MANAGING FLUCTUATING REVENUE STREAMS: A GUIDE FOR NEW CHIEF FINANCIAL OFFICERS AND OTHER FINANCE PROFESSIONALS WITHIN THE PUBLIC COMMUNITY COLLEGE SECTOR

by

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ABSTRACT

American community colleges are accredited with awarding more than 800,000 associate degrees and over 500,000 certificates during academic year 2014-2015 (American Association of Community Colleges, 2018). These figures highlight the important role that community colleges play in the higher education sector. Nevertheless, operating in this industry is not without challenge. Changes in the economy, education market, and private sector often require these colleges to examine service offerings and prices to remain relevant and financially viable.

The purpose of this research was to describe, compare, and contrast funding strategies employed by community colleges during fiscally challenging times; to compare the actions of the colleges in the study to the toolkit of options suggested by Mullin, Baime, and Honeyman (2015); and to use the information to provide guidelines for how colleges can weather financial storms. Data were collected from six interview participants and compared to the suggestions of Mullin et al. The data were analyzed, and the results of the findings suggested that interview participants responded to financial challenges in a manner similar to the model under review. However, there were some unique aspects to how interview participants performed. The results of the findings were used to create suggested guidelines for new CFOs and financial leaders.

Key Words: Community colleges, funding strategies, funding challenges
DEDICATION

This project is dedicated to my wonderful husband, Brandon Samuel, and our amazing children, Blake and Grant Samuel. It is also dedicated to my parents, Darrell and Seleana Boyd; my in-laws, Gloria and M.C. Samuel; my siblings, Cortez Ali and Melissa Thomas; my brothers-in-law, Keith Thomas and Brian Fowler; my sister-in-law, Katina Samuel; and my nieces, Ke’Yarra Ali, Da’jah Ali, Misa Ali, Asiana Ali, and Lyric Thomas. I am blessed to have you all in my life. May your lives be filled with love, peace, joy, happiness, and success.
ACKNOWLEDGMENTS

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I am extremely grateful for Dr. Lisa Webb Sharpe, Dr. Cheryl Evans, and Monique C. Field-Foster, JD, for the time and effort they dedicated to helping me through the dissertation process. Each member of my dissertation committee provided guidance and great insight along the way and I value and appreciate their input.

My appreciation extends to Dr. Roberta C. Teahen and the entire Ferris State University Doctorate in Community College Leadership (DCCL) program staff. I am truly impressed by the design of the DCCL program and its faculty. Thank you for your contributions to the advancement of the American community college.
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CHAPTER ONE: INTRODUCTION

INTRODUCTION

American public community colleges have existed since the 1900s (Drury, 2003). Thought leaders of that time considered an educated populace to be beneficial to society (Dorn, 2017). To this end, the first community colleges were funded from public school budgets and later received support from state government funds and student tuition and fees (Cohen, Brawer, & Kisker, 2014). A shared financial structure continues to exist today. This unique revenue model has been the subject of several books, studies, and philosophical conversations around the nation.

Without question, public community college revenue streams are highly dependent upon external resources. Primarily they are supported by state-based funding, local-based funding, and student tuition and fees (Cohen et al., 2014). However, additional revenue is received from federal and state grants (and contracts), auxiliary services, and miscellaneous revenues. Arguably, the primary revenue sources for public community colleges are highly dependent upon external factors such as student choice, the current political landscape, and local taxes.

Realistically, financial leaders within public community colleges have limited influence over the amount and type of revenue received during each budget cycle. Therefore, budgets are created based on assumptions and statistical analysis. This environment is challenging for
even the most seasoned financial leader, especially during times of economic uncertainty and rapid societal changes, such as what the higher education industry is experiencing today.

The current postsecondary environment can be described as both promising and unpredictable. It is promising because several organizations including the American Association of Community Colleges (AACC) have proclaimed the importance of postsecondary certificates and degrees to those looking to join the workforce between 2018 and 2025 (AACC, 2012b). Along those same lines, Georgetown Public Policy Institute Center on Education and the Workforce forecasted several things about the workforce of the future, including the following: (1) “By 2020, 65% of all jobs in the economy will require postsecondary education and training beyond high school”; and (2) “The United States will fall short by 5 million workers with postsecondary education at the current population rate—by 2020” (Carnevale, Smith, & Strohl, 2013, p. 1). This forecast suggests an ongoing need for the services provided by community colleges.

Understanding the current environment, some community colleges have recognized gaps in program offerings and “through a variety of steps, community colleges in a number of states have been authorized to award baccalaureate degrees. With a few exceptions, these programs have been in high-demand occupational fields such as teaching, business, allied health, and public service” (Floyd & Walker, 2008, p. 92). The introduction of baccalaureate degrees at community colleges broadens the competitive position of participating institutions. Moreover, it speaks to the nimble nature of the community college sector in general. The addition of this type of programming allows participating community colleges to operate in all sectors of education (at various levels). This unique posture creates several new possibilities for
the community college sector and its ability to impact the number of degrees and credentials awarded to students on an annual basis.

By all accounts, increasing degree and certificate attainment has become a national priority. Several charitable organizations and foundations have funded, or partially funded, research and task forces dedicated to increasing student success. Additionally, institutions of higher education have improved infrastructures and invested in new student support programs. As exciting as these things are, there is a cost associated with answering this call to enhance student support and increase college completion rates.

Despite the fact that the public community college is firmly cemented as an important sector of higher education, its unpredictable funding structure is often stressed when these colleges accept additional roles and responsibilities, especially when corresponding revenue streams are not present. Why? Reallocating funds to support a particular initiative during a specific fiscal year may be palatable. However, making a financial decision that requires long-term support based on short-term resources is difficult to justify. Such decisions can impact the sustainability of an institution.

It may be argued that the financial leaders of Wheelock College in Boston, Massachusetts, and Marygrove College in Detroit, Michigan, understand the importance of focusing on sustainability. For regardless of how uncommon community college closures and consolidations are, the aforementioned institutions recently closed or consolidated with other institutions for financial reasons (Seltzer, 2017). The experience of these colleges is not as rare as one might think. Martin and Samels (2016) found that “in the past decades, many colleges
and universities considered merging mainly in response to financial exigency or even insolvency” (p. 20).

No industry is exempt from casualties. Large retailers, drive-in movie theaters, book publishers, and video rental stores are a testament to how changes in technology and society can disrupt and reconfigure an entire industry. Understanding the demands associated with an ever-changing society, higher education leaders such as the AACC are looking to redesign several aspects of community college operations (AACC, 2012b). The researcher would propound that financial models should not be exempt from this reinvention.

The postsecondary education market is extremely competitive. It is filled with public, private, and even tribal college choices. Moreover, technological advances allow students to research schools in a more in-depth manner. Not only are students looking at official websites, but they have access to electronic sources that rate and comment on every aspect of services provided by individual colleges and universities. Additionally, students have the privilege of choosing whether to pursue a degree locally, across state lines, overseas, online, or through hybrid models. Such choices are often impacted by price.

Community college programs are typically offered at prices that are significantly below those of private colleges and four-year institutions. Nevertheless, consecutive annual increases in student tuition and fees have prompted a national inquiry into how community college revenue is expended. The inquiry extends to graduation and transfer rates as well as education quality. This line of questioning is not ignorable since public community colleges are partially funded by taxpayer dollars.
Public perception of community colleges plays a major role in funding these institutions. As an example, those that receive revenue from local property taxes must clearly communicate the value of their institutions prior to requesting additional tax support. Likewise, successful awards to postsecondary providers applying for federal and state grants are dependent upon linking college missions and activities to community benefits.

Securing funding for community colleges is not without its challenges. The Constitution of the United States does not legislate specific support for higher education. Instead, state governments are left to support these institutions at their discretion (Mullin et al., 2015). Obviously, leaving it open-ended creates a great amount of flexibility for individual states. However, the same scenario creates a certain level of uncertainty for community colleges, especially since a substantial portion of community college revenue is at the mercy of legislative activity, timely balancing of state budgets, and successful award of various non-guaranteed grants that often require matching funds.

It is probable that some financial uncertainty could be erased if higher education was securely established as for the common good of society. Why is this important? State and federal government officials must determine how limited resources are distributed. Their decisions impact the degree to which public funds support military operations, healthcare, transportation, infrastructure, homeland security, veterans, and a host of other areas, including education. Consequently, public institutions must compete for available funds on an annual basis. This exhausting process involves advocacy at the highest level and bold communication of the societal value of an educated nation.
Arguably, the financial security and sustainability of the American public community college sector are highly dependent upon external factors. For starters, the primary revenue sources are not necessarily stable, and the funding structure for these open-access institutions can be described as complex. Nonetheless, this is not a new situation, and financial leaders of community colleges have traditionally been able to successfully work within the current structure. Still, the current technology-driven, outcomes-based, extremely competitive, and revenue-challenged educational landscape is much different than it was 10 to 20 years ago, making “business as usual” virtually impossible.

Can community colleges continue to operate under the current financial structure? Is there anything that financial leaders of community colleges, such as vice presidents of finance, chief financial officers (CFOs), and chief business officers (CBOs), can do to help lead their organizations through times of financial challenge? To properly explore these questions, the researcher will consider the history of the American public community college, its mission, economic impact, and importance to society. In addition, the current financial structure will be reviewed, as well as how changing expectations for community colleges can potentially impact revenue streams. Drawing upon the research and insight from financial experts in the community college field, the researcher will offer some guidelines to assist new financial leaders as they lead their organizations during times of financial challenge and revenue fluctuations.
Beach (2011), Boggs (2012), and Heelan and Mellow (2017) recognize Joliet Junior College in Illinois (established in 1901) as the first public institution to be named a junior college in America. Prior to its establishment, private universities, trades professionals, and individual families provided education to those looking to enter the workforce. The universities, in particular, serviced young adults from wealthy families. That said, it was uncommon for economically challenged families to send their youth to universities. Separation of individuals based on social status was normal and somewhat expected in the early 1900s. Therefore, it is not surprising that the idea of the community college is believed to have developed, at least partially, from educational leaders of that decade looking to strengthen the prominence of universities as research institutions and providers of the elite education. Cohen et al. (2014) described the thought leadership during that period as follows:

Several prominent nineteenth and early twentieth-century educators wanted the universities to abandon their freshman and sophomore classes and relegate the function of teaching adolescents to a new set of institutions, to be called junior colleges. . . . . That is, the universities would be responsible for the higher-order scholarship, while the lower schools would provide general and vocational education to students through age nineteen or twenty. (p. 6)

Beach (2011) offered a similar explanation for the establishment of community colleges:

Progressive intellectuals saw the junior college as an institution that would allow expanded access to postsecondary schooling, while also limiting that education to terminal-vocational pursuits and thus offering a structurally limited opportunity to students in a hierarchically organized society. (p. 9)

Despite these limited expectations for junior colleges and their students, the institutions thrived and increased in number as demand increased. As time progressed, the term junior college was widely replaced by the term community college. As Cohen et al. (2014) explained,
During the 1950s and 1960s, the term junior college was applied more often to the lower-division branches of private universities and two-year colleges supported by churches or organized independently, while community college came gradually to be used for the comprehensive, publicly supported institutions. By the 1970s, community college was usually applied to both types. (p. 4)

Mission

The American Association of Community Colleges (AACC), formerly known as the American Association of Junior Colleges, first defined the junior college as “an institution offering two years of instruction of strictly collegiate grade” (Beach, 2011, pp. 7-8). However, the definition was expanded three years later by adding the following language: “the larger and ever-changing civic, social, religious, and vocational needs of the entire community” (Beach, 2011, p. 8). Arguably, this broad definition provided a sense of mission for the growing number of junior and community colleges. However, this type of mission left plenty of room for interpretation. Moreover, “because education is not mentioned in the Constitution, it therefore follows that the control of education is reserved to the states or to the people directly” (Tollefson, 2009, p. 394), meaning, these institutions were able to grow and develop without the oversight of the federal government, which is reflective in the eclectic nature of the community colleges that exist across America.

