

Bold Strokes Bring Budget Relief

To deal with diminishing state funding, Valencia Community College resisted a broad-brush approach. Instead, the college implemented 10 business imperatives that pinpoint the best areas for curbing costs and boosting efficiencies.

By Keith Houck and Joyce C. Romano

As the economy continues to falter and state funding fails to keep up with expanding enrollment, community colleges are forced to become more creative and efficient. In Florida, for example, total funding per full-time equivalent (FTE) student, including tuition, has steadily declined from \$5,521 in FY06-07 to \$4,983 in FY08-09—and is expected to worsen next year.



At Valencia Community College, Orlando, President Sandy Shugart began preparing for related budget issues as early as June 2004, leading our senior management team in developing a strategy, Ten Business Imperatives, to help us prepare for the future. Shugart started with the idea that such a business plan would help generate and align resources in support of the college's strategic plan. He then designed the Ten Business Imperatives to focus our attention on key business processes that had the potential to build revenue and reduce costs. In addition to enhancing processes, the 10 business or operational imperatives have generated or freed up approximately \$3 million in annual savings. We anticipate that this number may more than double as we are able to fully implement our plans.

Following is a description of the 10 imperatives and a summary of some of what we've been able to accomplish in each area during the past five years.

Enrollment Emphasis and Efficiency

Several of our efforts focus on ways to continue increasing enrollment and to better serve students once they decide to come to our college.

Imperative 1. Grow the number of FTEs by 4 to 6 percent per year for the next three years.

From 2004 to 2008, we grew enrollment by an average annual rate of approximately 4 percent. This was accomplished in large part through an enrollment planning model that we developed and implemented collaboratively with the college's stakeholders.

The model begins with a study of program areas. We set program targets and create what we call a "precision schedule" a year in advance. The schedule includes all the course sections we will offer, with a strategic focus on curriculum areas for program growth, courses to meet high student demand, and courses that support student progression to degree and graduation. For example, one area of program growth is accounting, which aligns strategically with local workforce development needs.

The revised curriculum is supported by faculty positions, hiring processes, and facility requirements that are built into the annual budget. Once everyone is committed to the precision schedule, course sections are guaranteed so that students and faculty can plan accordingly for the courses that will be offered.

Another aspect of the enrollment plan is the addition of "flex start" classes. These are classes that begin at times other than the traditional first day of class for each term. This enables new students to choose from five different "start" dates throughout the term, allows more time for new students to complete our enrollment processes and be ready to begin college, and provides more options for returning students to build their schedules.

The flexibility around course selection and schedules has attracted new students and helped retain current students. At the same time, by using the enrollment planning model, we have become designers of our enrollment plan instead of victims of unplanned enrollment growth or decline.

To reach our enrollment goals for these added classes, we take the following actions:

- **Conduct targeted and robust marketing efforts.** The marketing department develops a focused plan that promotes specific program and course priorities as determined through the precision schedule planning process. Using the Web and selective advertising outlets, we create messages to attract specific groups who may have indicated an interest in particular course offerings. We create a list of more than 300 search terms as they relate to the subject and bid on placement within Google and Yahoo search engines. The click-through links for the search engines lead to a landing page that provides details for the particular subject or course. In addition, we place Web advertising that is geo-targeted to within 30 miles of our campus locations.
- **Create a college transition plan.** We've developed a series of programs that we offer through the college's and other youth groups to convey the message that "college is possible." Education Is In is an interactive workshop for high school juniors designed to identify the skills and attitudes necessary to be prepared for college. During College Goal Sunday, we hold workshops at community centers to help students and families understand financial aid options and fill out the Free Application for Federal Student Aid (FAFSA). Youth Education Day is a full-day Saturday program at Valencia in which youth from community programs, faith-based organizations, and high schools learn about college entry test preparation, steps to enrollment, and reasons to attend college. For more examples, go to www.valenciac.edu/lifemap/stages_ps_ps.asp.
- **Develop a financial aid plan.** We create an annual plan to coordinate federal, state, and college financial aid dollars to support the enrollment of targeted student groups. For example, we provide scholarships designed for graduating high school students who do not qualify for federal Pell Grants.

