaluation, and server upkeep for distance learning.

In addition to CCCOnline, many community colleges offer distance-learning programs. Like CCCOnline, the online programs of the various colleges are very profitable (Appendix E). The individual online programs vary tremendously in size, and, therefore, the net income generated by the individual colleges ranged from approximately $44,000 to $1.5 million in FY03. Distance learning is an important revenue stream for the community colleges.

Concerning distance learning, the Task Force reached consensus that Colorado's online system should be restructured. The new structure would require the CCCS system to provide, and all colleges to use exclusively, a common utility infrastructure, maintain a common standard for security, and accreditation. Individual colleges will develop and offer their own courses.

Financial Aid

Dale Beckmann, Ph.D. of Higher Education Consulting and Mary Davis of the Colorado Student Loan Program (CSLP) presented a cost analysis of the current financial-aid system in place at the community colleges and recommended a centralized approach to realize significant cost savings and efficiencies. The primary concern related to centralizing the financial-aid process, as expressed by some members of the Task Force and by those attending the public forums, was the possible elimination of college-level financial-aid counseling, which many community college students rely on to properly complete financial-aid applications. The alternative delivery system prepared by CSLP centralizes financial-aid packaging while leaving counseling, policy, and procedural functions at the college level.

According to the analysis provided by CSLP, moving to its system of financial-aid would generate significant cost savings. Compared to Dale Beckman's estimate of $91 in administrative costs for a current community college financial-aid package (based on numbers provided by individual community colleges), a CSLP package would cost $31 to administer. Under the current system 44.47 FTE administer financial-aid packaging, but with centralized packaging, the same function would require 11 FTE to administer. To achieve the expected cost savings of $1.4 million for a centralized system, an initial technology investment of $2.9 million would be required with a payback period of approximately two years.

Upon review of the information presented, the Task Force recommended that the Board work to implement the centralization of financial-aid packaging, while retaining decentralized financial-aid counseling at the colleges.

Career and Technical Education

The Task Force heard a presentation from the Career and Technical Education (CTE) Division. Those providing information were Mary Stecklein, Dan Lucero and Sherrie Schneider. According to their presentation, CTE better prepares students for the challenges of the modern workplace. CTE provides an important stepping-stone to students as they move towards further higher education opportunities. The presentation highlighted the impact of CTE on both students and education in Colorado and urged the Task Force to consider CTE as the recommendations move forward.

The Task Force reached consensus and recommended that the Board conduct a thorough analysis of the administrative costs of CTE to realize potential cost savings.

Overview of Governance Structures in Other States

In analyzing various community college governance systems practiced in other states, it is apparent that there are a myriad of ways to structure governance. A given state's system is a product of the environmental realities in the specific state - fiscal, geographic, political, and historic. Therefore, the information gathered from other community college systems may not be directly transferable to Colorado's climate. Also, it cannot be assumed that specific duties, costs, and staffing levels for one state's system office are attainable or appropriate in Colorado. For example, Washington and Kentucky's offices manage technical colleges as well as community colleges. Florida's community college system is incorporated into the state's Department of Education, making budgetary comparisons difficult. Colorado is the only state where Career and Technical Education (CTE) is administered by the community college system. All other states have separate bureaucracies. For these reasons, comparing systems is clearly an apples and oranges exercise.

However, if fundamental changes can be made to Colorado's system, then a review of the following systems of governance provide a framework for establishing a new system. The Task Force examined systems in Kentucky, Connecticut, Florida, Virginia, Washington, and Iowa. These represent a broad spectrum of governance structures – from highly centralized (Connecticut and Kentucky) to almost entirely decentralized (Iowa) – and are considered best practice states. A chart with additional detail on system office duties, responsibilities, and budget ratios is provided in Appendix D.

Of the six states surveyed, the size of the system office varied from 0.032 percent to 4.2 percent of the total budget for the entire system. Variation in staff size was between 2.0 and 225.0 FTE in the system offices. Clearly, the significant variation in budget and staff size indicates tremendous variation in the duties and role of each state's system office.