In spite of the autonomy provided to each state regarding their college systems, some commonalities exist. First, these institutions have stayed true to the original mission of providing freshman- and sophomore-level college programming. Secondly, regardless of location, these institutions were and still are primarily open access. This is important because “up through the first half of the 20th century, higher education was too expensive for most
American families, and the typical college student was often an upper-class white man between the ages of 17 and 21” (Beach, 2011, p. 4). Lastly, these colleges often create programs to meet unique labor demands of their surrounding communities, the latter of which ushered in a wave of new commitments and set the stage for the provision of educational services to people outside of the traditional college student age.

Amey (2017) suggested that “the missions of these institutions have not only become greater in number but more complex and more important to achieving the national goal of a more educated populace” (p. 95). Evidence of the important role community colleges serve in educating and equipping students to transfer to universities, achieve certificates of completion, and work in a variety of fields is clearly documented in several national initiatives. These initiatives include, but are not limited to, Complete College America, Achieving the Dream, and Completion by Design.

Economic Impact

Community colleges positively impact the economic status of surrounding businesses, school districts, and residents, a feat that is accomplished by providing employment opportunities, educational curricula, partnerships with secondary education providers, and community service programs. In 2014, Economic Modeling Specialists International (EMSI) analyzed this impact as well as the return on the investment of an educated citizenry. Through this process, EMSI discovered, among other things, that community colleges impact the national economy in a number of ways.

The enhanced skills and abilities of community college students bolster the output of U.S. employers, leading to higher income and a more robust economy. In addition, the
The total effect of America’s community colleges on the U.S. economy in 2012 was $809 billion, approximately equal to 5.4% of the nation’s Gross Domestic Product. (Economic Modeling Specialists International, 2014, p. 8)

Of course, these two items represent only a snapshot of the findings from EMSI. Still, they provide some context to the many benefits associated with the American community college system.

The benefits of higher education extend further than one might think. Bowen (1977, as cited in Kezar, Chambers, & Burkhardt, 2015) and other scholars “identified four major intersecting dimensions, with related areas of impact, that frame the broad individual and social benefits of higher education – public, private, economic, and social” (p. 10). Figure 1 gives some insight into these four intersecting dimensions.

(Institute for Higher Education Policy, 1998; Kezar et al., 2015)

Figure 1. The Array of Higher Education Benefits

<table>
<thead>
<tr>
<th>Public</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic</strong></td>
<td><strong>Private</strong></td>
</tr>
<tr>
<td>Increased tax revenues</td>
<td>Higher salaries and benefits</td>
</tr>
<tr>
<td>Greater productivity</td>
<td>Employment</td>
</tr>
<tr>
<td>Increased consumption</td>
<td>Higher savings levels</td>
</tr>
<tr>
<td>Increased workforce flexibility</td>
<td>Improved working condition</td>
</tr>
<tr>
<td>Decreased reliance on government financial support</td>
<td>Personal/professional mobility</td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td></td>
</tr>
<tr>
<td>Reduced crime rates</td>
<td>Improved health/life expectancy</td>
</tr>
<tr>
<td>Increased charitable giving/ community service</td>
<td>Improved quality of life for offspring</td>
</tr>
<tr>
<td>Increased quality of civic life</td>
<td>Better consumer decision making</td>
</tr>
<tr>
<td>Social cohesion/appreciation of diversity</td>
<td>Increased personal status</td>
</tr>
<tr>
<td>Improved ability to adapt to and use technology</td>
<td>More hobbies, leisure activities</td>
</tr>
</tbody>
</table>

(Institute for Higher Education Policy, 1998; Kezar et al., 2015)
It may be argued that the personal benefits associated with degree and certificate attainment outnumber the benefits that society receives from an educated community. However, scholars like Mitchell, Leachman, and Masterson (2016) contended that

The benefits of academic attainment extend beyond those who receive a degree. Entire communities benefit when more residents have college degrees. For instance, higher educational attainment has been connected with lower rates of crime, greater levels of civic participation, and better health. Areas with highly educated residents tend to attract strong employers who pay their employees competitive wages. Those employees, in turn, buy goods and services from others in the community, broadly benefitting the area’s economy. (p. 22)

—all of which suggest that society benefits just as much as the individuals receiving the higher education credential.

Importance to Society

Vaughan (1984) contended that leaders in the 1960s shared a tacit consensus that “the community college was philosophically and economically constituted to be all things to all people” (p. 38). Consequently, this boundary-less institution is often tasked with providing community services that extend beyond credit educational courses. These services include, but are not limited to, general skills courses, senior citizen programming, K-12 courses, prisoner education, business and industry partnerships, and a host of auxiliary services, all of which speak to the comprehensive service offerings that community colleges are known for today.

Numerically speaking, the number of public community colleges increased from just 19 in 1915 to 982 in 2017 (AACC, 2017b; Cohen et al., 2014). In addition to these colleges, there are 126 community colleges categorized as tribal or independent (private). Unlike public community colleges, these private community colleges decreased over the years. They originally represented over 70% of community colleges. Today, the percentage is less than 12%.
An overview of the increase in public community colleges and the decrease in private community colleges is depicted in Table 1. Data represented are based on National Center for Education Statistics (NCES) data and the research of Cohen et al. (2014).

Table 1: Public and Private/Nonprofit Community Colleges 1915–2017

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TOTAL</th>
<th>PUBLIC NUMBER</th>
<th>PUBLIC PERCENTAGE</th>
<th>PRIVATE NONPROFIT NUMBER</th>
<th>PRIVATE NONPROFIT PERCENTAGE</th>
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</thead>
<tbody>
<tr>
<td>1915–16</td>
<td>74</td>
<td>19</td>
<td>26</td>
<td>55</td>
<td>74</td>
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<tr>
<td>1929–30</td>
<td>436</td>
<td>178</td>
<td>41</td>
<td>258</td>
<td>59</td>
</tr>
<tr>
<td>1960–61</td>
<td>678</td>
<td>405</td>
<td>60</td>
<td>273</td>
<td>49</td>
</tr>
<tr>
<td>1988–89</td>
<td>1164</td>
<td>984</td>
<td>85</td>
<td>180</td>
<td>15</td>
</tr>
<tr>
<td>2000–01</td>
<td>1220</td>
<td>1076</td>
<td>88</td>
<td>144</td>
<td>12</td>
</tr>
<tr>
<td>2010–11</td>
<td>1065</td>
<td>978</td>
<td>92</td>
<td>87</td>
<td>8</td>
</tr>
<tr>
<td>2016–17</td>
<td>1108</td>
<td>982</td>
<td>89</td>
<td>126</td>
<td>11</td>
</tr>
</tbody>
</table>

(American Association of Community and Junior Colleges, Community, Junior, and Technical College Directory, 1992; NCES Digest 2010; Palmer, 1978b; as found in Cohen, Brawer, & Kisker, 2014; AACC 2017b)

The presence of over 1,000 community colleges has positively impacted the number of American citizens obtaining degrees and educational certificates. As a matter of fact, the AACC reported community college enrollment (public and private) during fall semester of 2015 as 41% of all undergraduate students. AACC also reported that more than 800,000 associate degrees were conferred, and over 500,000 certificates were awarded during academic year 2014-2015 (AACC, 2017b).

It may be argued that community colleges paved the way for economically challenged families to provide greater financial support for their household by obtaining a greater level of...
education and skills. This includes people that were traditionally underrepresented at institutions of higher education, such as minorities, immigrants, and women. The commitment to this population of people is clear and reflects well in the aforementioned 2017 data from AACC where the following statistics are provided for fall 2015: 36% of community college students during this time period were first-generation college students, 56% were women, 46% identified themselves as minorities, and 2% identified as nonresidents of the United States. To add to this, the data indicate that the median income for a person that has obtained two years of education beyond high school is 18% more than the median income for individuals who do not possess a college degree or certificate (AACC, 2017b). Despite these impressive figures, community college enrollment has decreased (in some cases, significantly) in recent years.

**Enrollment**

The economic, social, public, and private benefits of obtaining postsecondary education through enrollment in community college are evident. Therefore, it is not surprising that millions of people enroll each year. In fact, the NCES recorded 2010 fall enrollment for Title IV institutions to be 19 million, of which 42% of students were enrolled at two-year institutions (Knapp, Kelly-Reid, & Ginder, 2012). Since that time, national enrollment rates for public community colleges have steadily declined. Sure enough, preliminary NCES reports show that in 2015 community colleges enrolled 38% of undergraduate students, and preliminary numbers suggest that the percentage fell to 36% during fall of 2016. During the same time period, between 2010 and 2016 the percentage of undergraduates attending four-year institutions rose from 56% to 62%. Actually, overall undergraduate enrollment increased from 19 million in 2010 to 20.2 million in 2016 (Ginder, Kelly-Reid, & Mann, 2017a, 2017b). Should community colleges
be concerned with this downward enrollment trend when overall undergraduate enrollment has increased?

The overall number of undergraduate students is not the only notable increase. NCES data show that a higher percentage of undergraduates took distance education classes in 2011-12 (32 percent) than in 2007-08 (21 percent) or in 2003-04 (16 percent). Also, a higher percentage of undergraduates took their entire degree program through distance education in 2011-12 (6 percent) than in 2007-08 (4 percent) or in 2003-04 (5 percent). (National Center for Education Statistics, 2017, p. 2)

This information is encouraging for colleges with online education programs.

Community college enrollment fluctuations have often been associated with the state of the economy. As the economy improves and unemployment drops, enrollments at community colleges tend to decrease as well (Mullin et al., 2015). Is there any validity to this statement?

Unemployment data from the U.S. Bureau of Labor Statistics for 2010 to 2016 suggest that this statement might be true. The data are depicted in Table 2.

The unemployment data from Table 2 show that national unemployment rates decreased from 9.3% to 4.7% between 2010 and 2016. It is quite similar to, but not as severe, as the decline in community college enrollment during that same time period. In fact, the community college sector experienced a 9.6% decline in enrollment between 2013 and 2016 alone (AACC, 2017a). Of course, attendance in some states fell below the national average. This includes Michigan, where, according to Michigan Community College Association (MCCA) 2016–2017 Activity Classification Structure Data Book and Companion, the unduplicated headcount at Michigan community colleges dropped by more than 24% between 2010 and 2017 (Michigan Community Colleges, 2017). Also included is the state of Illinois, which originally saw an
increase in unduplicated headcount between 2010 and 2014 but ultimately experienced enrollment declines of a little over 16% between 2014 and 2017, according to Illinois Community College Board Annual Enrollment and Completion Data for 2011–2017 (ICCB, 2017).

Table 2: Percentage of Unemployed Individuals 16 Years and Over from 2010 to 2016

<table>
<thead>
<tr>
<th>YEAR</th>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
<th>APR</th>
<th>MAY</th>
<th>JUN</th>
<th>JUL</th>
<th>AUG</th>
<th>SEP</th>
<th>OCT</th>
<th>NOV</th>
<th>DEC</th>
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<tbody>
<tr>
<td>2010</td>
<td>9.8</td>
<td>9.8</td>
<td>9.9</td>
<td>9.9</td>
<td>9.6</td>
<td>9.4</td>
<td>9.4</td>
<td>9.5</td>
<td>9.5</td>
<td>9.4</td>
<td>9.8</td>
<td>9.3</td>
</tr>
<tr>
<td>2011</td>
<td>9.1</td>
<td>9.0</td>
<td>9.0</td>
<td>9.1</td>
<td>9.0</td>
<td>9.1</td>
<td>9.0</td>
<td>9.0</td>
<td>8.8</td>
<td>8.6</td>
<td>8.5</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>8.3</td>
<td>8.3</td>
<td>8.2</td>
<td>8.2</td>
<td>8.2</td>
<td>8.2</td>
<td>8.1</td>
<td>7.8</td>
<td>7.8</td>
<td>7.7</td>
<td>7.9</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>8.0</td>
<td>7.7</td>
<td>7.5</td>
<td>7.6</td>
<td>7.5</td>
<td>7.3</td>
<td>7.2</td>
<td>7.2</td>
<td>7.2</td>
<td>6.9</td>
<td>6.7</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>6.6</td>
<td>6.7</td>
<td>6.7</td>
<td>6.3</td>
<td>6.3</td>
<td>6.1</td>
<td>6.2</td>
<td>6.2</td>
<td>5.9</td>
<td>5.7</td>
<td>5.8</td>
<td>5.6</td>
</tr>
<tr>
<td>2015</td>
<td>5.7</td>
<td>5.5</td>
<td>5.5</td>
<td>5.4</td>
<td>5.5</td>
<td>5.3</td>
<td>5.2</td>
<td>5.1</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>4.9</td>
<td>4.9</td>
<td>5.0</td>
<td>5.0</td>
<td>4.7</td>
<td>4.9</td>
<td>4.9</td>
<td>4.9</td>
<td>5.0</td>
<td>4.9</td>
<td>4.6</td>
<td>4.7</td>
</tr>
</tbody>
</table>

(Bureau of Labor Statistics, 2017b)

NCES projects that overall undergraduate enrollment will increase 21% by 2025 (Kena et al., 2016). However, the overall increase in undergraduate enrollment is not guaranteed to translate into an increase in community college enrollment. Either way, this projection is encouraging because if it comes to fruition, all higher education providers will have a greater pool of potential students.