Imperative 2. Improve our service and responsiveness at the front door.

These improvements include three general types of actions:

Address the barriers that students encounter in admissions and financial aid. We've reduced various admissions roadblocks, including transcript evaluation, Florida residency documentation, and financial aid applications and awards.

- **Transcript evaluation.** We've built systems for and encouraged electronic transcript processing, which results in quicker evaluations. Online college transfer course catalogs allow for automatic download of information for most courses. When there are problems with transcripts (usually because of in-progress grades or nonposted high school graduation verification), frontline staff notify the transcript evaluation staff of the issues so that those transcripts are flagged for immediate and personal attention. Financial aid staff also identify students whose financial aid is waiting on transcript evaluation so those transcripts can take priority.

In addition, advisers and counselors can allow course registration based on unofficial transcripts (either paper or viewed online from the students' accounts at their previous colleges) by entering prerequisite overrides into our registration system.

We've identified a benchmark of 21 days for complete transcript evaluation, which we communicate to students (to manage their expectations), and created monthly reports to monitor our progress. For the past two years, we've achieved the benchmark more than 95 percent of the time.

- **Florida residency documentation.** As part of the application process, we distribute to students and parents detailed written explanation of Florida residency requirements. We've expanded the number of frontline staff who are able to authorize Florida residency and provided them with extensive training on how to explain and collect appropriate documentation and make the appropriate updates in our system. Using electronic databases (of Florida drivers' licenses and registrations, for example), we assist students and parents with documentation. We also use out-of-state tuition waivers in special situations.

When we are close to payment deadlines, we schedule extra staff to work with students and focus solely on processing the Florida residency documents. Frontline managers have the authority to give students extra time—up to the deadline established by state residency rules—to submit residency documents.

- **Financial aid.** Students can access extensive information and directions from our college's portal (www.valenciac.edu), which we call Atlas. Students can accept their financial aid awards online, with the fee payment application taking into account the award amount so students can see if they have residual balances. Trained staff assist students with the FAFSA and other financial aid information, minimizing the number of times students must come to campus. If we see that a student is "hung up" in the financial aid application process (e.g., the electronic signature is missing), we send an e-mail that offers direction and support on what to do next.

Community financial aid workshops assist parents with the FAFSA, as do similar workshops included in on-campus parent orientation programs and other college transition programs. We also use the National Direct Student Loan program, which makes it fairly easy to apply for loans.

Implement a student enrollment progression plan. During the enrollment process, we send a series of e-mail messages to new students as they complete each step of application, assessment, new student orientation, registration, and fee payment. Reminder messages prompt students at key points that may become barriers to moving forward. If a student has done one step but doesn't move on to the next within a specified time period, another e-mail prompt arrives. For example, if a student completes the entry assessments but does not sign up for a new-student orientation within two weeks, he or she will receive an e-mail noting that the orientation is the next step and explaining how to register for it. These interactions are specifically designed to balance other face-to-face communications and transactions with online support.

While an effective enrollment process helps with retention, another major goal is to reduce chaos for students and faculty. That way, enrollment is easy and the first minute of the first class period can be a "learning minute," rather than an administrative hour. Regular review of these processes, procedures, and data by all stakeholders creates opportunity for system improvement.

Make the business office more user-friendly. We've enhanced business office transactions through various Web applications. In addition to the online elements of the enrollment progression process, we use e-mail to notify students of payment deadlines, inform them of online payment plans available through a third-party vendor, and facilitate the online Florida prepaid scholarship system. In addition, we are currently implementing document imaging and dynamic forms, which will increase our ability to advise transfer students and allow students to submit college forms electronically.

Prepayment Collection, Debt Reduction

Attention to several areas of billing and collection have resulted in significant revenue improvements and cost savings.

Imperative 3. Significantly reduce deletions for nonpayment at the beginning of each semester.

We changed from a rolling three-days-after-registration payment deadline to two specific deadlines scheduled before classes start. The first deadline is generally three weeks before classes begin, and the second deadline is about one week before classes begin. Students who do not pay by the deadlines are dropped from their classes and rosters are revised.

