

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

A presentation to the Joint Legislative
Program Evaluation Oversight Committee

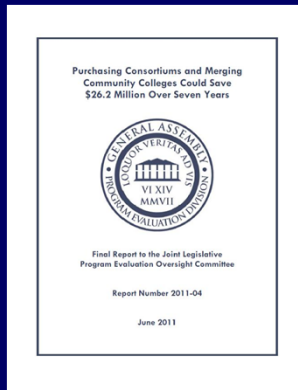
June 2011

Catherine Moga Bryant, Senior Evaluator

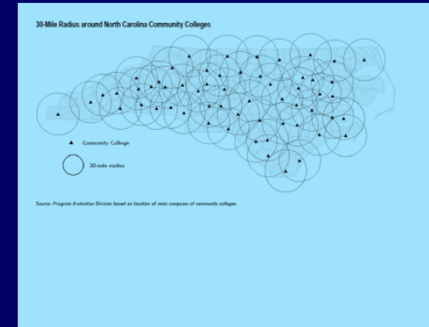


Handouts

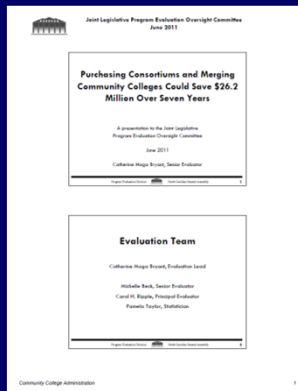
The Full Report



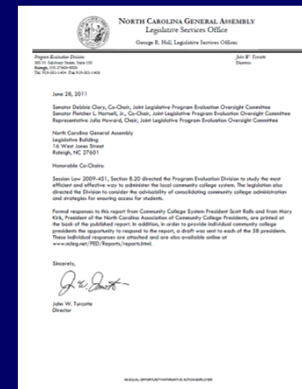
Two-sided Handout



Today's Slides



Presidents' Responses



Evaluation Team

Catherine Moga Bryant, Evaluation Lead

Michelle Beck, Senior Evaluator

Carol H. Ripple, Principal Evaluator

Pamela Taylor, Statistician



Our Charge

- S. L. 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
 - Consider consolidating community college administrations while ensuring access for students
- Closing colleges was not considered

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Overview: Findings

- College independence challenges administrative efficiency
- Small colleges have higher administrative costs per student FTE
- Colleges are not taking advantage of purchasing consortiums
- Merging colleges could reduce costs



Overview: Recommendations

- Reduce the number of colleges by merging small colleges
- Establish a unit to develop and maintain purchasing consortiums



Data Sources

- Administrative data from all 58 colleges
- Surveys of all 58 Presidents
- Site visits to 11 Colleges
- Other states