Enrollment numbers are important to community colleges. Essentially these institutions exist to serve the learning needs of their respective communities. Therefore, it is important to have a steady stream of students. Additionally, higher enrollment numbers yield a higher amount of revenue from student tuition and fees. This particular funding source represented
approximately 29% of all revenues for community colleges during the 2014–2015 academic year (AACC, 2017b). However, this was not always the case.

**Funding**

Many community colleges began as extensions of public high schools and universities. Consequently, these institutions serviced surrounding communities and were financed locally: “The proportion of state aid was quite small, averaging less than 5% of all public college revenues in the 1920s” (Cohen et al., 2003, p. 152). That said, 95% of the funding was from local sources. At a certain point, colleges became attractive to people from outside communities: “The colleges began to see that funding from sources outside the local area would have to be obtained or college operations would have to be curtailed” (Monroe, 1980, as cited in Graham & Anderson, 1985, p. 50). Fast forward to 2015 and the national percentage spread for community college revenues was as follows: state appropriations, 31.3%; local property tax, 18.2%; student tuition and fees, 29.1%; and Other (which includes grant funds, 8% (AACC, 2017b). Hence, as a percentage of total revenue, local financial support has decreased dramatically over the years in many states, and other revenue sources have become more important.

**State funding.** Admittedly, national revenue trends for state appropriations do not provide a complete picture of revenue patterns for community colleges across the nation. Revenue streams vary greatly based on state specific legislation and funding structures. In reality, funding structures can also vary within a particular state. For example, Arizona’s legislature voted to completely cut state support for two of its largest community college districts (Maricopa and Pima Community College District) in 2015 (Smith, 2015). To add to this,
the level of state support can differ dramatically from one year to another, as evidenced by the experience of community colleges in Illinois, when state legislators failed to agree on a balanced budget during fiscal years 2015 and 2016 (Brown, 2017). Moreover, a study by the Lumina Foundation (2017) documented how state funding for six Midwestern community colleges gradually decreased since 2008. The results are provided in Table 3. Although the study did not cover every state within the United States, it provides a snapshot of what some states have experienced.

Table 3: State Funding for Higher Education Below Pre-Recession Levels 2008–2016

<table>
<thead>
<tr>
<th>STATE</th>
<th>CHANGE IN STATE FUNDING PER STUDENT (%)</th>
<th>CHANGE IN SPENDING PER STUDENT ($)</th>
<th>TUITION CHANGE PUBLIC 4-YEAR COLLEGES (%)</th>
<th>CHANGE IN TUITION PUBLIC 4-YEAR COLLEGES ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois</td>
<td>−54.0%</td>
<td>($3,479.)</td>
<td>26.8%</td>
<td>$2,788.</td>
</tr>
<tr>
<td>Indiana</td>
<td>−5.8</td>
<td>(438.)</td>
<td>16.0</td>
<td>1,261.</td>
</tr>
<tr>
<td>Michigan</td>
<td>−20.9</td>
<td>(1,233.)</td>
<td>23.4</td>
<td>2,276.</td>
</tr>
<tr>
<td>Minnesota</td>
<td>−14.8</td>
<td>(1,351.)</td>
<td>21.5</td>
<td>1,918.</td>
</tr>
<tr>
<td>Missouri</td>
<td>−22.2</td>
<td>(1,577.)</td>
<td>9.5</td>
<td>740.</td>
</tr>
<tr>
<td>Ohio</td>
<td>−15.2</td>
<td>(1,051.)</td>
<td>5.4</td>
<td>523.</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>3.3</td>
<td>215.</td>
<td>20.3</td>
<td>1,485.</td>
</tr>
</tbody>
</table>

(Lumina Foundation, 2017)

It is important to note that the data in Table 3 represent overall declines in state funding for the states under review. However, they do not acknowledge the slight increases in this type of funding that states like Michigan experienced from 2012 to 2015, because while increases occurred in recent years, the overall amount of state appropriations for community colleges in Michigan has decreased since 2008. This is not uncommon; researchers have found that during
recessions “higher education is used as a balance wheel by state governments” (Hovey, 1999, p. 19). Further, “funding declines a level disproportionate to reductions in other agencies and, although funding levels are later increased during good times, they do not return to their previous levels” (Delaney & Doyle, 2011, as cited in Romano & Palmer, 2015, p. 19).

*Local funding.* Similar to state funding, local funding for community colleges has varied over the last decade. For the purposes of this paper, local funding refers to personal property taxes. Many states have the authority to levy personal property taxes at their legislatures’ discretion. The levy may be based on a rate, a percentage of market value, mills, or dollars per assessed valuation. The uniqueness of tax structures among the states and within individual states creates a situation where the more affluent school districts collect a considerable amount more in personal property taxes than what is collected in less wealthy school districts. For this reason, many states provide equalization grants to less affluent school districts in an attempt to equalize per pupil funding.

*Federal funding.* According to the Federal Student Aid (2017) website, federal funding includes contracts, grants, and scholarships as well as loans and work-study monies that are awarded to individual students. The federal contracts usually represent funds that are restricted for a specific purpose, such as funding the federal TRIO program and Trade Adjustment Assistance Community College Career Training (TAACT) grants, and Federal Supplemental Educational Opportunity Grants (SEOG). These funds are given directly to the institution and often represent revenue that is allotted for a specified time period. Federal grants include the Pell Grant and Teacher Education Assistance for Colleges and Higher Education (TEACH) that are awarded to individual students. The amount of federal funds from
grants and contracts can fluctuate greatly each year. Likewise, revenue for Pell Grant recipients has varied over the years. The AACC (2016) reported that about 36% of community college students received Pell Grants in academic year 2013–2014. However, the dollar amount covered a smaller percentage of the cost of attendance than in previous years. The decrease in Pell Grant revenue as a percentage of cost of attendance is depicted in Figure 2.

(AACC, 2016)

Figure 2. Total Cost of Attendance Covered by Maximum Pell Grant at Public Two-Year Institutions

Tuition and fees. In addition to grant programs, federal support is provided directly to students through work study opportunities and student loans, the latter of which is a major source of tuition and fee revenue. According to AACC (2017b), 58% of community college students received some form of financial aid during academic year 2011–2012. The actual amount of revenue received by community colleges in the form of financial aid for student tuition and fees has increased over the years. However, the increase is not due to a corresponding increase in enrollment. Instead, it is due to a steady rise in the price of
community college tuition across the nation. This type of increase has the potential to significantly impact community college students and their families. The visual impact can be observed in Figure 3.

(Institute for College Access and Success, 2017; also published in AACC, 2017a)

Figure 3: Share of Family Income Needed to Cover the National Average Cost of College

Changing Expectations

It is impossible to identify one specific happening or occurrence that created the current higher education landscape. However, it is safe to acknowledge that the economic recession in 2008 led to a record number of individuals enrolling in community colleges, only to be followed by an economic recovery in 2012 that had the opposite impact on community college enrollment. The dramatic nature of these changes had a sizeable impact on overall community college operations.

During the recession, government funding in the form of state appropriations was minimal, and projected revenue shortfalls were partially covered by increased student tuition
and fees, all of which helped to usher in a season of fluctuations in two key community college revenue streams and a sea of changing expectations for community colleges. The changing expectations include, but are not limited to, outcomes-based education, flexible learning environments, competition, and return on educational investments.

Outcomes-Based Education

The year 2009 was a pivotal year for the community college industry, for it was the year that then-President Obama publicly acknowledged that the United States no longer led the world in college degree attainment, identified an educated citizenry as critical to job attainment, and announced a goal for the United States to become the leader by 2020 (Obama, 2009). This policy gave momentum to the Complete College Agenda, Complete College Initiative, Complete College America, and Achieving the Dream initiatives already in action. It also paved the way for additional college completion advocacy from several external organizations and philanthropists. Table 4 provides an overview of some of these initiatives and gives context to the idea of outcomes-based education.

Through these initiatives, degree and certificate attainment became a national concern. The attention led the community college industry to take a more in-depth look at student retention, persistence, and graduation rates. The review of these measurements led community college leaders to consider new ways of supporting students through their educational journeys. Soon, common themes for improving student success began to emerge. These themes include, but are not limited to, Guided Pathways, wrap-around student services, flexible teaching methods, improved learning assessments, and performance funding, all of which challenged the community college industry to become more outcome-based.
Table 4: Summary of Community College Completion Initiatives

<table>
<thead>
<tr>
<th>INITIATIVE</th>
<th>SUPPORTERS AND SPONSORS</th>
<th>GOALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>College Completion Challenge</td>
<td>AACC, ACCT, League of Innovation, and others</td>
<td>Increase the quality of postsecondary education.</td>
</tr>
<tr>
<td>College Completion Agenda</td>
<td>National Conference of State Legislatures (NCSL)</td>
<td>Increase community college degree and certificate completion by 55% by 2025.</td>
</tr>
<tr>
<td>Achieving the Dream</td>
<td>Lumina and 20 others</td>
<td>Help low income and students of color succeed in community college.</td>
</tr>
<tr>
<td>College Completion Initiative</td>
<td>Southern Regional Education Board</td>
<td>To have 60% of adults in participating states achieve a degree or credential by 2025.</td>
</tr>
<tr>
<td>Complete to Complete</td>
<td>National Governors Association (NGA)</td>
<td>Increase awareness about the need to increase college completion and the consequences of inaction.</td>
</tr>
<tr>
<td>National Coalition for College Completion</td>
<td>Institute for Higher Education Policy, Ford Foundation, and Lumina</td>
<td>Mobilize non-partisan voices in support of college completion by demanding a policy agenda that encourages higher education institutions to provide better support to underrepresented students.</td>
</tr>
<tr>
<td>Project Win-Win</td>
<td>Institute for Higher Education Policy and State Higher Education Executive Officers</td>
<td>Identify students whose student records qualify them to receive an Associate degree, and former students that were short of an Associate degree by no more than nine credits and help them receive a degree or credential.</td>
</tr>
</tbody>
</table>

(Russell, 2011)
Although it is natural to associate outcomes with graduation rates, outcomes in other areas like quality of education and return on educational investment are also important. Consequently, public financing of higher education has faced some scrutiny. In fact, 32 states have implemented some form of performance funding, linking college completion percentages to the amount of state appropriations, and five other states are considering this practice (National Conference of State Legislators, 2015). To add to this, transparency of data has become more important. Policy makers and students alike are able to view outcomes for individual institutions prior to making funding and attendance decisions.

