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Changing Lives,
Creating Futures

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TO: Tim Hardy, Chair
LCTCS Board of Supervisors

Chancellors and Directors
LCTCS Colleges

FROM: Dr. Monty Sullivan
LCTCS President

SUBJECT: Strategic Sustainability and Growth Plan Recommendations

DATE: March 8, 2017

APPROVED
SLK 3/8/17
LCTCS BOARD OF SUPERVISORS

Introduction and Background: The story of the development and growth of the Louisiana Community and Technical College System is one of the greatest accomplishments of the last half century for a state that has earned a historical reputation for low performance in nearly every educational category. Since the LCTCS's inception in the late 1990's, member colleges have been some of the nation's fastest growing institutions in terms of enrollment and completers. This has never been more evident than right now as member colleges have made significant progress in alignment with Our Louisiana 2020: Building the Workforce of Tomorrow.

Last year, the LCTCS served and provided instruction to over 131,000 students, transferred over 15,000 students to four-year institutions across the country, and graduated 28,853 students - the largest graduating class in LCTCS history. The member colleges of the LCTCS have earned a national reputation as colleges of excellence and as shining examples of efficiency and productivity. In 2016, Lumina Foundation, one of the nation's most respected educational and philanthropic organizations commissioned that Louisiana has the highest percentage in the nation of working age adults who hold a high-quality postsecondary certificate and that the state's overall degree attainment rate improved from 48th to 26th in the nation. The success of the LCTCS has occurred despite the fact that member colleges have operated in one of the nation's most difficult fiscal environments.

In early January 2017, as Board Chair, you communicated to me in a letter requesting that the system and its member colleges conduct a comprehensive review of the fiscal operations. System and college leaders approached this effort with much the same attitude they have approached the last nine years: focus on the mission, focus on serving students, and focus on meeting community and workforce needs. The comprehensive review has illustrated that the current fiscal situation of several institutions requires a more dramatic course of action than has been taken in the past. The following report contains the findings and recommendations necessary to chart a path forward to sustaining quality and preserving the mission of our colleges on behalf of the citizens of the State of Louisiana.

Financial Environment: When the LCTCS was established in July 1999, state funding accounted for approximately 85% of all technical colleges' budgets and 75% of community colleges' budgets with the remainder funded through student tuition and fees. As a point of reference, prior to 1985, there was no tuition charged to attend a technical college in Louisiana.

In FY 2009, the state fully funded the higher education funding formula. While this marked the high point in state funding, Louisiana was still only 9th best out of 16 states in state funding per student full-time equivalent (FTE) in the Southern Regional Education Board (SREB). The state would embark on a funding paradigm shift over the next eight years involving sixteen successive state budget cuts totaling \$82 million that would place more of the reliance on student tuition. Compounding the issue beginning in FY 2010, resource allocations for higher education were skewed as a result of the "stop loss" measure instituted to provide greater stability for those institutions who were losing enrollment. The short timeframe, mainly from FY 2010 to FY 2014, during which this occurred created great instability among colleges that exists today. In addition to the overall cuts, LCTCS colleges have seen increased costs from enrollment increases, inflationary increases, and increases in mandated costs.

The current year budget has already resulted in a mid-year reduction of \$2 million to LCTCS. Revenue projections continue to show a downward trend looking out over the next few years. While Governor Edwards and the Legislature have worked valiantly to spare higher education from further cuts, the fiscal environment and the importance of the mission of our colleges requires that we develop long-term plans to sustain the quality and access to the two-year college mission.

The LCTCS: Providing Change When Needed: The LCTCS grew out of the necessity to change the structure of Louisiana's higher education. The system in its initial form consisted of forty-four independent technical colleges and six community colleges, half of which were less than two years old. Since LCTCS' formation, new colleges have been established along with consolidations and mergers of campuses which have provided greater access to both technical and general education programs to the citizens of the state. In response to declining state resources and tremendous enrollment growth, LCTCS has centralized services for payroll, internal audit, and information technology. This ongoing effort has resulted in approximately \$30 million in annual saving and now includes, or will include in the very near future, student records, outreach, admissions, financial aid, collections, and property management. It will also include providing disaster recovery services for other college specific data. All of these changes have been conducted with an eye toward sustaining the higher costs of our colleges' technical education mission.