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Background



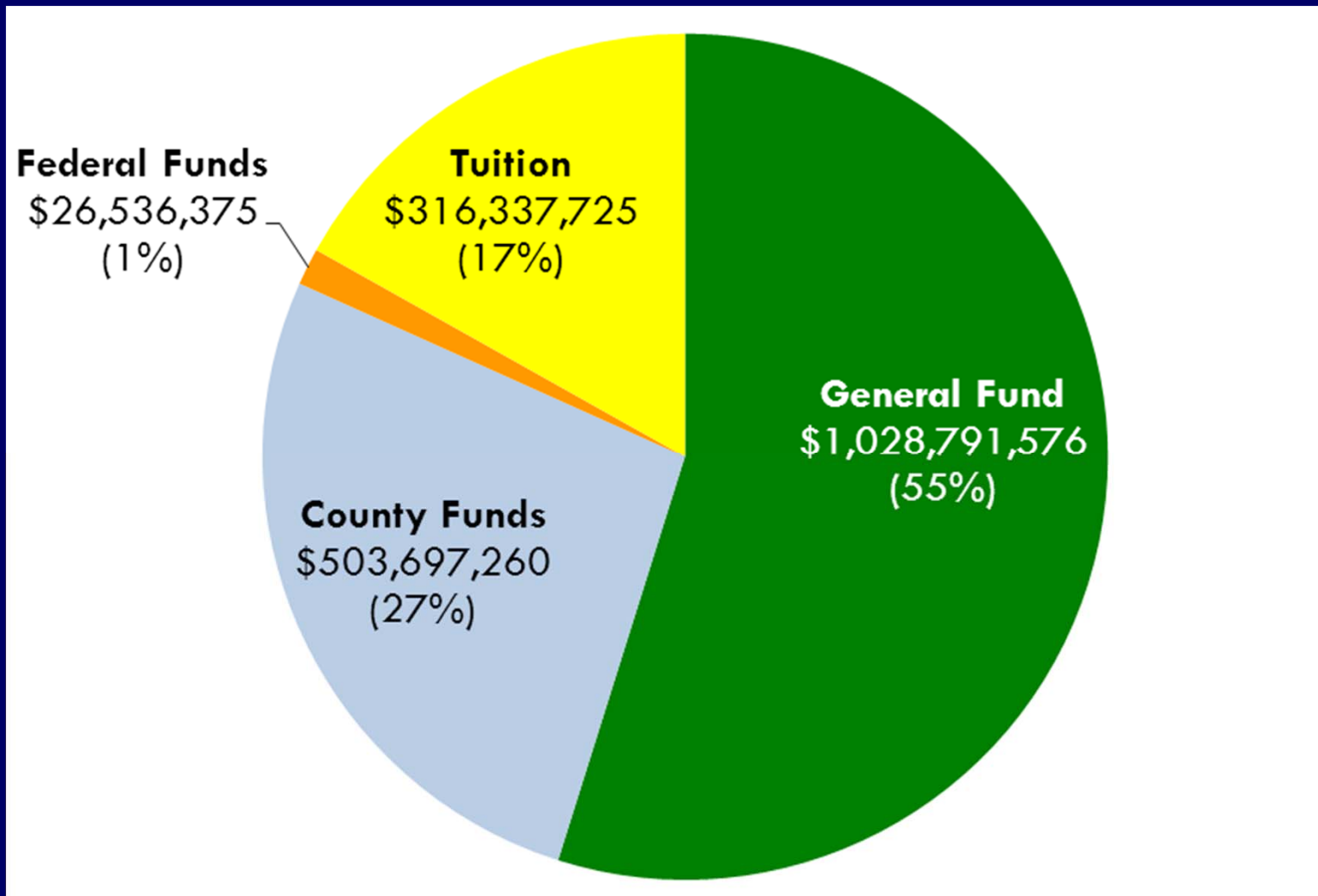
Community Colleges Today

- 58 colleges with 162 campuses and off-campus centers in 91 counties
- Student full-time equivalent (FTE) varied in Fiscal Year 2010-11
 - 624 at Pamlico Community College
 - 16,200 at Central Piedmont Community College