By adding the first payment deadline three weeks out, academic deans and other academic leaders have a better picture of the particular classes that are filling up and which ones may be at risk of not attracting the necessary number of students. While one of our enrollment plan goals is to limit the number of class cancellations, deans and instructors can certainly make schedule adjustments when necessary. Academic deans and deans of students are in constant communication about class availability for new students based on new student orientation registrations, and they make timely adjustments to meet the needs of new students.

2007-08
VALENCIA
COMMUNITY COLLEGE
FAST FACTS

ENROLLMENT:
26,000 FULL-TIME
EQUIVALENT STUDENTS

CAMPUSES: **8**

OPERATING BUDGET:
\$132.1 MILLION
(2008-09, EXCLUDING
GRANTS AND FINANCIAL AID)

STAFF (AS OF 4/07):
2,722

ASSOCIATE IN
ARTS DEGREE:
WITH **46** PREMAJORS

ASSOCIATE IN
SCIENCE AND APPLIED
SCIENCE DEGREES:
102

While we remain concerned about the large number of students who are deleted after the first payment deadline, it has remained consistent that 80 percent of students are settled with classes and their payments are completed by that time (three weeks before classes begin). This enables us to focus our staff time and resources on the 20 percent of the students who need additional attention prior to the final deadline.

Some of our effectiveness in achieving earlier payment is a result of implementing an installment payment plan through a third-party vendor. Previously, the college had provided short-term loans to students (that is, a deferred payment up to \$300), a program that experienced a high default rate and didn't provide enough financial assistance for many students' needs. The third-party provider has gotten the college out of the banking business and provided our students with longer payment periods. Other benefits include allowing students to not only obtain larger amounts for tuition, but to spread their book costs—sometimes steeper than their tuition—across a longer payment period.

Imperative 4. Collect all revenue due to the college while reducing bad debt.

All indications show that we are collecting almost all revenue due to the college and are greatly reducing bad debt. We have gone from bad debt write-offs of \$1,164,080 in FY04-05 to \$366,081 in FY07-08, a savings of nearly \$800,000. We've accomplished this through discontinuing student direct loans and being more diligent in administering our collections process for bad checks.

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We have increased our revenue-generating capability by leasing our instructional television fixed-service capacity, a move that will result in \$10 million to \$12 million in revenue, in addition to other support service, over the next 30 years. Initially, a cell phone company approached us to lease our television bandwidth, making an offer of \$1 million for a 10-year lease. Compared to cell phone tower leases, this sounded good to us, but we needed to learn more. In consulting with a lawyer well-versed in these types of contracts, we found that our bandwidth was quite attractive. We contacted two other cell phone companies, and, in the end, a bidding war resulted in the current contract, which accounts for 80 percent of our bandwidth.

On a smaller scale, we have added two additional television towers on other campuses, which were paid for by cell phone companies. This has met our business needs and will allow us to potentially generate additional revenue through leases to other cell phone companies.

Review and Reduce Costs

We've concentrated on several areas to lower expenses and gain overall efficiencies.

Imperative 5. Control costs closely, especially for part-time personnel.

While part-time personnel costs have grown slightly overall, the increase is mostly related to hiring adjunct instructors to meet the needs of a growing student body—in large part a result of our

Cross-Training Coordinates Services, Staff

College enrollment can be somewhat

enrollment strategy. While part-time instruction has grown nearly 42 percent, these instructional costs are offset by the tuition and fees collected from our additional class offerings.

While we can grow incrementally like this in the short term, we have found that student enrollment growth eventually surpasses the capacity of existing student support services to accommodate the increased numbers. Without building our base of support, the additional students will begin to outstrip student services, academic services, security, and maintenance. Due to funding restrictions, we've capped the number of added course sections in order to maintain the quality of the student experience for next year.

Meanwhile, other part-time personnel costs have increased only 6 percent, which is less than the cumulative pay increases over the period. We've also limited overtime pay and asked managers to be careful about approving overtime work.