The LCTCS Board of Supervisors has taken steps to better understand and monitor the fiscal health of its colleges, specifically implementing a fiscal health monitoring policy and procedure in 2014 and shoring up policies that have resulted in a clearer picture of the fiscal circumstance of our colleges. At several points throughout the year, the Board is updated on the fiscal health of our colleges. It was largely this monitoring report, along with the fiscal outlook of the state, that led the Board to request a comprehensive review of fiscal operations.

Strategic Sustainability and Growth Review: College leadership and Board staff have been conducting fiscal health index reviews of colleges since 2014 and have become increasingly aware of the fiscal challenges that most of the colleges face. Given the increased reliance on student tuition revenues, the comprehensive review included data on college campus enrollments, by type of student (regular paying, non-credit, dual enrollment, and prisoner), revenues by source (state vs. self-generated tuition/fees), and expenditures for FY 2016 and year-to-date FY 2017. These reports allowed each

college leader and their chief finance officer to get a better understanding of the viability and vulnerabilities of local operations.

One of the other factors examined was the historical analysis of expendable reserve fund balances, which are essential to a college's ability to manage volatile cash flows inherent in the operations of a college. With the majority of tuition payments coming in twice a year, expendable reserves are necessary for colleges to meet payroll obligations every other week. Reserves also serve as a safety net to keep operations going when there are unforeseen declines in funding resources. Fiscal health is not determined by size of reserve only, but the size of reserves relative to the size or "exposure" of the operating budget. The data indicates low fund reserves at some LCTCS colleges or decreasing fund reserves that are indicative of the college's rough and uncertain fiscal environment.

As LCTCS colleges have transitioned from a mostly state-funded business model to a reliance on student enrollment/tuition, the implications of this shift are tremendous given the diversity of student types and the legacy issues involved. Tuition from high school dual enrollments is greatly discounted, and tuition for inmate training is practically non-existent. However, instructional and administrative costs for these students still exist and are often more expensive than a traditional student given the expensive technical training and security issues involved. To this end, Board staff provided college leadership information on their student enrollment types by campus location to provide perspective regarding tuition revenues generated (given their student type enrollments) as compared to campus operating expenditures in order to assess the fiscal viability of campuses as they currently operate.

Lastly, since the establishment of the LCTCS in 1999, there have been continued developments in the training needs of business and industry, major population shifts in location influenced by economic development and natural disasters, and changes in technology and its impact on the delivery of instruction. During this review, college leaders engaged in discussions regarding the fiscal viability of college campuses, as currently structured, in seeking possible solutions that could greater align campuses to regional workforce demands and geographic and population trends.

FOR BOARD ACTION:

Recommendations: From this comprehensive review, it is apparent that recommendations are needed to ensure the sustainability and growth of colleges that address all the issues that impact LCTCS colleges. As such, I recommend the following:

Recommendation 1: Board staff and college leaders are to develop and implement strategies to serve and graduate more students and increase self-generated revenue to ensure program sustainability.

1.A: Given the LCTCS mission of providing access to higher education for all Louisiana residents, the Board is extremely sensitive to the cost of attendance for students. College leaders are to develop comprehensive fee practices that provide for the sustainability of high-cost programs, while continuing to develop initiatives to lessen the financial burden of the total cost of attendance for students such as low cost alternatives to books and educational supplies.

1.B: The Board strongly supports dual enrollment and recognizes the transformational impact it can have on all high school students, not just those who are academically gifted; however, given limited available resources, the system president and college leaders are

to negotiate financial terms for dual enrollment agreements with parish school systems and private schools that are financially sustainable.