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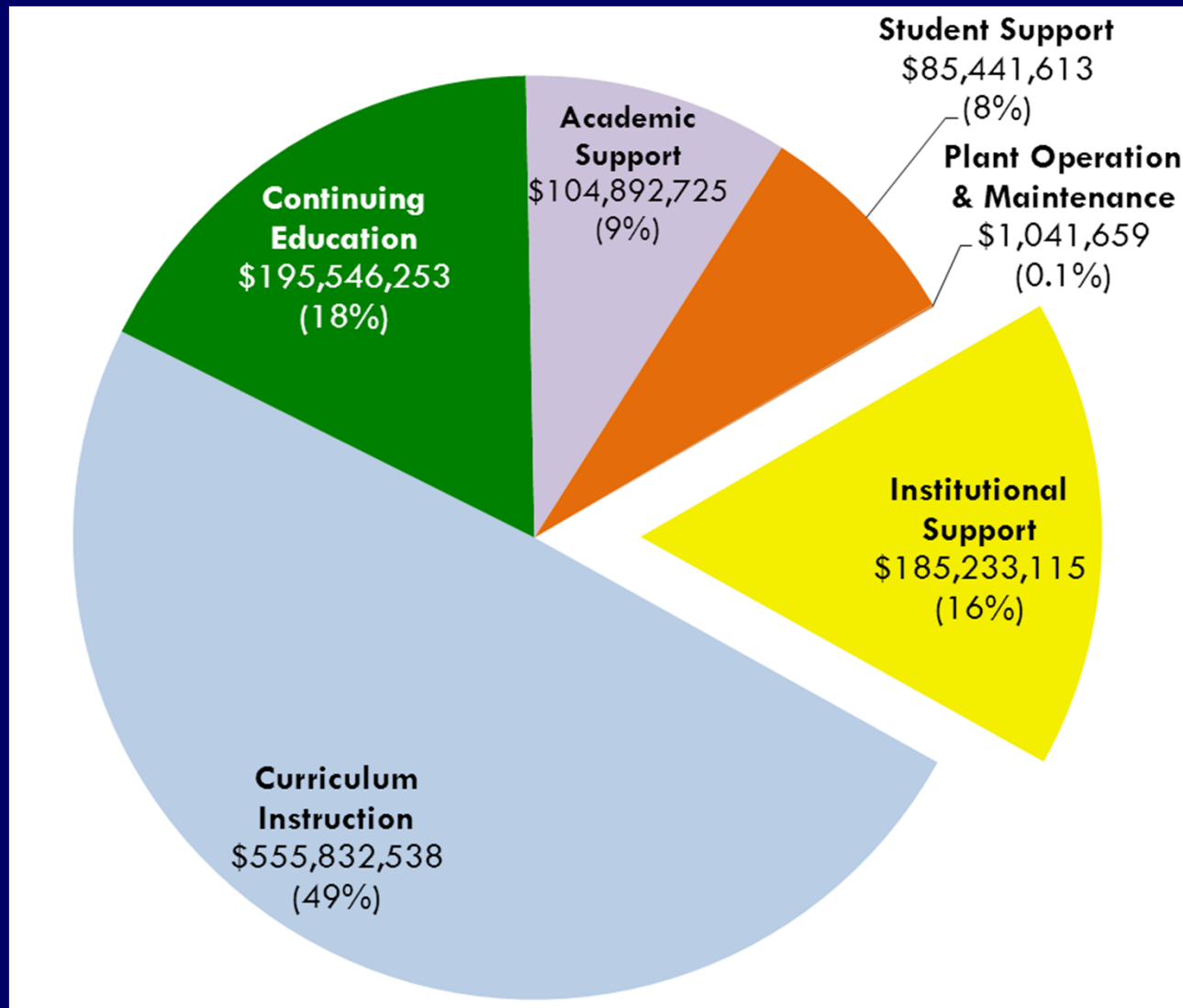
Community College Funding FY 2010-11



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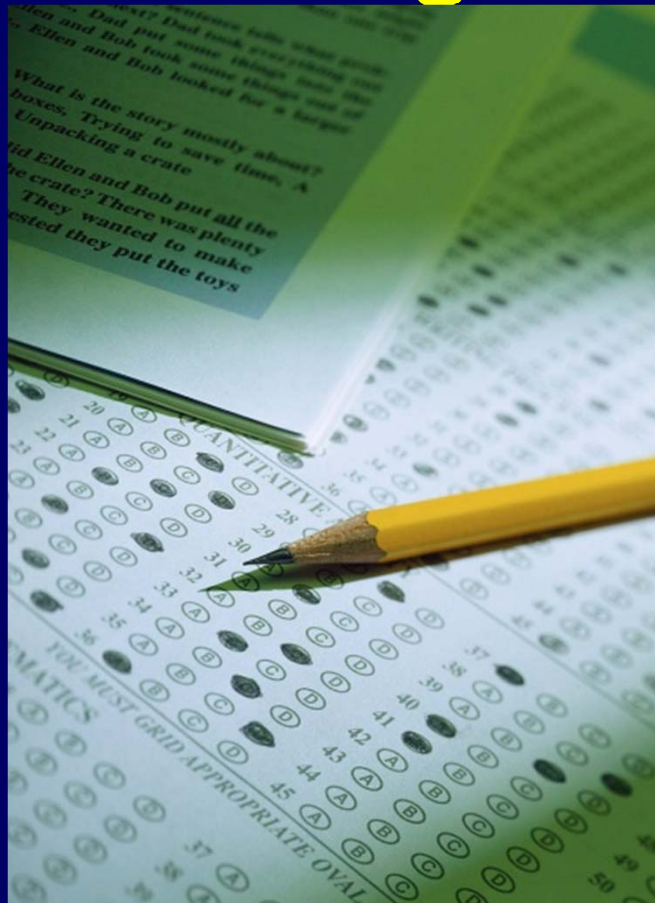
State Expenditures FY 2009-10



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Findings



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



Established Without a Statewide Plan

- Based on local interest and unmet need
- 34 colleges established between 1963 and 1969
- 58th community college established in 1978

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Established as Quasi-Independent Entities



Organizational Differences

Local Control



Organizational Difference



Inconsistencies and Redundancies

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Finding 2.
**Small colleges have higher
administrative costs per student FTE
than larger ones**