On the heavily decentralized side of the spectrum, the state of Iowa has a very small two-person system office with a budget of approximately $200,000 for FY04. Housed under the State Board of Education, the Division of Community Colleges has authority to approve individual college budgets and curricula and consolidates data for statewide reporting. All other administrative and governance duties fall to the individual colleges. Locally elected Boards of Trustees are charged with governing local community colleges. Each community college in Iowa has local-taxing authority and utilizes property-tax revenue as a revenue source (Education Commission of the States). With this taxing authority, there is a mandate for greater local control and governance. Looking at the community college system in Iowa, it is apparent that even the most decentralized system, in order to be effective, requires budget and curricula approval to ensure there is no unnecessary duplication statewide.

With a budget of $8,177,639 or 0.9 percent of the total system budget of $899 million, the State of Washington utilizes a hybrid system of governance and administration. The current State Board of Community and Technical Colleges staff of 85 is divided among three divisions – Administration Services, Financial Services, and Education Services. The Board is responsible for policies that deal with statewide concerns, such as ensuring that academic programs are not unnecessarily duplicated and that each institution serves a specific region in the state. The system office receives a single appropriation from the General Assembly and allocates funds to the individual colleges. Local governing boards are charged with the governance of individual colleges, with local decisions subject to State Board approval (Education Commission of the States). Compliance, Policy Planning, Research, Human Resources, Advocacy, and Student Services functions are conducted at both the system-level and the college-level.

In this hybrid model a great deal of coordination of functions between the two levels is necessary (Data provided by Cindy Hough, Washington State Board of Technical and Community Colleges).

The State of Connecticut represents a strong example of a centralized governance system. In Connecticut there are 12 community colleges serving 45,800 student FTE, which represent numbers that are similar to the size of Colorado's system. (Note: A student FTE is defined as a student taking 15 credit hours. A student taking six credit hours plus a student taking nine credit hours are defined as one student FTE total). At 4.2 percent of a total budget of $290 million, the system office generates significant efficiencies. The president of the Connecticut system, Mark Herzog, maintains that there is no duplication of tasks or duties between system-level and college-level functions. The system office is responsible for HR functions, advocacy, internal and external compliance, legal, budget allocations, information technology (IT), and business practices. Uniquely, all IT functions for the entire system are 100 percent centralized. Of the 78 system office staff, 45 deal specifically with IT (Data provided by Mark Herzog, Connecticut Community College System President). Information Technology represents a significant outlay for the system office, but a tremendous savings to the individual colleges.

The presentation on the governance and administration systems of other states provided the Task Force with comparative information as they investigated potential cost savings through the restructuring of the Colorado Community College System.

Description of Public Forums Held in Conjunction with Task Force Meetings

During the first Task Force meeting on January 9, 2004, the group discussed the need to obtain public input from communities around the state. In total, five public forums were held between Monday, February 23 and Friday, March 5, 2004. The meetings were held at Front Range Community College in Westminster, the Community College of Aurora, the Community College of Denver, Otero Junior College in La Junta, and Morgan Community College in Fort Morgan. Participants from the eight additional community colleges participated via closed-circuit television. Participants, and those who were unable to attend the public forums, were invited to direct comments and concerns to the Task Force via email. These comments were then distributed to the entire Task Force. 631 people attended the five public forums, including staff, faculty, students, community members, business leaders, and K-12 administrators. About 30 percent or 126 people spoke on behalf of Colorado's community colleges. 36 additional people commented via email. For a more detailed look at the public forums see Appendix F.

From the public forums, a common set of themes emerged. The need for an effective system office was stressed repeatedly. It was apparent that persons affiliated with the individual colleges appreciated the support provided by the system office. "If it ain't broke, don't fix it" was echoed throughout the forums as well. Finally, many attendees felt the strength of Colorado's system was the uniqueness of the 13 colleges supported by a strong system office.

The proposal to realize cost savings through the centralization of financial-aid functions was not supported by public forum attendees. Specifically, many questioned whether financial-aid applications could be handled entirely online, without direct contact. It was pointed out that many community college students are first time college students and are unfamiliar with financial-aid processes. Moreover, many are unable to complete the requisite forms or understand fully the numerous financial-aid opportunities that are available. Many prospective students will only attend college if they are able to obtain financial-aid and they depend upon in-house customer service to complete the application.