We have found a couple of other areas of savings as well, including:

- **Consolidated and streamlined purchasing.** We implemented a purchasing card system, which has helped us provide college staff a faster way to obtain necessary supplies while reducing the number of checks produced. This process has also generated \$250,000 over the past three years in the form of rebates from the card provider. Rebates have grown each year as we have expanded the program, and this year we've received a check for \$170,000.
- **Discontinued unnecessary or outdated programs.** For example, we decided to close our television program, which delivered course content and some promotional and informational content through two television cable providers. We found that most of our students wanted to access course content on their preferred schedule and that the Internet was a much better way to meet their needs. The transition to the Internet has provided ongoing savings of approximately \$625,000 per year.

Imperative 6. Look for cost savings in staff and operations, outsourcing opportunities, and adjustments from operating to capital

daunting to incoming students. The many steps of application, assessment and course placement, new student orientation, fee payment, and other essential transactions are often frustrating and can create an early negative experience.

In studying the literature on process engineering, we concluded that a major problem in the traditional higher education delivery model is that students get information in a disjointed, piecemeal fashion, reflecting the silos still common in many organizations. The separate individual services are not effective for a process that should be seamless, from a student expressing initial interest to obtaining a seat in a class.

Consequently, we redesigned our customer service process into what we call a "learning-centered service delivery model." Students learn about all essential transactions in one place with the assistance of cross-trained staff members who focus on facilitating learning rather than giving only individual answers to numerous unrelated questions.

Individual attention. Staff members are trained and encouraged to work with each student as a learner, guiding not only the immediate transaction but teaching the student, one-to-one, about the whole enrollment process. Included in the tutorial is raising student competence in using Valencia's Web portal (named Atlas), where many frequently asked questions are answered and enrollment transactions can be completed.

Integrated staff duties. To facilitate this kind of comprehensive, individual attention, we trained the frontline staff in all phases of enrollment, from application and transcripts to fee payment, financial aid, and general course requirements. We also relieved them of the responsibility for answering telephone inquiries such that the learning process for students would not be frequently interrupted. Telephone calls and e-mail inquiries are now handled by the enrollment services call

expenditures.

Valencia Community College leaders have identified other areas of opportunity for generating savings, including the following:

- **Staff and operations.** Campuswide, we have increased efficiency during the past few years by providing service to a greater number of students without growing our support staff. We have done that through cross-training business office employees (see sidebar, "Cross-Training Coordinates Services, Staff") and increasing online services via our Web portal. The portal provides tutorials about using our services and gives students the ability to transact college business securely through the system.

Outsourcing and in-house opportunities. In addition to using an outside firm to handle student tuition loans at no cost to the college, we began contracting custodial services at our small and remote sites. This has generated savings of more than \$121,000 per year, and the service quality is receiving high marks.

- Also, we recently decided to bring most of our outsourced technology support functions back in house. We've outsourced many of these functions since 1998, at a current annual cost of \$5.8 million. Even after paying for an early buyout of the contract and other fees, we will save approximately \$300,000 in the first year. In following years, we anticipate annual savings of approximately \$2 million by providing these services ourselves.
- **Capital investment to reduce operating costs.** We are reaping savings from energy usage reductions on one of our largest campuses as a result of energy management improvement programs and are beginning the same efforts on the other large campus. Rather than use a performance contract model to finance the two-phase project, we have chosen to use capital dollars to generate immediate savings in operating costs. We are in the process of doing the same type of program on another campus, and we estimate combined savings of approximately \$900,000 per year, based on current energy costs.

We also are planning to use capital dollars to reduce operating costs in several other ways. The Valencia Foundation owns land that we lease for one of our campuses. We are requesting capital dollars from the legislature to purchase the property. If approved, the purchase will result in savings of \$200,000 per year in reduced lease payments. We are also requesting funds for a facility for our corporate training division to replace the building we lease at a cost of \$570,000 per year. To further reduce lease expenses, we are in the process of selling two parcels of land and using the proceeds to build or purchase a new district office building to replace the space

center.

Similarly, we separated staff members into two groups: one that delivers direct services to students and the other with the primary job of processing and verifying information. We still support offices that specialize in particular services, such as fulfilling the requirements of students with special needs or referring to counselors and advisers those who need more in-depth assistance. However, we now deliver most student services via this more learning-centered and integrated model.