Flexible Learning Environments

Technological advances have expanded the amount of educational delivery models available to the education industry. Now, in addition to traditional face-to-face classes, students have the flexibility of enrolling in online-only classes, hybrid courses, or a combination of delivery models. They can also choose Z-degree programs that utilize open educational resources (OER) instead of physical textbooks. All of the new delivery models have incorporated electronic technology of some sort. To explore the impact of this phenomenon, one can examine the fall 2014 enrollment data of the five largest degree-granting college and university campuses, as presented in Table 5. The data clearly show that enrollment for the University of Phoenix, a 100% online university, was more than double that of the college with the next highest enrollment.
Table 5: Enrollment of the Five Largest Degree-Granting College and University Campuses:
Fall 2014

<table>
<thead>
<tr>
<th>INSTITUTION</th>
<th>STATE</th>
<th>LEVEL</th>
<th>TOTAL ENROLLMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Phoenix, Arizona</td>
<td>AZ</td>
<td>4-year</td>
<td>195,059</td>
</tr>
<tr>
<td>Ivy Tech Community College</td>
<td>IN</td>
<td>2-year</td>
<td>91,179</td>
</tr>
<tr>
<td>Liberty University</td>
<td>VA</td>
<td>4-year</td>
<td>81,459</td>
</tr>
<tr>
<td>Lone Star College System</td>
<td>TX</td>
<td>2-year</td>
<td>69,395</td>
</tr>
<tr>
<td>Miami Dade College</td>
<td>FL</td>
<td>4-year</td>
<td>66,046</td>
</tr>
</tbody>
</table>

(U.S. Department of Education, National Center for Education Statistics, 2016a)

Flexible learning options include an increase in available certificate programs that cover a variety of technical and occupational career training. These programs are available from both private and public educational providers. In fact, “new models of education are bringing unprecedented competition to the traditional models of higher education” (Johnson, Adams Becker, Estrada, & Freeman, 2014, p. 26). The U.S. Department of Education reported that in years 2012–2013 there were over 2,500 non-degree granting public and private institutions providing postsecondary education programs (NCES, 2017). This represents a 10% increase from the number of these same institutions recorded in the marketplace in 2000–2001. The credentials available through these organizations are usually categorized as certificates, certifications, or licenses. Colleges, states, and the federal government have traditionally tracked the attainment of bachelor and associate degrees, but recent research suggests that there are other types of credentials that matter to employers (Massie, 2014).
**Competition**

One-quarter of adults in the United States had a non-degree credential in fall 2012, and full-time workers with these credentials have higher median earnings than those without, according to a report released in January 2014 by the U.S. Census Bureau. The report shows that non-degree credentials are an important part of the labor market (Massie, 2014). These credentials are often obtainable within a short amount of time and occasionally at a lower cost than traditional associate or baccalaureate degrees. This is a factor that high school graduates and others attempting to increase their knowledge base often consider. Given this information, it is important for community colleges to understand their market position as it relates to competing organizations that offer educational certificates and credentials.

Higher education has become big business characterized by increasing competition in the marketplace (Gibbs & Maringe, 2008). The postsecondary education market is saturated with small and large institutions competing for the same group of potential students. Unfortunately, “the nation is projected to produce fewer high school graduates” through academic year 2032 (Bransberger & Michelau, 2017, p. 11). Figure 4 provides an overview of the expected decline.
Return on Investment

Not only is this shrinking pool of students evaluating programs of study, but they are considering the potential return on their educational investment. The “average published in-district tuition and fees at public two-year colleges increased by $100 (2.9%), from $3,470 in 2016-17 to $3,570 in 2017-18” (College Board, 2017, p. 3). This is not necessarily a new trend. According to the National Association of State Budget Officers, whenever state funds have declined, institutions have tended to shift costs to student tuition and fees (National Association of State Budget Officers, 2013). Moreover, these rising costs have not gone unnoticed and they detract from the low-cost competitive edge typically associated with community colleges.

(Bransberger & Michelau, 2017, p.7)

*Figure 4. Total U.S. Public and Private High School Graduates (Actual and Projected) 1979 to 2032*

*Return on Investment*

Not only is this shrinking pool of students evaluating programs of study, but they are considering the potential return on their educational investment. The “average published in-district tuition and fees at public two-year colleges increased by $100 (2.9%), from $3,470 in 2016-17 to $3,570 in 2017-18” (College Board, 2017, p. 3). This is not necessarily a new trend. According to the National Association of State Budget Officers, whenever state funds have declined, institutions have tended to shift costs to student tuition and fees (National Association of State Budget Officers, 2013). Moreover, these rising costs have not gone unnoticed and they detract from the low-cost competitive edge typically associated with community colleges.
Data from NCES in 2017 show that median weekly earnings from individuals with an associate degree were higher than the income of individuals with some college, no degree, or less than a high school diploma. However, they also show that median earnings for individuals with some college but no degree were only 6.6% less than individuals that possess an associate degree in 2015 (NCES, 2017). The perceived benefit of that particular percentage point is debatable because value is subjective. Students must decide if the cost associated with obtaining an associate’s degree is worth receiving potentially 6.6% more in earnings each year. In other words, does the return on educational investment warrant the cost associated with obtaining a degree or certificate?

Many community college students use federal and private loan providers in order to pay for their education—loans that must eventually be paid back (sometimes with interest). Repayment is dependent on future income. If individuals do not value the estimated less than 10% increase in annual salary, they can choose to get a higher level of education (e.g., bachelor’s degree) or decide that the additional cost associated with either degree is more than it is worth. Figure 5 provides detailed information about annual earnings and the relationship of those earnings to educational attainment.
Financial Implications of Changing Expectations

*Fluctuating Revenue Streams*

Phelan (2014), citing Katsinas and Palmer (2005), suggested that among the many challenges faced by community colleges is the notable and substantial shift from state and local funding to a growing reliance on tuition and fees, without significant and corresponding increases in student financial aid, which has become a regrettable trend. (p. 6)

Moreover, “when this funding is cut, colleges and universities generally must either cut educational or other services, raise tuition to cover the gap, or both” (Mitchell, Palacios, & Leachman, 2014, p. 2).

Transferring the cost of education in this manner lessens college affordability, opens the door to public scrutiny, and prompts students to be more selective when choosing postsecondary educational providers. Who can blame them for being more astute in their
decision making? Student tuition and fees have become increasingly important. In academic year 2015–2016, these fees accounted for 28% of community college revenue nationwide, which is significantly more than in academic year 2007–2008, in which only 16% of community college revenue was from student tuition and fees (AACC, 2011, 2018).

Increased Cost to Community College Operations

There is a cost associated with embracing outcomes-based education, flexible learning environments, and designing programs where students will receive a return on their educational investment. Obvious costs include monies to support additional staff development, increased support services, and technology advancements. First, continuous staff development is critical to creating flexible learning environments and reviewing programs of study for relevance. Secondly, additional staff is necessary in order to have more intrusive support available for students. These supports include coaching, mentoring, tutoring, and counseling. Lastly, flexible learning environments require continuous investment in technology to support electronic learning models as well as instructor development tools and training. Therefore, virtual proctoring, online classes, online tutoring, and online orientation options are important to the current generation of learners.

Sustainability

Students can learn anywhere. Likewise, they can study anywhere. In fact, the changing expectations for community colleges have created a new education market, a market that is filled with competition and the need to actually market institutions of higher education in new and creative ways. This includes, but is not limited to, interactive websites, social media,
YouTube, and blogs. Annual technology costs often include media upgrades, internet bandwidth, computers, website improvements, and electronic class materials. What does this mean? The enhanced demands of this changing environment can be costly for small and large institutions. Therefore, it is essential that community college leaders understand how to navigate their institutions through times of funding uncertainty.

**STATEMENT OF THE PROBLEM**

Revenue streams for community colleges are heavily influenced by community college enrollment trends, appropriation projections, the availability of grants, and the condition of the postsecondary education marketplace. Each has the ability to impact college programming, financial resources, and the perception of the sustainability of the American community college system. Therefore, it is no surprise that results from the 2017 Inside Higher Education Survey of College and University Business Officers (CBOs) included the following findings regarding the financial landscape of higher education:

- Of chief business officers, 71% believe that media reports portraying higher education as in financial crisis are accurate. The proportion of CBOs holding this view has risen over the past two years, up from 63% in the 2016 survey and 56% in the 2015 survey.

- Slightly less than half, 48%, agree their institutions will be sustainable over the next 10 years. Those numbers are down sharply from last year when 54% strongly agreed or agreed it would be stable over the next 10 years.

- More CBOs this year than in 2016 say their college will reduce administrative positions, promote early retirement for faculty members and administrators, and cut spending for intercollegiate athletic programs.

- The vast majority of CBOs believe that cutbacks in federal student aid would have a major impact on their finances.
About half of CBOs say their college has significantly modified its budget model in the last four years.

(Jaschik & Lederman, 2017, p. 6)

The findings from this annual survey identify common financial concerns that exist among college and university leaders across the nation. As stated above, 71% of chief business officers believe that media reports portraying higher education as in financial crisis are accurate.

This particular and impending crisis must be faced head-on, with bold reexaminations of existing business models and financial structures so that community colleges can continue to serve student and community needs, innovate and compete in a rapidly changing, digital, global and highly volatile environment. (Phelan, 2014, p. 11)

Such re-examination should include learning how other public institutions have approached budgeting and financial planning during times of financial uncertainty.

Financial support of community colleges is somewhat uncertain and highly dependent upon external factors. Not surprisingly then,

Colleges are making choices about how to keep things working in unfamiliar territory and experimenting with new approaches to fiscal sustainability including caps on enrollment, differentiated tuition based on programs of study, capital campaigns, competency-based education, tuition discounting, international programming, guarantees, outsourcing adjunct faculty, new partnership structures, and a host of other items. (Phelan, 2014, p. 11)

It is imperative that attention be given to innovative ways to supplement unpredictable revenue streams. Executive leaders and trustee boards play an integral role in funding allocations. Of course, none are more involved than chief financial officers and chief business officers.
PROPOSED SOLUTIONS

Available research supports the notion that public community colleges are primarily reliant upon state appropriations, property taxes, and student tuition and fees. However, federal funds are also important. Of these revenue sources, community colleges and boards of community college systems have control only over tuition. They can raise it or lower it in response to the availability of other funds. Outside of tuition, there are limits to what these institutions and boards are able to do without advocacy, seeking levies, or requesting an increase in local funds by the vote of the communities being served. What potential solutions do public community colleges have during times of revenue uncertainty? If the challenges are substantial, a closure or merger might be an option. However, there are several other options that financial leaders can pursue.

Closures

Historically, dire financial conditions have led to college closures. In fact, National Center for Education Statistics data show that 206 degree-granting postsecondary institutions closed between 1999 and 2013. Of course, only 9 of these were public colleges. Most importantly, only 7 of the closures occurred at two-year public colleges. Table 6 provides more specific information regarding such closures.
Table 6: *Degree-Granting Postsecondary Institutions That Have Closed Their Doors, by Control and Level of Institution: 1999–2000 through 2012–13*

<table>
<thead>
<tr>
<th>YEAR</th>
<th>PUBLIC TOTAL</th>
<th>PUBLIC 2-YR</th>
<th>PUBLIC 4-YR</th>
<th>NONPUBLIC TOTAL</th>
<th>NONPUBLIC 2-YR</th>
<th>NONPUBLIC 4-YR</th>
<th>FOR PROFIT TOTAL</th>
<th>FOR PROFIT 2-YR</th>
<th>FOR PROFIT 4-YR</th>
</tr>
</thead>
</table>
Mergers

Admittedly, closing a public community college would be devastating to the community that it serves. With this in mind, Martin and Samels (2016) found that partnerships and mergers have some advantages which include, but are not limited to, “shared curricula and faculty development, collective procurement, consolidated human resources, increased efficiencies in campus operations and administrative services, leveraged assets, particularly among underdeveloped campus resources” (p. 4). According to Azziz, Hentschke, Jacobs, Jacobs, & Ladd (2017),

Merging, however, is a tactic that should be considered seriously and proactively by many institutional leaders—not just those under threat of closure. Ultimately, to be successful, mergers must be part of a larger strategic plan and not an isolated tactic or endpoint. (p. 2)

Consolidation

A consolidation is different than a merger. Instead of one college taking control of another, the two entities can consolidate into one organization. This approach was used by the State of Georgia when their legislature ratified four consolidations involving eight universities. Through this process the college was said to experience the following benefits: possibility of reduced cost, greater academic value (increased diversity of programs), enhanced reach (statewide presence), and stronger competitiveness (Harris, 2018). Despite the potential advantages of mergers and consolidations, public community college leaders can pursue changes within their own institution.
Other Options

According to Mullin et al. (2015),

Only a series of actions is likely to resolve the problems associated with a full-blown financial crisis, and these must align with the college’s mission and be palatable to its constituencies. In reviewing decades of strategies employed by colleges to respond to financial challenges, there appear to be six broad categories of actions that a college may consider to respond to a financial crisis. (p. 223)

The categories are as follows: Administrative Control and Management, Instructional Staffing, Examine Academic Offerings, Enhance Revenues, Institutional Advancement, and Strategic Organizational Change. A summary of how the authors describe the categories is as follows:

(1) Administrative Control and Management: This particular category encompasses any of the following activities: converting administrative positions to instructional positions; deferring library and equipment purchases; deferring maintenance; delaying the purchase of new equipment; contracting out student services, financial aid, or other academic or support services; consolidate shared services across the college; and instituting a four-day work week.