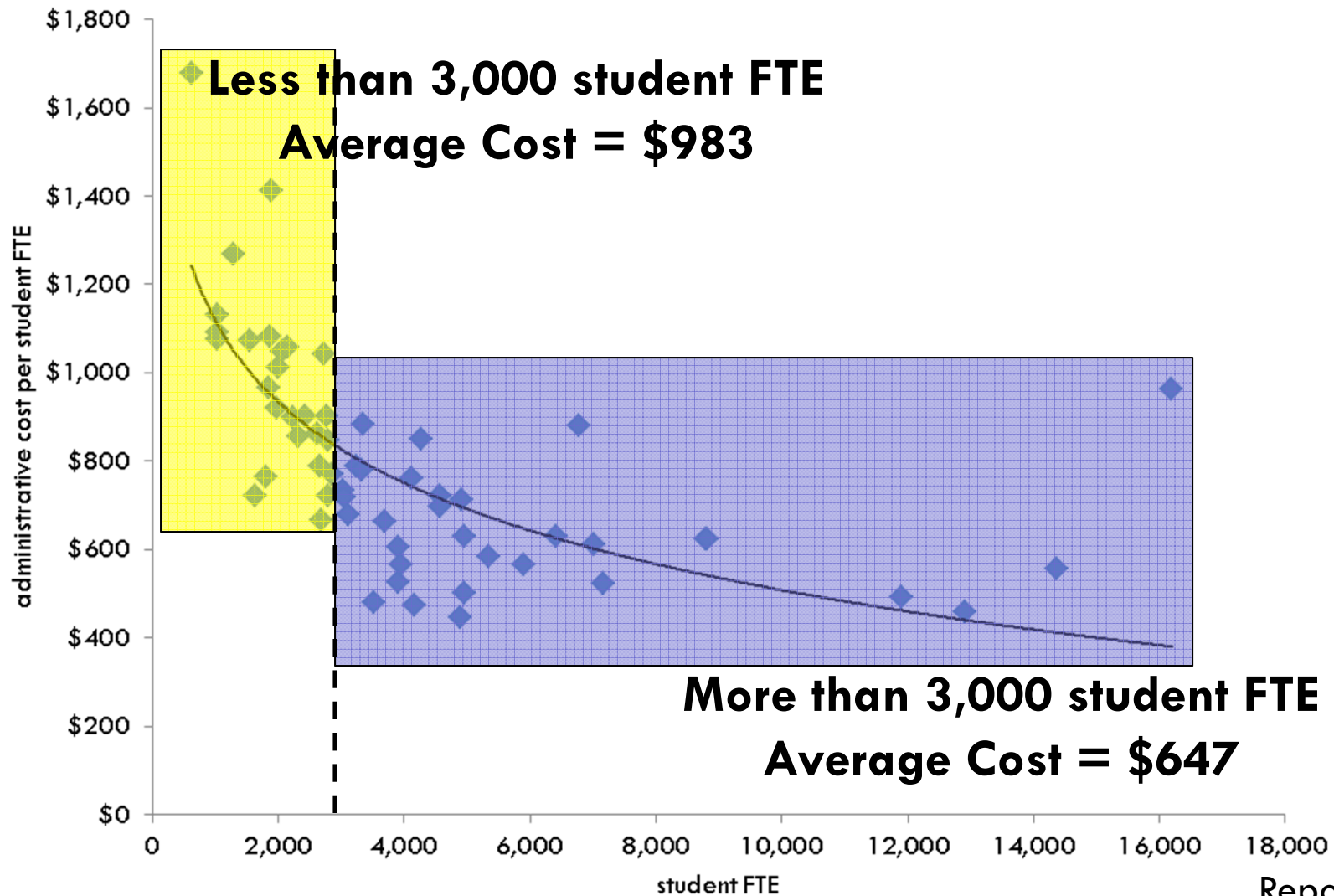
Analysis of Administrative Costs

- Cost per student FTE is used as a measure of efficiency
- Cost ranged from \$447 to \$1,679 per student FTE
- Smaller colleges had higher administrative costs per student FTE than larger colleges

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Administrative Cost per Student FTE



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Finding 3.
**Community colleges are not taking
advantage of purchasing consortiums**