Another theme stressed at the public forums was the integral role each community college plays in its respective region. David Everitt, president of Everitt Companies wrote:

> *"As a long time business owner in Northern Colorado, I want to express my unqualified support for FRCC and the critical role they play in Fort Collins and the region. The way they are currently administrated has allowed them to be incredibly responsive to the business community's needs for higher education. There is a regular dialogue occurring between the school and the business community...[and] has been one of the great strengths of the college in educating the work force to meet ever-changing demands in the market place."*

The importance of community colleges for area business and economic development was also stressed at each of the public forums.

Finally, forum attendees were relieved to learn that colleges would not be closed or consolidated. Colleges were viewed as too important to the region in the opinion of those in attendance, and this sentiment was especially strong at the rural colleges. Woodlin School Counselor, Traci Weisensee wrote, "MCC (Morgan Community College) has provided many, many kids with a head start in post secondary education. Without that boost some would have never attended college. I strongly encourage the Colorado Commission on Higher Education to continue to support the community college system."

At the final Task Force meeting on March 10, 2004, the community college presidents had the opportunity to direct comments and concerns to the Task Force (Appendix K). In many respects, their comments reiterated the themes that arose during the public forums –the uniqueness of the individual colleges, the importance of community colleges in their communities, and the importance of a strong system office. The presidents expressed support for the organization of the system office as recommended by the Task Force and agreed to work within the system. Without support from the system office, many colleges could not afford to operate. In fact, many of the colleges originally joined the system to realize economies of scale associated with system support.

Task Force Recommendations

In order to strengthen and improve the Colorado Community College System, the Task Force makes the following recommendations.

1. It is recommended to the State Board that at least a 35 percent reduction in the system office's administrative costs be attained. The 35 percent or greater reduction should come from all funds, not merely General Fund support. From the FY04 budget of approximately $17 million, the estimated savings of this action would be $5.95 million and, if possible, should be redistributed to the individual colleges. Initially, however, it is recommended that the savings be invested in long-term projects requiring additional investment that will result in long-term savings and efficiencies (such as Information Technology (IT) or financial-aid business practices). In order to achieve the recommended cost savings and increase efficiencies in the community college system, the State Board should consider the following changes:

    A. The State Board should eliminate unnecessary or duplicative positions within the system office. These could include, but are not limited to: 1) the contract legislative liaison

positions within the President's Office, since lobbying is also performed by the system president and the college presidents, and 2) reducing the size of the Information Technologies (IT) Department, so as to conform to the size of like departments in states such as Connecticut which have 16 fewer FTE performing the same function and serving a nearly equal number of students.

B. The Task Force recommends that the State Board adopt a centralized, standardized, and integrated IT system, which includes standard software and hardware for all IT functions. The benefits of a centralized IT system are greater efficiency, reliability, and the ability to use IT as a tool to standardize business functions.

C. It is recommended that the State Board restructure distance learning to increase revenues and decrease costs. The new structure would require the CCCS to provide, and all colleges to use exclusively, a common utility infrastructure; it would also maintain a common standard for security and accreditation. Individual colleges will develop and offer their own courses. By utilizing the streamlined CCCOnline utility, the colleges will be able to offer online education more profitably. In FY03, the ten college online programs generated over $6 million in net income for the colleges (Appendix E).

D. All Institutional Research (IR) functions should be performed at the college level or by CCHE, independent of system office support, except for an audit function. This will require the CCCS system to maintain one universal database with individual college partitions for virtual privacy, with all data governed by standardized definitions, guidelines, and reporting standards and procedures. The benefit of a common but portioned database will be efficiency and accuracy when information is consolidated.

E. The State Board should investigate and implement improvements to financial-aid business practices and support technology. On campus financial-aid counseling will continue to be available directly to students. To continue the efficiency trend, the administrative cost of packaging financial aid should be reduced, with a goal of reaching $30 per package, which would translate into $1.4 million in annual savings.

2. Recognizing the importance of a system office to provide support to the colleges and to realize economies of scale where applicable, the Task Force recommends the continuation of the system office managed by the SBCCOE and the System President (Appendix G). It is recommended that the office be made up of seven functional areas: External Relations and Development, Legal and Human Resources, Finance and Budget, Academic Affairs, Compliance, Lowry Campus Opportunities, and Information Technologies (IT).