(2) Instructional Staffing: This particular category encompasses any of the following activities: Hiring more part-time faculty; reducing the number of faculty and staff; leaving faculty and staff lines vacant; freezing hiring of new employees; instituting furloughs; freezing travel; altering compensation or benefits; freezing professional development; reducing student work opportunities; increasing teacher contact hours; increasing faculty-student ratios; and sharing staff across colleges.

(3) Examine Academic Offerings: This particular category encompasses the following activities: reviewing programs to determine economical and educational viability; reducing course offerings; increasing class size; delaying new program development; expanding programs; pruning and grafting programs together; expanding alternative pathways to a credential; and expanding dual enrollment.

(4) Enhance Revenues: This particular category encompasses the following activities: raising tuition; issuing bonds; activating reserve fund accounts; increasing local funds; increasing taxes or rates; selling property; expanding contract training; diversifying funding streams through increased efforts to obtain gifts and grants.

(5) Institutional Advancement: This category includes the following activities: increasing lobbying efforts; engaging alumni; and investing (buy property).
(6) Strategic Organizational Change: This category includes the following activities: right-sizing the institution; altering within-college allocations; limiting enrollments; recruiting new student populations; and enrolling more students who pay the full price -that is, out-of-state and international. (Mullin et al., 2015, pp. 224-225)

PURPOSE OF THE STUDY

It is clear that, “as budgets at all levels of government are likely to remain under pressure, policy makers will continue to face tradeoffs between education and other public priorities” (U.S. Department of Treasury, 2012, p. 37). Therefore, current major revenue streams for community colleges are not guaranteed in the future. For this reason, it is critical that postsecondary leaders think strategically about potential revenue streams of the future.

Regardless of the type of financial challenge, strong financial leadership is essential to sustain community colleges irrespective of the funding environment. Can community colleges continue to operate under the current financial structure? Is there anything that financial leaders of community colleges such as vice presidents of finance, chief financial officers (CFOs) and chief business officers (CBOs) can do to help lead their organizations through times of financial challenge? This research project seeks to describe, compare, and contrast funding strategies employed by community colleges during fiscally challenging times; to compare the actions of the colleges in the study to the toolkit of options suggested by Mullin et al. (2015); and to use the information to provide recommendations for how colleges can weather financial storms and contribute to the body of knowledge.
SIGNIFICANCE OF THE STUDY

Despite the ongoing need for an educated populace, the sustainability of the American community college industry is in question. How can community colleges operate efficiently in an environment plagued by revenue uncertainties, increased expectations, a decreasing customer base, increased expenses, and greater competition? While the answer to this question is subject to debate, the financial health of the higher education industry is explored periodically for accreditation purposes and on an annual basis by individual community colleges and external groups like Moody’s Investors Service and Standard & Poor’s (S&P) credit rating agency.

The U.S. Securities and Exchange Commission posit that a credit rating reflects a rating agency’s opinion, as of a specific date, of the creditworthiness of a particular company, security, or obligation. For almost a century, credit rating agencies have been providing opinions on the creditworthiness of issuers of securities and their financial obligations. (U.S. Securities and Exchange Commission, 2003, p. 5)

Recent reviews of the credit worthiness of the higher education sector overall have not been positive. S&P explained that the poor credit outlook is because “institutions with limited flexibility, whether that be in programming, financial operations, enrollment, resources, or student draw, could face credit pressure in the upcoming year” (Harris, 2018). Moody’s Investors Service echoed similar sentiments in 2018 when it downgraded the U.S. higher education market from stable to negative. Rationale for the change in credit worthiness was due to several factors, including the items summarized below:

1. Growth will slow for most revenue streams. Tuition revenue growth will remain subdued, as will research funding and state appropriations.
2. The rate of expense growth will outpace softening revenue growth. Potentially rising labor costs and the need to sustain competitive investments in programs, facilities and technology will keep expense growth above general inflationary levels.

3. Uncertainty at the federal level continues to contribute to potential sector volatility. The higher education sector is highly exposed to changes in federal policy or funding. Changes to financial aid programs and tax reform could negatively affect enrollment and tuition revenue growth, philanthropic support and the cost of borrowing. (Moody’s Investors Service, 2017, p. 1).

The downgrade in overall creditworthiness of the higher education industry is significant. However, individual credit ratings for many colleges and universities continue to be stable or better. Therefore, the potential exists for colleges that are struggling with creditworthiness to rebound. In fact Moody’s offers that the financial outlook for higher education could be improved by “aggregate operating revenue growth of at least 3% and above expense growth, coupled with ongoing solid student demand and strong cash and investment levels” (Moody’s Investors Service, 2017, p. 1). Nevertheless, college closures and consolidations may be inevitable for some institutions.

According to Martin and Samels (2016),

While some leaders still contend that it is hard to kill a college or university, this view overlooks the fact that no matter how hard it may be to close an institution, it is less hard than it used to be, marking a critical difference for many presidents, trustees, and students. (p. 3)

To add to this, in November of 2017 a Harvard Business School professor publicly predicted that half of American colleges will be bankrupt in 10 to 15 years (Hess, 2017). Is there any merit to this line of thinking? In July of 2017, Inside Higher Education reported that “the number of public colleges edged down to 1,985 in 2016-17, from 1,990 in 2015-16 and 2009 in 2012-13” (Lederman, 2017, p. 1).
When you consider the lack of control that community colleges have over major revenue sources, rising financial stability concerns of community college CBOs, the downgrade of credit worthiness of the higher education industry, and the fact that some institutions of higher education have merged with others or, in some cases, closed their doors, it easy to ascribe value to the experience of CFOs and CBOs operating in this current environment. More specifically, understanding how to approach financial challenges, supplement unpredictable revenue streams, and lead during times of extreme change is imperative for new financial leaders of community colleges. A guidebook can serve as a framework. For this reason, the results of this research project are significant.

RESEARCH DESIGN

Data collection for this research project took place through a series of interviews with CFOs from various community colleges in Michigan and Illinois. Each participant would have provided financial leadership during a time of funding uncertainty. The questions presented to each interviewee are as follows:

1. Did you use a decision-making model or strategic plan process to address revenue stream changes? If so, how would you describe it?

2. Which key internal stakeholders were involved in the financial planning process for responding to revenue challenges? What was the role of each stakeholder?
   a. President
   b. Provost
   c. VP of Finance
   d. Board of Trustees
   e. Faculty
   f. Other

3. Which key external stakeholders are involved in the financial planning process for responding to revenue challenges? What was the role of each stakeholder?
4. What strategic activities took place?
   a. Budget Model Review
   b. Policy Changes
   c. Academic Programming Review
   d. Review of Expenses
   e. Employee Inventory
   f. Student Enrollment Drive
   g. Collective Bargaining Review
   h. Bond Review
   i. Public Private Partnerships
   j. Other

5. How did the chosen strategic activities affect revenue?
   a. Immediate Rewards
   b. Short-Term (One-Time Cash Flow Impact)
   c. Long-Term (Multi-Year Cash Flow Impact)
   d. Unknown at this time
   e. Other

6. How did your actions impact expenses and/or operations?

7. Looking back at your institution’s response to its revenue challenges how would you analyze your activities in terms of strengths, weaknesses, opportunities, and threats (SWOT)?
   a. What worked well? Why?
   b. What did not work well? Why?
   c. What is the impact on the decisions made?
   d. Additional comments?

8. In your opinion, what is the pathway forward? What can be done to stabilize the impact of funding uncertainties?
   a. At your institution
   b. In your state
   c. Nationally
   d. Other
9. Which leadership competencies were most helpful during this process?

10. What business acumen and financial skills were most helpful during this process?

11. Based on a best practice or lessons learned, what advice would you have for new community college leaders?
   a. To prevent or minimize revenue challenges
   b. When they are in the mist of revenue challenges

12. Any final comments?

The collective responses and considerations of previous research efforts will add to the body of knowledge regarding community college finance. Obtaining information in this manner is a form of qualitative research. As Merriam (2009) pointed out, “In its broadest sense, research is a systematic process by which we know more about something than we did before engaging in the process” (p. 4). Therefore, it is easy to understand why interviews are often used to conduct research. Actually, “recounting narratives of experience has been the major way throughout recorded history that humans have made sense of their experience” (Seidman, 2013, p. 8).

**SUMMARY**

Public postsecondary education providers occupy a unique space in higher education, especially the two-year community college. Although these open-access institutions provide services that benefit individuals and society as a whole, their funding structure lacks permanency. This widely known phenomenon has garnered a great deal of attention over the years. However, the current technology-rich and fully connected environment that society enjoys has brought this situation to the forefront. Instead of community college revenue being an industry-specific issue, it has become a national issue. To this end, several external parties
are now weighing in on the industry and demanding accountability for how community colleges perform and how public funds are expended.

The manner in which financial leaders of community colleges respond to fluctuating revenue streams will directly impact the sustainability of their respective institutions. Therefore, it is essential that CFOs of community colleges understand the funding landscape and be able to navigate through tough financial times. Moreover, solutions available to CFOs will be determined by federal, state, and local laws, which may vary over time. That said, financial leaders of community colleges must understand more than financial concepts. Instead, they have to understand the complex relationship among the higher education industries, the economy, the communities they serve, state government authority as it relates to higher education, and the limited nature of federal government support of higher education.
CHAPTER TWO: LITERATURE REVIEW

INTRODUCTION

Having a meaningful discussion about community college revenue streams is best achieved after an informed discussion of the history of community college finance and a review of pertinent revenue streams. Additionally, it is important to view this topic from a national, state, and local perspective. That said, this chapter attempts to provide an overview of the history of community college finance, discuss primary revenue sources from multiple perspectives, consider the impact of changing expectations for postsecondary providers, and further establish the context for this research project.

Traditionally, community colleges have had a limited number of substantial revenue sources. Since many of them stem from the external environment, national and local postsecondary education trends have the potential to impact them heavily. Chapter One introduced the reader to a few of the external forces that are currently causing quite a stir in the higher education industry. Reviewing them independently may help provide some understanding of their importance and relationship to community college revenue.

FINANCING THE AMERICAN COMMUNITY COLLEGE: HISTORICAL PERSPECTIVE

Public financing of education in America began with a coordinated effort to provide high school education for all citizens. The U.S. Department of Treasury and Department of Education describes the High School Movement as follows:
High schools in the 19th century were considered “elitist,” only serving those whose families were wealthy enough to send their children to college, so taxpayers did not support public funding. However, during the early 20th century, local communities began to support widespread secondary education. . . . The proponents of secondary education argued that, not only is education vital to civil society, but high school graduates also earned almost twice as much as those without diplomas. . . . Under a public funding system, older, taxpaying citizens in the prime years of their working lives would fund education for cash-constrained young adults and, in turn, received additional support when they entered retirement or became unable to work. As education was publicly funded for them, these young adults would then, in turn, pay for the education of the next generation. . . . Evidence of this intergenerational compact was apparent in the early 1900s. (U.S. Department of Treasury, 2012, p. 12)

Public support for community colleges began through a similar set of circumstances. According to Cohen (2001), community colleges were organized and funded by local school districts following the model that they had in place for their elementary and secondary schools. “They rose into a vacuum, as it were, well ahead of state authorization or planning” (Cohen, 2001, p. 6). Attendance at early institutions of higher education was typically accessible only to elitist families (Cohen et al., 2014). Nevertheless, a series of legislative activities led to a more inclusive higher education environment subsidized by the government.