Surveys indicate that students leave the centers with the information they came for and an understanding of what they need to do next. Although we still have lines at certain limited times in the registration cycle, we are able to assist students more quickly-even with the recent tremendous growth in our student enrollment-and in a more effective, learning-centered way so that students become more self-sufficient and confident in their understanding of college life.

that we currently lease. We annually spend between \$500,000 and \$600,000 from our operating funds to cover the lease payments and repairs in this 1930s building. Since the land will not be needed for future college operations, we can take this nonperforming asset and use the proceeds to positively affect our operations. However, with the dip in the economy, we have not yet pulled the trigger to sell the property.

Imperative 7. Employ better financial control systems so that the business office can spot revenue and expenditure trends early and address them quickly.

We have developed a multiyear financial plan to provide us guidance in allocating resources. This has helped us to better understand the impacts of various adjustments and more freely talk about our long-term needs. While the multiyear plan would normally be updated annually, we are now referring to it more regularly, since this is the second consecutive year we have had a midyear reduction in state funding.

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Imperative 8. Meet or exceed goals in Valencia Enterprises.

Valencia Enterprises is the corporate training division of the college. The company provides professional development and performance consulting to help businesses and government agencies achieve their goals. In addition, Valencia Enterprises' Center for Global Languages offers a full range of cultural and language programs for individuals and organizations. Another division focuses on supporting, or completely managing, an organization's learning and development function—usually through the human resources department. A representative list of clients includes the Orange County Government, Siemens Energy, Mitsubishi Power Systems, the Orlando Utilities Commission, and Gatorland.

While we have not yet reached the lofty goal of being operationally self-supporting, we have been able to reduce the amount of college financial support required to operate this division while also ramping up the amount of training provided to the community. The focus on more profitable programs and consulting services has reduced the college's annual investment by \$700,000 from FY04-05 to FY07-08.

Give Grants Another Look

We have noted a few opportunities when it comes to grants and grants management.

Imperative 9. Clear up all remaining grants management issues and any other audit concerns.

In addition to an internal auditor, we have added a grant compliance officer to assist in monitoring compliance with state and federal grant regulations. We've also worked closely as a team to identify and deal with issues on a timely basis. For example, some of the grant programs we were involved with established increasingly stringent regulatory compliance requirements, which were difficult to meet while also managing for the main purpose of the grant. In some cases, to reduce the fiscal risk, we chose to close grant programs and find other ways to accomplish student needs.

Imperative 10. Expand grants from nongovernment sources and collect indirect costs realistically.

Since grants from public sources carry an increasingly heavy management burden, our team is focusing more on nongovernment grants, which are less burdensome from a regulatory standpoint and offer support at a lower administrative cost.

For cases in which funding agencies allow indirect costs, the institution pursues all allowable costs since these reflect many of the costs to the college of managing a grant-funded program. In other words, the business office tracks all allowable overhead and administrative costs related to the grant, aggregating and allocating them according to the grant's rules. Also, the college seeks grant funding for the full replacement cost of faculty released to work on grant-funded projects.

Planning for Continued Shortfalls

This marks the third consecutive year that Florida's state revenue collections have fallen short of expectations. This has resulted in reduced state funding for the college and two midyear budget reductions. We now monitor state revenue collections on a monthly basis to anticipate funding changes. We've been told to expect reductions in state funding for FY09-10 of about 10 percent. In FY08-09, the reductions made us the first community college in the state to move from being state funded to only state *assisted*, meaning that less than half of our funding for operations now comes from the state. And, Florida community colleges do not receive any local funds. Through tuition and fees our students are now paying the majority of their education costs.

We continue to maintain an active dialogue with college departments to ensure that we meet basic needs, and make funds available for unexpected situations. We've tried to be even more transparent and collaborative in our budget process with all stakeholders. Reduced state funding, coupled with extremely high student demand, has caused us to explore and identify efficiencies we would not have believed possible only a few years ago.



By staying focused on its Ten Business Imperatives, Valencia has positioned itself to weather the recent state funding cutbacks while experiencing an 11 percent growth in enrollment during the 2008-09 academic year. Through these and other examples of good stewardship at all levels of the organization, we have been able to meet these challenges with minimal impact on student learning and the student experience. With projected double-digit growth in enrollment and further-reduced state funding again this year, continued diligence to these and other good business practices will remain critical.

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