3. The State Board should examine what steps would be necessary to remove itself from the current conveyance agreement with the U.S. Department of Education and to develop to the highest and best use the remainder of the Lowry Campus. Potential changes at the Lowry Campus should be based on discovering ways to increase revenues and decrease costs to the system. The plan will determine the existence of more profitable uses for the remainder of the land not currently used by the Community College of Denver and the Community College of Aurora, both of whom currently utilize the Lowry Campus.

4. The Task Force recommends to the Board that a comprehensive review be conducted of the administrative costs for Career and Technical Education (CTE). Assuming reductions are found to be feasible, the cost savings should be redistributed directly to CTE programs or to provide enhanced services to program providers.

5. It is recommended that the documents provided by CCCS financial staff, e.g. System Office Summary and System Agency Functional Analysis (Appendices B and C), be used for guidance as the Board proceeds to implement changes to the community college system. As working documents, these may be adapted and changed as needed throughout the process.

6. Due to the short time period provided to the Task Force to strengthen and improve the community college system, it is recommended that the Board address the following concerns and issues identified by at least one of the 13 community college presidents:

   - Opting out of the state personnel system
   - Enrollment management
   - Tuition discounting policies
   - Relief from state purchasing requirements
   - Board policy related to faculty
   - At-will employment contracts
   - Residence halls; and
   - Identifying additional sources of funding/revenue for community colleges.

Although not addressed by the Task Force, there was consensus at the final meeting that these concerns merit investigation. It should be noted that the Colorado General Assembly is currently addressing some of these issues, and the SBCCOE is supportive of their efforts.

Timeline for Implementation

The Task Force endorses the following timeline for the implementation of the recommendations. The timeline should be reviewed every three months and updated as necessary.

April through June 2004

- Formulate task groups made up of board members, presidents, faculty, students, and staff to lead the change efforts in the areas of online instruction delivery; financial aid; information technology; Lowry Campus; central administration operations; and career and technical education administration.

- Board resolution to refrain from long-term financial commitments during change implementation period (completed).

- Establish a Presidents' Council with a defined role and defined responsibilities.

- Begin analysis of centralized, standardized, and integrated system-wide IT configuration.

July 1, 2004

- The State Board shall review both the written and oral comments made to the Task Force by e-mail and at the public forums.

- Reduce system office operating budgets.

- Refinance positions from other fund sources.

- Streamline Perkins Act (Career and Technical Education) operations.

- Eliminate select system office positions.

- Implement standard-data elements for Institutional Research reporting – for both external reporting and system-wide reporting.

- Implement standardization of charts of accounts and fiscal policy – for both external reporting and system-wide reporting.

- Begin implementation of centralized, standardized, and integrated system-wide IT configuration.

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- Consolidate CCCOnline operations.

- Eliminate/refinance additional system office positions.

- Transfer regional Human Resource functions.

- Complete Human Resources solution installation.

- Determine delivery system for financial aid, securing vendor and software to be used.

July 1, 2005 through July 1, 2006

- Progress Report to Governor (July 2005).

- Implement possible processing changes to financial aid.

- Implement possible recommendations on reconfiguration of Lowry Campus.

- IT reconfiguration in place.

Part II

Economic Context

During economic downturns, state funding for higher education programs is often cut, while K-12 education, corrections, and Medicaid are typically immune to budget cuts due to political pressure or Federal mandates. In most state budgets, higher education represents the largest discretionary program,

and, consequently, higher education often receives the worst of state budget cuts (Selingo, Jeffrey, *The Chronicle of Higher Education*, 2/28/03). Over the course of the last economic downturn in Colorado, this phenomenon certainly occurred. Compared to FY01 General Fund spending of $747.3 million for higher education, FY04 support fell 21 percent to $591.4 million (Leg Council, No. 518, 2003, p. 10).

Student enrollment, however, often increases during economic downturns because jobs are not readily available and many jobseekers attend college to gain new skills (Leg Council, No 518, 2003, Appendix B, p. 2). Thus, while state support for higher education decreases, there exists concurrently a greater demand for higher education programs because of higher student enrollments.