FINANCING THE AMERICAN COMMUNITY COLLEGE: LEGISLATIVE PERSPECTIVE

Drury (2003) traced the legislative history of community colleges back to the 1800s. The Morrill Act of 1862 gave eligible states a specified amount of federal land for the purpose of establishing and funding educational institutions. This law was followed by the Morrill Act of 1890, which required colleges that benefited from the first Morrill Act to confirm that race was not an admissions criterion. Moreover, where this could not be accomplished, the 1890 law provided financial support for separate land-grant institutions to serve persons of color (Drury, 2003). Seventeen years later, in 1907, the State of California passed a law that established
public junior colleges. The law permitted high schools to establish post-high school education. According to Tollefson (2009), the legislation was followed by the Ballard Act in 1917, which authorized state funding of higher education. It was the first legislation of its kind; “other states soon followed California’s lead in authorizing the upward extension of high schools and the establishment of separate public junior colleges” (Tollefson, 2009, p. 388).

Years after the Morrill Act, federal government activities continue to directly and sometimes indirectly impact funding for higher education. As an example, Winter (1964) explained that Federal Act 4936 provided a mechanism for royalties of natural resources to be given to state governments. The California state legislature, in 1921, set aside all monies derived from this source in a “junior college fund,” which was to defray the state costs in junior college districts (Winter, 1964, p. 8). This legislation provided an example of how state governments can financially support junior colleges, herein referred to as community colleges.

The usual pattern was for the local district to provide a fixed sum of money per student in attendance, with state aid minimizing the differences among districts of varying wealth. The proportion of state aid was quite small, averaging less than 5% of all public college revenues in the 1920s. (Cohen et al., 2014, p. 152)

According to the National Association of State Business Officers (NASBO, 2015), the federal government’s financial support of colleges “precipitated record-setting enrollment growth due in part to the Servicemen’s Readjustment Act of 1944 (the GI Bill), Brown vs. Board of Education in 1954, the Civil Rights Act of 1964, and the Higher Education Act of 1965” (p. 31). The latter provided a mechanism for low- and middle-income families to pay for college expenses through accepting government scholarships and loans (among other things), thus making higher education more accessible to all interested parties.
Arguably, the existence of financial support through federal and state legislation has helped the higher education industry grow and expand over the years. Such support is provided through the taxation process. Therefore,

government revenue originating from income taxes paid to the federal and most state governments, sales taxes paid to the states and many local authorities, or property taxes paid to local governments are essential to the operation of all sectors of higher education. (Mullin et al., 2015, p. 14)

Consequently, public community colleges are vulnerable to federal and state legislative activities, including annual higher education appropriations. The level of vulnerability varies by state.

Despite the passage of several federal laws related to higher education, the distribution of federal funds differs by state, and direct federal support is primarily provided via appropriations, grants (operating and non-operating), contracts, and loans to individual students and or family members of individual students. In fact, “most federal funding for higher education is in the form of financial aid for students” (Baum, Harris Kelly, & Mitchell, 2017, p. 7).

FINANCING THE AMERICAN COMMUNITY COLLEGE: CURRENT NATIONAL LANDSCAPE

According to Mullin et al. (2015), “From a practical standpoint at the state capitols, the funding of higher education—be it public, private, four-year, or two-year—is fundamentally a discretionary activity” (p. 16). The percentage of each funding source (tuition and fees, local taxes, state revenues, and other sources) varies by state and is subject to significant annual fluctuations. First, revenue received from tuition fluctuates based on the number of enrolled students and the cost of tuition. Second, local taxes and state revenues differ each year based
on levies and legislative actions. Last, grant funding is determined by what is available each year
and award allocations.

A National Look at Community College Funding Formulas

A 2012 SRI International report found that

Seventeen states use a formula to divide appropriations among institutions, 19 states
use a more ad hoc approach based on legislative priorities, and the remainder use a
hybrid approach, such as one formula for two-year institutions but a different method
for four-year institutions. (p. 8)

Based on this research, funding formulas for community colleges vary but they are not
extremely unique. Even those states that employ nonformulas have commonalities. The SRI
International report identified two common nonformula methodologies, which were described
as follows: “(1) The base plus method: Each institution receives the same appropriation as in
the prior year plus (or minus) a funding increase (or cut); and (2) Legislative priorities:
Legislators make ad hoc determinations of funding levels for individual institutions” (Chingos &
Baum, 2017, p. 9). Figure 6 provides a visual look at how each state was classified.
Federal

According to the US Government Accountability Office (2017),

The federal government provides billions of dollars each year to help students and their families cover the cost of postsecondary education through programs administered by the Departments of Education and Veterans Affairs. The federal government also supports postsecondary access through tax expenditures—including tax credits, deductions, exemptions, and tax-preferred savings programs—that reduce federal tax liabilities. (p. 1)

For the purpose of this research paper, we will only focus on the U.S. Department of Education (2017), which “awards more than $120 billion a year in grants, work-study funds, and loans to more than 13 million students,” including those that attend community colleges (Federal...
Student Aid, p. 1). This type of support is distributed based on the financial needs of individual students and only after completion of an application process. Of the aid available to college students, those that attend community colleges tend to benefit the most from the Pell Grant program. Therefore, it is not surprising that during academic year 2014–2015, the highest level of federal aid received by this student group was via Pell Grants (35%). Additional support was in the form of federal student loans (24%), Federal Supplemental Education Opportunity Grants (19%), and work study (18%) (AACC, 2017b).

Since the AACC reported that 62% of community college students applied for financial support through the federal government during academic year 2015-2016, one could argue that this funding source is essential (AACC, 2018). Therefore, it is unfortunate that the availability of funds for such federal programs is contingent upon fluctuating presidential priorities and subject to legislative changes. One can look no further than the 2018 proposed federal budget introduced by the Office of Management and Budget in 2017, where the proposed budget included these statements:

- Eliminates the Federal Supplemental Educational Opportunity Grant program.
- Reduces Federal Work-Study significantly.
- Eliminates or reduces over 20 categorical programs that do not address national needs, duplicate other programs or are more appropriately supported with State, local, or private funds. (Executive Office of the President of the United States, 2017, p. 18)

It is clear that this particular federal budget called for a reduction in financial support for community college students. Nonetheless, the final budget did not include all of the proposed reductions. However, reductions in available grant monies would have further stressed other funding sources. Arguably, the proposed budget provides an example of how budgetary
decisions made at the federal government level can have a huge impact on community college students.

State

Essentially, each state has a unique model or formula for appropriating funds to higher education institutions. Tollefson (2009) described the situation as follows:

State and local governance and coordination of community colleges vary from single-state governing boards to minimal state control and strong local governing boards. The relative degree of state and local control of community colleges generally “follow the money,” in that accountability to state and local governing board and state legislatures is generally about proportional to the funds provided by each level of government. (p. 386)

Phelan (2014) emphasized: “Regardless of the model used, community college funding has historically been unpredictable and unstable due to the discretionary nature of state support and the vagaries of funding initiatives” (p. 7). Weerts (2014) provided the following overview of the complex nature of state-based funding, which can be categorized as appropriations, grants (operating and non-operating), and contracts:

At the state level, colleges and universities function within a larger system of economic, cultural and political constraints that influence the ability of institutions to garner state resources. For example, a number of studies suggest that unemployment rate, availability of state revenues, and overall tax capacity are among the most important factors that determine the level at which the state will fund its public universities (Layzell & Lyddon, 1990; Lowery, 2001; McLendon, Hearn & Mokher, 2009; Rizzo, 2006; Tandberg, 2010; Toutkoushian, 2006; Toutkoushian & Hollis, 1998; Weerts & Ronca, 2012). In addition the growth, decline, or age composition of a state’s population may have positive or negative effects on state appropriations for higher education (Layzell & Lyndon, 1990; Lowry, 2001; Rizzo, 2006; Toutkoushian & Hollis, 1998). Collectively, these studies suggest that state government leaders make rational choices about funding higher education given the availability of revenue and demographic trends. (p. 136)
Each state collects taxes for various items such as individual income, business income, consumer consumption, real estate transfers, business facilities, casino, lottery taxes, and other miscellaneous items. These monies are used to fund state operations. Not surprisingly, state governments have funding constraints that are similar to the federal government. Their leadership has to allocate funds for health and human services, public safety, government services, and other areas. Education is just one of many areas that require funding. Consequently, during times of economic uncertainty, all areas are subject to funding reductions. Since institutions of higher education have the ability to receive funding from other sources, it is not uncommon to see reductions in support for this sector of education.

Romano and Palmer (2015) described the relationship between economic downturns and higher education funding as follows:

Each recession reduces state tax revenues and therefore diminishes state capacity to increase higher education funding. Higher education’s vulnerability to fiscal downturns is further exacerbated by intensifying competition from agencies lined up at the state trough (e.g., health care, K-12 education, and corrections) as well as by its standing as a discretionary rather than mandatory item in state budgets. This discretionary standing, as well as the availability of tuition as an alternative revenue source makes it easier for legislators to cut higher education funding during tough economic times or, at a minimum, forgo funding increases. (p. 19)

Given the discretionary nature of state appropriations to higher education, it is easy to comprehend why differences abound within the appropriation processes for each individual state, and why appropriation formulas change over time. Economic shifts and changing expectations for community colleges can spark such formula adjustments. Since the recession was discussed in detail in the previous paragraph, the following text will focus on changing expectations.
One of the most highly publicized changes in higher education is the expectation of more accountability in the area of student completion (both certificate and degree).

Historically, many colleges have received state funding based on how many full-time equivalent students are enrolled at the beginning of the semester. This model provides incentives for colleges to enroll students and thus provide access to postsecondary education, but this model does not necessarily provide incentives for institutions to help students successfully complete degree programs. Many states are reconsidering the enrollment-based funding model and instead are aligning funding models with state goals and priorities. (National Conference of State Legislatures, 2017, p. 1).

The completion agenda in itself is an example of how changing exceptions for higher education can impact funding for community colleges. This singular expectation has led over 30 states to implement “a funding formula or policy in place to allocate a portion of funding based on performance indicators such as course completion, time to degree, transfer rates, the number of degrees awarded, or the number of low-income and minority graduates” (National Conference of State Legislatures, 2015, p. 1). Without question, the combination of economic conditions and changing expectations has the potential to keep state appropriations in a state of constant flux.

Local

The works of Dowd and Grant (2006) suggest that although the role of local financing of community colleges creates some disparity, it is an important funding source. Consequently, local funding by way of tax support continues to be an important revenue source for some public community colleges. However, funding streams can differ across institutions in local property tax support due to factors such as differing property valuations, differing tax levy rates set by boards, or different perceptions that local residents might have about the extent to which they are willing to financially support the local college. (Phelan, 2014, p. 7)
To this end,

colleges serving areas with a weak economic base that rely on local property or other
taxes for a share of their revenues will receive lower revenues than peer colleges
located in wealthier areas of their state, creating an inequitable finance system. (Dowd
& Grant, 2006, p. 3)

For this reason, many states attempt to equalize funding, at least partially, by allocating
additional funds to community colleges supported by weak tax districts.

Equalization efforts do not resolve all inequity between community college districts.

Those in weaker tax districts remain more vulnerable to economic changes and shifts in
available support from state government, for example, when legislators in Illinois failed to pass
a budget in 2015. Colleges in weaker tax districts accustomed to a large amount of state
appropriations found themselves in a situation that required reductions in staff and other areas
in order to keep their doors open, while those in more affluent tax districts were able to
operate without significant challenge. Thus, the ability to collect local funds is a great resource.

However, more financial resources are available to colleges located in affluent areas.