Missed Opportunities

- Community colleges are missing opportunities to use their combined purchasing power
- There are no dedicated staff at the system office to oversee purchasing consortiums
- UNC system capitalizes on system-level agreements

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Potential Cost Savings – Assessment Tests

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

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



Merger Options

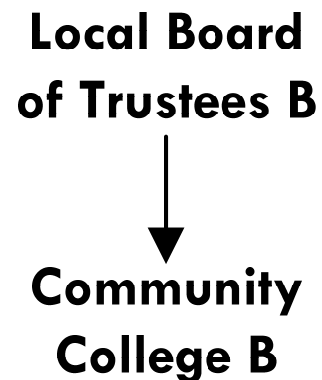
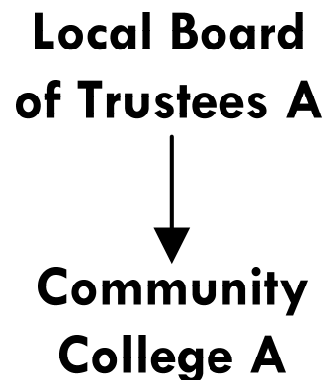
- Legislation directing this study required evaluation of consolidation
- Reviewed administrative structures of community colleges in other states
- Identified merger options that could improve administrative efficiency

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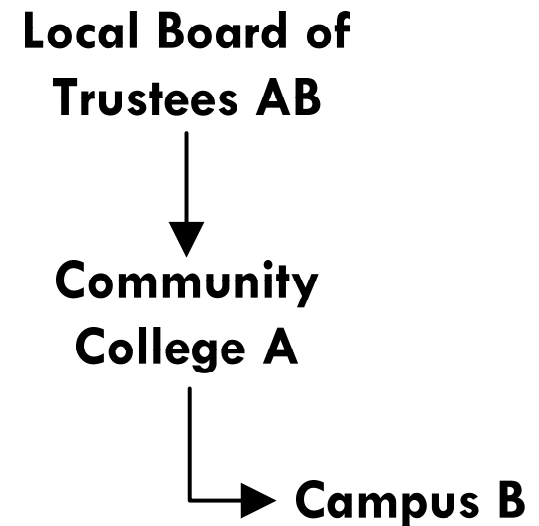


Create Multi-Campus Colleges

BEFORE



AFTER



Create Multi-Campus Colleges

- Benefits
 - Mirrors structure that already exists
 - Increased administrative efficiency
 - Cost savings

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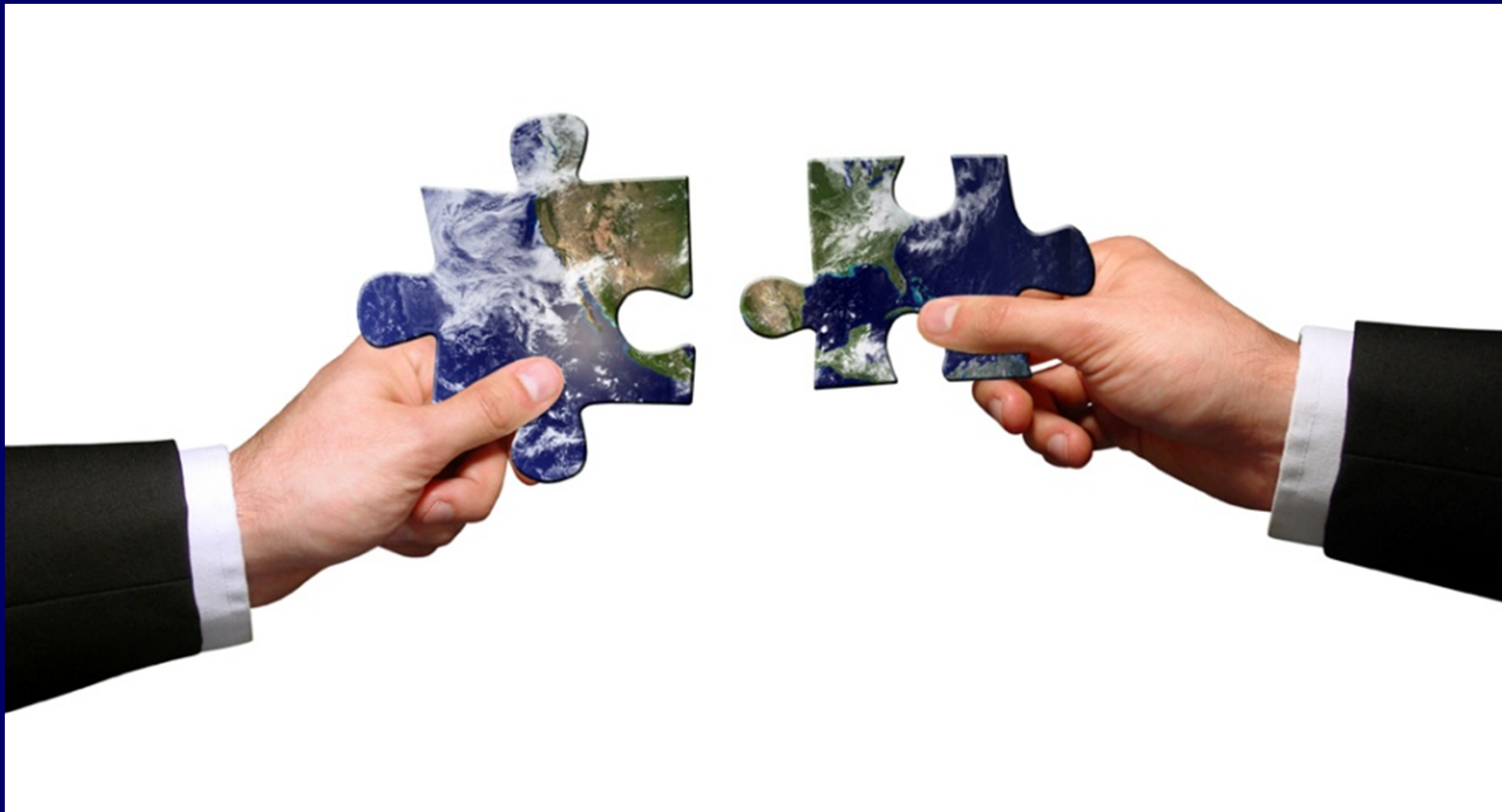
Create Multi-Campus Colleges