The Taxpayer's Bill of Rights (TABOR) and Amendment 23 have exacerbated state budget cuts to higher education funding in Colorado. TABOR cash limits control tuition increases that could counter balance decreases in state support to colleges and universities, an option that many other states exercise during economic downturns. Also, the TABOR ratchet down effect requires surplus revenue to be refunded to taxpayers before state programs return to pre-recession funding levels. By guaranteeing K-12 education funding to one percent above inflation, irrespective of the overall economic situation in the state, Amendment 23 has caused budget cuts to other large programmatic areas, such as higher education, to increase in severity. Because of Amendment 23, K-12 funding continues to take an ever-increasing share of state revenues compared to other programmatic areas.

It is within this fiscal context that the Task Force was charged to examine and recommend a more efficient system of governance and administration for Colorado's community colleges. Thus, community colleges must be certain that revenues are spent wisely, while maintaining and building a better community college system for the citizens of Colorado.

The 13 community college institutions in Colorado vary in size from 922 student FTE enrollment at Colorado Northwestern Community College to 9,224 student FTE enrollment at Front Range Community College. (Note: A student FTE is defined as a student taking 15 credit hours. A student taking six credit hours plus a student taking nine credit hours are defined as one student FTE total) (Appendix H).

Throughout Colorado, each college provides opportunity for first-time college students, serves as an employer, and is a major economic engine. Many community colleges are in rural areas of the state and provide vital educational and economic development opportunities for their communities. According to Morgan Community College President Michele Haney, community colleges are "our access to higher education" for rural Coloradans (Barker, Dan, *Fort Morgan Times*, 3/3/04). As state funding for community colleges continues to decline, the cost of Colorado's colleges is shifted to students through increased tuition and fees. In FY01, resident tuition made up 33 percent of community college revenue, compared to 66 percent from the General Fund. In FY04, the figures are 43 percent resident tuition and 53 percent General Fund (JBC 11/13/03 HED-brf, p. 47). The paradox is that many citizens of Colorado cannot afford radical tuition increases, and Colorado cannot afford the economic losses involved with closing an institution or in dramatically curtailing its development and growth.

During the five public forums held in conjunction with the Task Force meetings, over 600 attendees expressed satisfaction with the community college system in Colorado. Former Morgan Community College student Cheryll Stevens, who is currently employed with the Fort Morgan Workforce Center, wrote:

> *"As a state employee, employed at the Fort Morgan Workforce Center, Colorado Department of Labor and Employment, MCC has been a vital partner of ours for*

many years. We support each other's efforts. They have been on our Workforce Board since its conception and have a stake in what we do. MCC has been extremely active in our community, in many worthwhile projects. Our office and others in our 10 county region have partnered with MCC in regards to our WIA (Workforce Investment Act) training clients and helped provide customized training programs to suit our needs as well as the needs of other employers in the county. We also have been partners in our career/job fairs that are a great success and benefit to lots of people in our area. I cannot imagine not having Morgan Community College here nor do we want any change in the system that would diminish their capacity to serve the people of Morgan and surrounding counties."

This comment clearly illustrates the vital role community colleges play in Colorado. The opportunities for first-time students, the partnerships with local business communities, and the quality educational opportunities offered by the colleges clearly demonstrates the need for continued support for each of the 13 community colleges.

History of Colorado Community Colleges and Current Governance Structure

The beginning of Colorado's Community College System began in 1910, when Centennial High School in Pueblo and Logan County Industrial Arts School in Sterling opened vocational training programs. From 1910 to 1937 junior colleges were created in Grand Junction, Sterling, Trinidad, Lamar, Pueblo, and Denver. In 1937, the seeds of an organized junior college system were planted. Many of the original junior colleges reorganized as locally governed and supported institutions. After World War II, many veterans entered college and created a boom that provided the impetus for junior college expansion in Colorado. Junior colleges passed local bond issues to expand facilities and to establish new campuses, thus providing greater access to higher education, especially in rural areas across the state.