Local funding for community colleges is currently found in just under 30 states, as
depicted in Figure 7.
Some states like Arizona and Oregon are more dependent on local funding than others. Why? For starters, Arizona’s legislature decided to defund two of its largest community college districts (Maricopa and Pima) in 2015 (Smith, 2015). Now, these districts are more dependent upon revenue from local property taxes. Oregon, on the other hand, is heavily dependent on
local taxes, because state appropriations for community colleges in Oregon were reduced by just under 12% between 2007 and 2015 (Higher Education Coordinating Commission, 2017). In response, institutions increased tuition and looked to local communities for additional support. Table 7 provides a summary of how net tuition revenue increased as a percentage of all revenue for community colleges over the years.

Table 7: Institutional Revenues per Full-Time Equivalent (FTE) Student in 2013 Dollars at Public Institutions, 2003–04, 2008–09, and 2013–14

<table>
<thead>
<tr>
<th>Academic Year</th>
<th>Net Tuition Revenue</th>
<th>State and Local Appropriations</th>
<th>Federal Appropriations and Federal, State, and Local Grants and Contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003–04</td>
<td>27%</td>
<td>57%</td>
<td>16%</td>
</tr>
<tr>
<td>2008–09</td>
<td>29%</td>
<td>56%</td>
<td>15%</td>
</tr>
<tr>
<td>2013–14</td>
<td>35%</td>
<td>51%</td>
<td>14%</td>
</tr>
</tbody>
</table>

(The College Board, 2016, p. 26)

Tuition and Fees

As shown in Table 7, tuition and fee revenue began as an insignificant revenue stream for community colleges. Nevertheless, tuition prices at community colleges increased by 10% or more between 2008 and 2016 for all but four states, and Arizona colleges experienced the highest percentage increase at 87.8% (Mitchell et al., 2016). As reported by the U.S. Department of Education and Department of Treasury,

Public institutions have seen the largest increases in posted tuition, as the funding model has shifted from state-subsidized higher education to more self-financed higher education supplemented by financial aid. This shift fundamentally changes the distribution of benefits and the mechanism by which students access higher education. (House, 2012, p. 20)
Despite the fact that tuition and fees continue to increase, demand for education is high, especially given the national priority to increase degree and certificate holders. Moreover, according to the AACC (2017b), 58% of community college students are using some form of financial assistance to help fund their educational pursuits.

Barr (2003) referred to undergraduate tuition as “the engine that drives much of higher education” (p. 13). It is not surprising that in 2017 the AACC reported that the estimated average tuition revenue for academic year 2014–2015 was 29.1% of all revenue streams for public community colleges. Only state appropriations (31%) represented a higher percentage (AACC, 2017b). Considering how close these percentages are, it is safe to say that tuition and fee revenue is extremely important to community colleges.

IMPACT OF CHANGING COMMUNITY COLLEGE EXPECTATIONS ON FUNDING

Outcomes-Based Education

The completion agenda essentially placed a magnifying glass on community colleges, their programs of study, student completion rates, education quality, and learning assessments. Consequently, public scrutiny and demand for positive performance metrics have become a national expectation. Moreover, 32 states have implemented performance funding programs. “Outcomes-based higher education funding structures have gained popularity in recent years as a means for achieving the goal of linking public investment in our colleges and universities to the social and economic benefits that states reap with an educated citizenry” (Rorison & Voight, 2016, p. 1).
Flexible Learning Environments

Advancements in technology have significantly enhanced the number of education models available for all education providers. The widespread availability of free, online, and hybrid courses and programs of study has increased the number of postsecondary providers. Now students can choose to receive a traditional liberal education through a 100% online program or decide to take vocational course and receive a certificate of completion from a private educational provider, all of which operate in the same marketplace as community colleges. To this end, community colleges must compete for students with four-year universities and private short-term certificate providers.

Competition and Return on Educational Investment

It is unclear if the existence of these new providers has impacted community college enrollment. However, it can be noted that community college enrollments have been decreasing since 2010, while the primary provider of 100% online programs was recorded as having the highest enrollment of any institution in 2015 (National Center for Education Statistics, 2017). Additionally, for-profit postsecondary institutions are on the rise. NCES describes the trend as follows:

During the past decade, the for-profit sector in U.S. undergraduate education has experienced dramatic growth, often outpacing that seen in the private nonprofit and public sectors. From 1998–99 to 2008–09, the number of associate’s degrees conferred by for-profit postsecondary institutions grew by 125% and the number of bachelor’s degrees by over 400 percent. In contrast, the number of associate’s and bachelor’s degrees conferred by public postsecondary institutions increased by 33 and 29 percent, respectively, over the same decade. (Staklis, Bersudskaya, & Horn, 2011, p. 1)

Prior to 1986, students receiving postsecondary education and requiring financial aid to pay for their education were limited to attending traditional colleges and universities (Boren,
1987). Today, students are able to receive financial aid benefits at qualifying for-profit institutions also, a factor that further magnifies the competitive nature of the higher education market.

In an effort to remain competitive and improve performance, community colleges have invested additional funds in programs to help support student retention, persistence, and completion. Such programs often require additional staff and, in some instances, technology improvements. Each new endeavor has a price tag associated with it. Financial leaders and CFOs are tasked with making room in the budget to support these activities. Such a request can be challenging during times of reduced state and federal financial support of higher education, often leading to increases in tuition and/or student fees.

In most states, community college financial leaders have the potential to influence student tuition and fees in a manner that is not available with other funding sources. This is true because community college governing boards set tuition prices. Therefore, CFOs have the ability to request increases to these fees on an annual basis, receiving a relatively quick response. Ultimately, the cost of obtaining a degree or certificate directly relates to the return on educational investment that students receive.

Summary

The changing expectations discussed in this chapter impact community colleges across the nation. For example, every state has called on its community colleges to increase the number of students graduating with degrees and/or certificates. Additionally, since government appropriations have typically helped to fund these colleges, the general public and government
leaders have questioned the stewardship of community colleges overall. Moreover, the return on investment of a college education has come under scrutiny. For the most part, this concern developed as a result of the increase in students borrowing money in order to complete their college education. Arguably, this is a valid concern.

To further explore the topic of community college finances, this paper will shift from looking at funding structures from a national perspective to a state perspective. While the paper will not discuss every single state individually, it will specifically address funding for community colleges in Michigan and Illinois. Now, Michigan is known as a non-system state, meaning a statewide governing board for community colleges does not exist. On the other hand, Illinois is considered a system state. It has a statewide governing board with limited authority over community college operations and data collections. Hopefully, exploration of these two states will yield some similarities and differences that might prove helpful as the researcher seeks to discover guidelines to assist those seeking a career as a financial leader within the community college sector.

**INTRODUCTION TO THE MICHIGAN COMMUNITY COLLEGE SYSTEM**

Today, there are 28 public community colleges spread across the state of Michigan. Each provides three specific services, according to the Michigan Legislature:

Higher education opportunities to citizens for whom the cost, location of state universities and private colleges, or academic entrance requirements are barriers to attendance; job training and retraining opportunities, including vocational, avocational, and nondegree courses and programs that may not be offered by other institutions; and services that enhance the economic, cultural, intellectual, and social life of the community. (*Michigan Manual, 2015-16, p. 443*)

Nonetheless, how the services are provided differs by institution.
Public community colleges in Michigan are governed by elected boards that supervise and control the financial expenditures of each individual community college district. The powers granted to these governing bodies are legislated through the Community College Act of 1966, whereby the following authority is bestowed: (a) “establish and collect tuition and fees for resident and nonresident students” (p. 18); (b) “purchase, lease, or otherwise acquire personal property for the community college” (p. 19); (c) “invest community college funds” (p. 19); (d) “accept contributions, capital grants, gifts, donations, services, or other financial assistance from any public or private entity” (p. 19); (e) “borrow money or other property and accept contributions, capital grants, gifts, donations, services” (p. 19); (f) “contract with, appoint, and employ a suitable person as chief executive officer of the community college” (p. 19); (g) “delegate to the chief executive officer of the community college the board’s authority to do perform specified activities” (p. 19); (h) “adopt bylaws, rules and regulations for its own government and for the control and government of the community college district” (p. 20) and (i) “to do all other things in its judgment necessary for the proper establishment, maintenance, management and carrying on of the community college” (p. 20) (Legislative Council, State of Michigan, 1966). Of course, this is not an exhaustive list of the authority provided to community college governing boards. However, it provides an overview of the primary financial responsibilities of such boards. Given the weight of these responsibilities, the board of trustees shall also provide for a system of accounting and ensure that all accounts are audited annually by a certified public accountant (Legislative Council, State of Michigan, 1966). The results of such auditing efforts are publicly posted.
Michigan Funding Formula

The primary revenue sources for community colleges in Michigan are state appropriations, local property tax, and student tuition and fees. In academic year 2013–2014, the Michigan Community College NETwork (MCCNET) recorded the average percentage breakdown of funding sources for community colleges in Michigan to be as follows: state appropriations, 20.0%; local property tax, 35.1%; student tuition and fees, 43.2%; and other, 1.7% (Michigan Community College NETwork, 2014). Revenue categorized as “other” often includes a mixture of grants and revenue received from lease agreements, royalties, auxiliary services, corporate training, investment returns, and miscellaneous reimbursements.

Federal Support for Michigan Community Colleges

The federal government financially supports community colleges in Michigan and its students through loans and grants. First, institutions can apply for discretionary competitive grants that support low-income students, such as TRIO and the Developing Hispanic-Serving Institutions (DHSI) Program. Second, community college students are able to apply for various grants and loans through a single application process. In fact, 72% of community college students benefit from some form of financial aid, 62% of which is federal aid (AACC, 2017b). Well-known grants include the federal Perkins Grant and the Supplemental Education Opportunity Grant (SEOG). In addition to grants, some students are eligible to participate in the federal work study program.

Data from a 2017 Michigan League for Public Policy report suggest that students in the state of Michigan have become increasingly more reliant on federal funds. In fact, use of these...
funds increased by 30.6% between 2007 and 2017 (Michigan Public League for Public Policy, 2017). Figure 8 provides a depiction of this trend.

Figure 8. Michigan Has Grown Increasingly Reliant on Federal Funds

State Support for Michigan Colleges

Section 7 of the Constitution of Michigan of 1963 includes the following statement: “The legislature shall provide by law for the establishment and financial support of public community and junior colleges which shall be supervised and controlled by locally elected boards” (Legislative Council, State of Michigan, 1963, p. 34). This portion of the law is fulfilled by way of the annual State Budget Office (SBO) Education Omnibus Budget. Although the budget outlines expenditures for multiple revenue sources, the primary revenue source for community colleges is the School Aid Fund (SAF). The SAF is legislated through Article IX, Section 11 of the Michigan Constitution. These restricted funds represent a combination of sales and use taxes, personal
income tax, property tax, and other funds (state lottery funds, federal revenue, and miscellaneous taxes).

SAF funds are distributed to the 28 community colleges in Michigan based on the percentage of SAF funds each college received during the previous fiscal year. When additional funds are available, they are distributed based on a performance funding formula. The State of Michigan House Fiscal Agency describes the components of this formula in a memo dated April 13, 2017 as follows:

- 30% across the board adjustment. This category distributes funding based on the college’s individual base amount percentage in proportion to overall funding from the prior fiscal year).

- 30% on Contact Hour Equated Students (CHES): This category distributes funding based on the number of CHES per college.

- 10% on Performance Completion Improvements: This category awards funding based on the improvement in completions (degrees, certificates, or transfers to a four-year college) over a six-year period. Colleges that demonstrate more completion improvement receive a slight funding increase based on 20% of the category’s funding. The remaining 80% of this category’s funding is distributed in an across the board proportion.

- 10% on Performance Completion Number: This category awards funding based on the college’s share of completions relative to the overall number of completions statewide.

- 10% on Performance Completion Rate: This category awards funding based on six-year completion rates of a specific cohort. Similar to the completion improvement category, 20% of the funding is distributed to colleges that are equal to or above the statewide completion rate average. 80% of the remaining funding in this category is distributed proportionately to all community colleges.

- 5% on Administrative Costs: Colleges that have lower administrative costs are allocated a larger portion of funding in this category.