- Challenges
 - Strong local support for colleges
 - Local funding

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Recommendations



Recommendation 1.
**Reduce the number of small colleges
through mergers**



Merge Small Colleges

- Colleges with less than 3,000 student FTE had higher administrative costs
- Merge small colleges with one or more nearby college(s)
- 15 mergers could save up to \$5.1 million annually
- Merged colleges should be approved as multi-campus colleges and receive funding

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Merge Small Colleges

State Board of Community Colleges

- Submit merger plan, identifying colleges and a timeline for completing mergers, to the General Assembly by January 1, 2012
- Provide annual reports to the General Assembly throughout the merger process

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Merge Small Colleges

NC Community College System Office

- Oversee mergers and hire consultants to work with colleges and local communities
- General Assembly should consider appropriating \$350,000 the first year and \$300,000 each of the next five years

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Estimated Recurring Savings for 15 Mergers

	Average Savings per Merger	Total Recurring Savings
Institutional Support	\$ 823,455	\$ 12,351,828
President's Salary and Benefits	138,831	2,082,461
Multi-campus Funding	(621,667)	(9,372,000)
Total Cost Savings	\$ 340,619	\$ 5,109,289

Potential Additional Recurring Savings = \$3,528,810

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Recommendation 2.
**Establish a purchasing unit to develop
purchasing consortiums for
community colleges**