Until 1967, community colleges operated independently in Colorado with individual colleges having local taxing authority and local governing boards. The passage of the "Community College and Occupational Act of 1967" established a hybrid system of governance for the community colleges. The Act established the State Board for Community Colleges and Occupational Education (SBCCOE) that, along with local boards, shared control of the new system. Over the next 20 years, various junior colleges were changed from being local district colleges by joining the State Board system. During this period many institutions also renamed themselves; for example, Lamar Junior College became Lamar Community College. From 1967 to 1987 additional colleges formed in Denver and Colorado Springs.

In 1985 greater centralization of governance occurred with the passage of House Bill 1187, which vested system-wide governing authority with the SBCCOE. Local governing boards would now serve as Advisory Councils. In 1987, House Bill 1237 established the current format of the SBCCOE, also mandating that community and four-year colleges develop a core academic program under the direction of the Colorado Commission on Higher Education (CCHE). Since 1987, the governance structure has remained largely unchanged with the SBCCOE and the system office overseeing the administration of 13 community colleges currently serving 43,880 FTE students.

According to Colorado Statute 23-60-201, "There is hereby established a state system of community and technical colleges which shall be under the management and jurisdiction of the state board for community colleges and occupational education" (C.R.S. 23-60-201). The SBCCOE has sole

governing authority for all 13 community colleges in Colorado. Specifically, the board appoints the chief executive officer/ president of the community college and vocational education system, who with board approval has the authority to hire or terminate individual community college presidents.

The primary duties of the SBCCOE with respect to governance are to establish policy and to approve budgets, which includes setting tuition and fee rates and allocation of state General Fund appropriations throughout the system. The State Board is also charged with approving all academic programs and degree requirements system wide, as well as approving all proposals for new academic programs or capital construction plans for each of the 13 individual colleges in the system. Finally, the SBCCOE appoints Advisory Councils for each college. These councils are composed of citizens who represent various segments of their communities: business, economic development, non-profit, K-12 schools, and other governmental entities. The councils meet periodically with the college presidents and senior staff and often assist in fundraising and other activities.

Under the authority of the SBCCOE, the Colorado Community College System Office provides support to the 13 community colleges (Appendices I and J). Currently, under the System President and Chief Operating Officer, the office consists of the Lowry Campus and six major departments: System Communications, System Advancement, Administration and Finance, Education Services (including distance learning), Legal Affairs and Vocational Education Administration, and Information Technologies. The primary duties carried out by the system office are leadership, advocacy and legislative liaison duties, management of IT infrastructure, Career and Technical Education (CTE) administration, coordination of budget and capital construction requests, internal audit functions, legal, and management of distance learning.

In FY04, the budget from all fund sources for the system office is $16,975,500. This includes $13,162,391 in General Fund support and the remainder from auxiliary funds, the Carl D. Perkins Vocational and Technical Education Act, and grant sources. In FY03, the total budget was $19,266,735, excluding CCCOnline's operating budget of $3.2 million. CCCOnline figures are provided separately in Appendices B and C (figures provided by CCCS Director of Budgets, Geoff Barsch). As part of a total statewide budget from all fund sources of approximately $300 million, the FY04 budget for the system office represents 5.7 percent.   The office employs 188.5 FTE throughout the various departments. Due to the decrease in total fund support, the system office eliminated eight positions and realized budget cuts of $1.2 million in FY03. In order to determine the possibility of cost savings and additional streamlining, it is necessary to understand the respective size, duties, and responsibilities of the various departments within the system office. For a more detailed description of the departmental duties see Appendix J.

The President's Office operates with a FY04 total fund budget of $778,892 and 5.0 FTE. The primary responsibility of the office is to provide overall system direction and leadership. Additionally, the office acts as the community college representative to the general public and the legislature. Of the 5.0 FTE, two act as contract legislative liaisons to the Colorado General Assembly representing the 13 community colleges.

In FY04, the System Communications Department operates with a total fund budget of $351,433 and a staff of 5.0 FTE. The purpose of the department is to facilitate and ensure effective communication among the 13 colleges and between the board, system office, and colleges, as well as externally. Through public events and online publications, such as *The Dome, CTE Trends*, and the *PDLA Bulletin*, the office works to utilize effective communications within the system internally and externally.