1.C: The Board strongly supports efforts to educate and train individuals who are incarcerated as research has clearly demonstrated a positive correlation between increased education and skills training and improvements in the recidivism rates. Our colleges have been primary providers of prison education and training programs throughout the state. The LCTCS is committed to educating incarcerated individuals; however, given the financial environment and the tough decisions faced by our colleges, we can no longer support the use of college funds for this purpose. The system president will work with the Secretary of the Department of Public Safety and Corrections in finding solutions to fund training for incarcerated individuals.

1.D: The Board recognizes the importance that apprenticeship programs have on student abilities to obtain workplace experiences and “earn while they learn”, as well as on the development of Louisiana’s economy through a skilled workforce. As such, college leaders are encouraged to enhance apprenticeship program offerings, while ensuring sustainable funding is available from tuition or outside sources.

1.E: The Board recognizes the value in providing instruction through innovative delivery methods and scheduling. College leaders are to continue pursuing compressed programs in a fashion that improves time to credential and charging commensurate tuition as approved by prior Board action at the September 2016 Board meeting.

1.F: The Board strongly supports adult basic education through the LCTCS WorkReady U program and recognizes gains made to providing opportunities to Louisiana adults who did not earn a high school diploma. College leaders are encouraged to find new ways to create pathways for WorkReady U students to earn a college credential. Additionally, the system president and college leaders are to provide an updated framework by which a high school equivalency is awarded.

Recommendation 2: Board staff and college leaders are to continue the realignment of operations to improve financial stability and effectiveness in meeting workforce needs.

2.A: In an ongoing effort to provide efficiencies while promoting excellence, colleges are to continue to execute program alignments based upon the program health index with an eye toward aligning programs with workforce market demands and eliminating “loss leader” programs.

2.B: While the LCTCS has been a leader in enterprise service delivery and has developed services in a wide array of administrative areas, the system president and college leaders shall continue their pursuit of enterprise services, collections and other operational efficiencies that result in increased access and success for students, increased efficiency for our college operations, and overall improvements in the service levels to our students. A plan for additional enterprise services shall be presented to the board no later than the June 2017 meeting.

2.C: Athletic programs provide a valuable venue for students to engage with their peers and community; however, given the limited available resources, college leaders are encouraged to explore funding options that reduce their reliance on state funding for athletic programs.

2.D: In an effort to provide further efficiencies, staff are encouraged to study the feasibility of utilizing private property insurance markets for the system that factor cost savings as compared to risk exposure (similar to Louisiana State University).

2.E: Given the dynamic changes in the economic regions of the state and the population demographic changes since the establishment of the LCTCS, college campuses must be realigned to more accurately reflect these environments while providing fiscal stability.

Recommendation 3: Board staff and college leaders should continue to make strategic investments in people and technology.

3.A: The system president and college leaders are to maintain faculty professional development as a priority through these tough budget times to ensure excellence in teaching and learning given the ever changing nature of training and technology used in educating Louisiana's workforce.

3.B: Colleges are to continue to collaborate and maximize faculty expertise and technology to expand the reach of our instructional capability and offerings.

Recommendation 4: Board staff are to implement additional financial monitoring tools.

4.A: In an ongoing effort to ensure fiscal sustainability, the Board staff is to implement adjustments to the fiscal health monitoring effort that provides a more stringent standard for funding reserve thresholds of 15% in FY 2018 and ultimately a threshold of 25% beginning in FY 2019 and onward.

4.B: Building on current measures that provide for fiscal health monitoring and the program health index, Board staff are to provide a framework for an ongoing campus sustainability monitoring process.

Fiscal Impact: In the last fiscal year, LCTCS colleges expended approximately \$10 million in cash reserves to simply maintain existing operations. While the final result of these recommendations is undeterminable at this time, it is estimated that the total fiscal impact in savings and new revenue to the college budgets should rectify the current structural deficit.

Benefits to the System: If approved, the successful implementation of these recommendations will position the LCTCS to continue to meet its instructional mission as well as the workforce needs of Louisiana's employers.