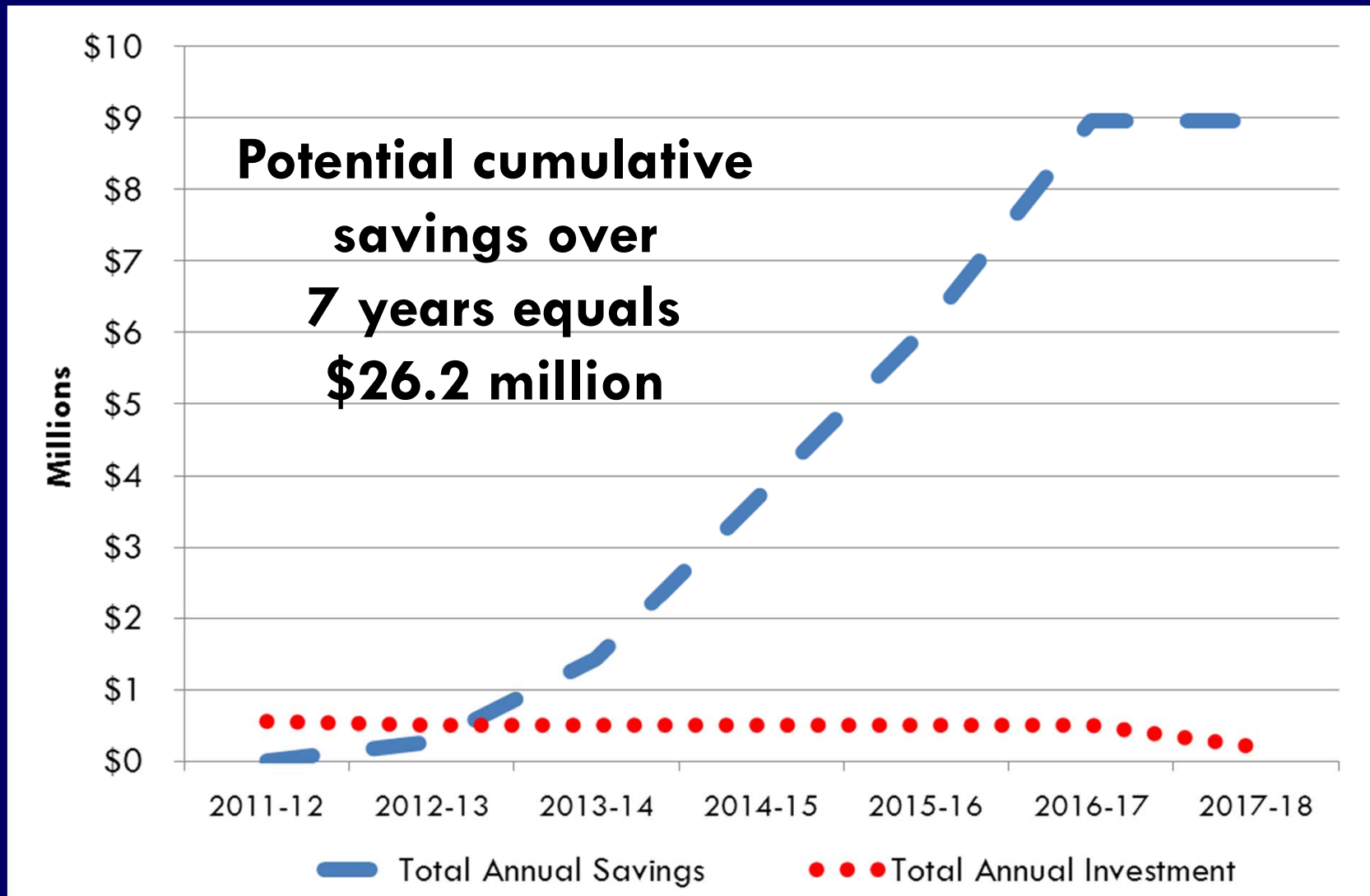
Establish Purchasing Unit

- Purchasing unit would identify opportunities and negotiate better pricing with existing vendors
- General Assembly should consider appropriating \$200,000 to fund this unit
- Estimated savings of at least \$270,000 annually

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Total Potential Savings Over 7 Years



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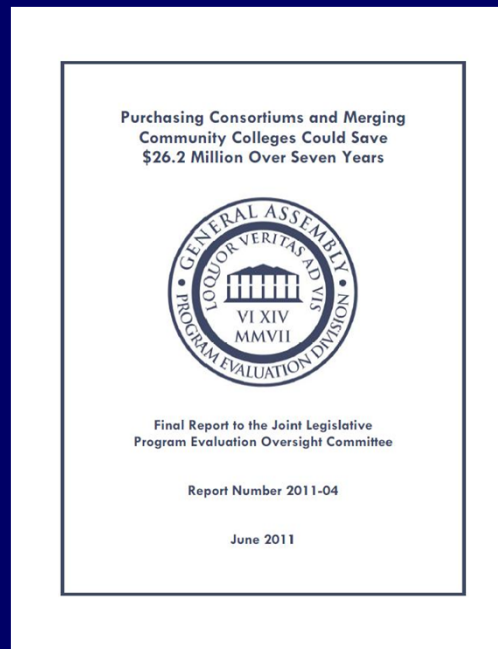


Overview: Recommendations

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**Report available online at
www.ncleg.net/PED/Reports/reports.html**



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