Operating with a FY04 budget of $225,738 and 3.4 FTE, the System Advancement Department works to increase the resources available to the colleges through foundations and grants. Established in 2002, the office attempts to leverage the philanthropic capacity of the individual colleges and the system

as a whole to increase revenue. Additionally, the office conducts donor research and develops strategies and processes to improve the ability of the CCCS Education Foundation to gain additional support. In fact, since it was created in 2002, the department has increased revenues to the Education Foundation from $75,000 to $744,000 and established relationships with the Ford Foundation and the Daniels Fund.

The Finance and Administration Department operates with a FY04 budget of $2,175,003 and 18.0 FTE. The department performs four main duties: fiscal, internal audit, policy, planning and research, and Lowry Campus facility management. Fiscal functions include system-wide accounting, budgeting and budget coordination, and capital planning services. The staff also creates all mandatory state and federal financial reports. Within the department, Internal Audit staff conducts performance, operational, and financial audits for the colleges and the system office to ensure quality service delivery and compliance audits of Colorado Vocational Act funds recipients. Employees in Policy, Planning, and Research produce both internal and external analyses and project management to assist the strategic directives and improve operations. Additionally, the office coordinates some of the Institutional Research functions for the entire system. Finally, the Lowry campus operates on a budget of $3,094,084 and 32.0 FTE and is reported under the Finance and Administration Department. The campus houses the system office, system IT staff, and 1,700 student FTE enrolled at Community College of Aurora and Community College of Denver.

All academic policies and procedures are established by the Education Services Department. For FY04, the department has a total fund budget of $2,691,676 and 42.9 FTE. Education Services coordinates all degree and course requirements system wide for Board approval and recently implemented the Common Course Numbering System for the 13 colleges. Additionally, the department provides faculty training, course development, and the utility infrastructure of CCCOnline, the distance-learning component for Colorado's community colleges. CCCOnline is entirely self-supporting and does not receive any General Fund support. In fact, in FY03, CCCOnline generated a net operating income of $802,817. System office staff estimate that CCCOnline will produce a net operating income of $787,774 in FY04.

In FY04, the Legal Affairs and Vocational Education Administration Department operates with a total fund budget of $1,586,612 and 20.4 FTE, over half of which is dedicated to administration of secondary and postsecondary career and technical administration. This department handles human resource (HR) functions such as recruitment and hiring for the system and some colleges, employee relations, and compliance. Additionally, the department provides legal counsel to the SBCCOE, the system office, and to the 13 community colleges.

With a staff of 60.9 FTE and a FY04 budget from all funds of $6,090,061, the Information Technologies Department (IT) is the largest department within the system office. In order to leverage the ability of the system to improve functionality, the IT division has centralized numerous IT functions. These include, but are not limited to: communications equipment, Microsoft desktop operating systems, Internet access, software licensing, and video conferencing capabilities. Also, all data files are stored centrally and all colleges are linked together through CCCS-IT.

Conclusion

It is the opinion of the Task Force that the goals of the Executive Order set forth by Governor Owens has been realized. When the recommendations are implemented, Colorado's Community Colleges and its system will be more efficient and better able to deliver quality educational opportunities throughout the state.

Streamlining the system office will allow additional funds to be utilized to improve the system overall. While the new system office will be smaller, it will still provide critical support to the 13 community colleges and 56 campuses and will remain an integral part of the system. Some of the Task Force recommendations will lead to greater efficiencies and cost savings in the long term, but will require an initial start-up investment to implement. As the implementation process moves forward, it is important to recognize the long-term benefits that will arise from the recommendations.

Members of the Task Force are committed to working with the SBCCOE, college presidents, and the system office to implement the recommendations during the time frame set forth at the final meeting. Tamra Ward, State Board member and Task Force member, summarized the opinion of the Task Force, stating,

> *"I believe the Task Force accomplished its goal – and now the Board must move ahead to implement the policy recommendations outlined by the group. This is a large task, but I am confident that the Board, system office, colleges, and interested and affiliated groups are committed to seeing us proceed in a manner that will ensure a better, stronger community college system."*

When the Task Force's recommendations are implemented, Colorado will have a strengthened and improved community college system.