- 5% on Local Strategic Value: Community colleges must meet a minimum number of four out of five best practices within three categories (economic
development/business partnerships, educational partnerships, and community services) to receive funding. (pp. 2-3)

Community colleges in Michigan also receive a small amount of funding from the General Fund/General Purpose Fund (GP/GF). The specific amount is determined by the Michigan legislature. Additional funds are available for construction and renovation projects through a capital outlay application process, whereas requests from community colleges are reviewed based on such factors as investment in existing facilities and infrastructure, life and safety deficiencies, occupancy and utilization of existing facilities, sustainable design and efficiencies, estimated cost, institutional support, operating costs, impact on tuition, impact on job creation in Michigan, and history of state appropriations to the institutions through the capital outlay process (State of Michigan State Budget Office, 2017, pp. 1-2). Awarded projects are funded partially by the requesting entity and the State. This cost-sharing program and other State appropriations represent a significant revenue source for Michigan community colleges.

Local Support for Michigan Colleges

Property taxes represent a large portion of public revenue for community colleges in Michigan. The amount of revenue received fluctuates annually based on taxable value of homes within the state and millage rates. The Michigan Community College Network (2014) Activity Classification Structure Data Tables for 2013–2014 show that until academic year 2009–2010, local taxes represented the highest source of revenue for Michigan colleges (see Table 8).

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<tbody>
<tr>
<td>State Aid</td>
<td>22.3%</td>
<td>18.9%</td>
<td>21.7%</td>
<td>20.0%</td>
<td>18.9%</td>
<td>19.1%</td>
<td>18.9%</td>
<td>19.6%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Property Tax</td>
<td>40.7%</td>
<td>41.3%</td>
<td>39.0%</td>
<td>38.6%</td>
<td>36.5%</td>
<td>33.7%</td>
<td>32.1%</td>
<td>33.5%</td>
<td>35.1%</td>
</tr>
<tr>
<td>Tuition &amp; Fees</td>
<td>32.7%</td>
<td>34.5%</td>
<td>34.3%</td>
<td>37.0%</td>
<td>40.8%</td>
<td>44.1%</td>
<td>44.7%</td>
<td>44.5%</td>
<td>43.2%</td>
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<tr>
<td>All Other</td>
<td>4.3%</td>
<td>5.3%</td>
<td>5.0%</td>
<td>4.4%</td>
<td>3.8%</td>
<td>3.1%</td>
<td>4.3%</td>
<td>2.4%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
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(Michigan Community College NETwork, 2014)

Despite incremental decreases in revenue support from property taxes, local support has remained relatively stable for colleges located in Michigan. Slight changes in property tax revenue, such as the 7.9% decline the State experienced between 2008 and 2014, and the noteworthy 16% decrease in taxable home values during that same time period, did not change the relative importance of this particular funding source (see Table 9).
Table 9: *Michigan Community College Property Tax Revenue and Taxable Value 2008–2014*

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<tbody>
<tr>
<td><strong>Property Tax Revenue</strong></td>
<td>$566,968,909</td>
<td>$565,647,618</td>
<td>$522,913,424</td>
<td>$482,550,093</td>
<td>$500,103,219</td>
<td>$521,969,615</td>
</tr>
<tr>
<td><strong>Taxable Value</strong></td>
<td>$287,035,085</td>
<td>$285,019,294</td>
<td>$268,976,448</td>
<td>$254,270,786</td>
<td>$242,768,399</td>
<td>$240,716,071</td>
</tr>
</tbody>
</table>

(Michigan Community College NETwork, 2014)

Under Michigan law, there are property tax rate limitations by type of millage and type of local government. There also are constitutional and statutory provisions that limit the growth in property taxes. However, there is no single statewide property tax limit. (Pratt, 2016, p. 6)

**Tuition and Fees at Michigan Colleges**

Although these numbers vary by institution, it is clear that student contributions currently provide the largest source of funding for institutions in Michigan. Nonetheless, this was not the case prior to the academic year 2009–2010 when property taxes were the highest source of revenue for these colleges. Now, student tuition and fees play a larger role. The gradual increase of the average in-state tuition rate for Michigan community colleges is depicted in Table 10.

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<tbody>
<tr>
<td>In District</td>
<td>$65.19</td>
<td>$68.47</td>
<td>$71.68</td>
<td>$74.30</td>
<td>$76.70</td>
<td>$81.38</td>
<td>$85.91</td>
<td>$90.03</td>
<td>$94.43</td>
<td>$98.13</td>
</tr>
<tr>
<td>Out of District</td>
<td>$101.38</td>
<td>$108.51</td>
<td>$114.62</td>
<td>$121.13</td>
<td>$125.35</td>
<td>$133.24</td>
<td>$140.66</td>
<td>$148.12</td>
<td>$155.66</td>
<td>$161.78</td>
</tr>
</tbody>
</table>

(Michigan Community College NETwork, 2014)

As shown in Table 10, the average tuition rate increased by more than 50% from academic year 2005–2006 to academic year 2014–2015. Although this increase is staggering, it is less than the more than 59% on the average tuition rate for out-of-district students. Moreover, it is significantly less than what in-district and out-of-district students would pay at a four-year institution.

**IMPACT OF CHANGING COMMUNITY COLLEGE EXPECTATIONS ON FUNDING: MICHIGAN**

The resilient nature of the community colleges in Michigan is evident by the way that the colleges have been able to respond to the changing expectations of the community college industry. These institutions have embraced outcomes-based education, adopted flexible learning models such as Open Educational Resources, invested in student support programs, and a host of other things, all of which required financial investment. Some institutions, like Lansing Community College, used increases in tuition and fees to cover a portion of the cost associated with reinventing student service areas.
Michigan Community College Outlook

A review of the funding structure for community colleges in Michigan magnifies how financially dependent these institutions are on government support. A staggering 55.1% of community college revenue comes from the combination of property tax and state support. The combination is just slightly more than the 43.2% attributed to student tuition and fees (see Table 8). These statewide averages provide some insight into how revenue is distributed to community colleges in Michigan. However, these numbers do not offer the complete picture.

State support for community colleges varies based on location (and the amount of taxes that are applied is based on legislation). Therefore, it is not surprising that Michigan Community College NETwork (2014) Activity Classification Structure Data Tables for 2013–2014 show that state appropriations for these colleges ranged from a modest 13% for Washtenaw Community College to an impressive 43% at Gogebic Community College during academic year 2013–2014. Consequently, revenue received from property taxes fluctuates in a similar manner; 55% of Wayne County Community College’s revenue is from local taxes, whereas Mid Michigan receives only 9%. Perhaps the biggest revenue fluctuation is in tuition and fees. Tuition and fees at West Shore Community College represented 23% of revenue, while it represented 72% at Mid Michigan Community College.

The diversification in revenue streams across community colleges in Michigan can be associated with the size of the community college district, homeownership in the surrounding area, and the existence of business and industry. This type of system may work well when the economy is growing or stable. However, it creates challenges during times of economic strife,
for during those times, colleges often receive less property tax revenue (due to lowering home values) and fewer state appropriations (due to competing state priorities).

In years past, economic hardships led to increases in tuition and fees. Such a situation can work well in affluent community college districts but leave non-affluent districts underfunded. One can look no further than the state of Illinois for an example of how disparities in dependence on state appropriations can limit postsecondary institutions’ ability to operate and provide basic services during times of economic uncertainty.

INTRODUCTION TO THE ILLINOIS COMMUNITY COLLEGE SYSTEM

The Illinois community college system has a three-tier governance system consisting of the Illinois Board of Higher Education, Illinois Community College Board, and local Board of Trustees. Each tier supports education in a unique way. First, the Illinois Board of Higher Education is the administrative agency with responsibility for overseeing all higher education in Illinois. Its statutory responsibilities include recommending budgets for operations, grants, and capital improvements; reviewing existing instruction to determine their continued educational and economic justification; and administering state and federal higher education grant programs. Second, the Illinois Community College Board (ICCB) is the state coordinating board for community colleges. The role of the ICCB is to administer the Public Community College Act. One of its primary duties is to approve all locally funded capital projects. Third, Board of Trustees for each college set policies and tuition rates for its in-district residents.

According to the Illinois Community College Board (ICCB) website, the Illinois Community College System covers the entire state with 48 colleges and one multi-community

Illinois community colleges receive funding from three major sources: local property taxes, student tuition and fees, and state appropriations. Figure 9 provides an overview of how these funding sources have fluctuated in recent years.

(Illinois Community College Board, 2015, p. 16)

*Figure 9. Illinois Community College System Sources of Revenue 2003–2014.*

**Illinois Funding Formula**

Community colleges in Illinois are funded in a similar manner to those in Michigan. However, the percentage spread of their major funding sources differs slightly. As noted earlier, recent data for Michigan community colleges revenue streams are as follows: tuition and fees, 43.2%; local funding, 35.1%; state funds, 20.0%; and other, 1.7%, according to Michigan Community College NETwork (2014) Activity Classification Structure Data Tables for 2013-2014. These numbers are quite different than the averages for Illinois. In academic year 2016, the ICCB reported that its colleges received 45.7% of its revenues from local funding sources, 43.5%
from student tuition and fees, 7.94% from various state appropriations and grants, 2.77% from other sources, and .09% from federal sources (Illinois Community College Board, 2016).

Despite differences in the revenue percentage spread, the two largest funding sources for both college systems are local funding and student tuition and fees. Nevertheless, it is important to note that even though the average state support for Illinois colleges was a mere 7.94%, some colleges in Illinois were more dependent on state funding than others. For example, “State aid makes up less than 5% of Joliet Junior College’s budget, but rural Shawnee Community College in Southern Illinois receives about 40% of its budget from state investment” (Smith, 2016, n.p.). Therefore, the availability of state funds is more important to some colleges than others.

Federal Support for Illinois Community Colleges

As with other Title IV postsecondary providers, the federal government provides assistance through the federal Pell Grant, federal Supplemental Educational Opportunity Grant (SEOG), federal Teacher Education Assistance for College and Higher Education (TEACH) grant, federal work-study, a host of other programs, as well as student loans. For Illinois, federal funds represent a small portion of all revenue (excluding the student loan program).

State Support for Illinois Community Colleges

A report from Strategy Labs (Lumina Foundation, 2017) on Illinois postsecondary investments described state support for Illinois Community Colleges as follows:

Community college appropriations have primarily been distributed by the Illinois Community College Board (ICCB) through two formula-driven grant programs:
Base operating grants: Comprise approximately two-thirds of ICCB’s operating grants, and are determined by multiplying each community college’s reimbursable unrestricted credit hours by the per-credit-hour rate in six funding categories (Baccalaureate, Business, Technical, Health, Remedial and Adult Education);

Equalization grants: Currently account for over a quarter of ICCB operating grants, and are meant to reduce the disparity in local property tax funds available per student, thereby ensuring that colleges with a limited local tax base have access to the funds necessary to support educational programs. Any community college district below an expected local property tax threshold is eligible for tax-base-equalization funding. However, these grants have been funded at a fraction of their intended amounts in recent years. (p. 5)

The appropriations also have a performance funding element, which Strategy Labs (Lumina Foundation, 2017) described as follows:

The community college performance funding model has six metrics: degree and certificate completion, degree and certificate completion of at-risk students, transfer to a four-year institution, remedial and adult education advancement, momentum points, and transfers. Annually, $360,000—or roughly 0.1% of community college state appropriations—is split among the six metrics, with the community colleges’ performance defined by the year to year change in each metric. (p. 6)

In addition to the above Monetary Award Program (MAP), grants are awarded to college students in a similar manner as federal student grants. Funding is based on individual student needs, but the money is issued directly to colleges. All of these things are accounted for as state appropriations.

Local Support for Illinois Community Colleges

Community colleges in Illinois receive 45.7% of its revenues from local funding sources (Illinois Community College Board, 2016). These funds represent the highest source of revenue for these colleges in 2016. They are collected from property taxes. However, future increases for this funding source are limited to state law (for most colleges). Specifically, the Property Tax Extension Limitation Law (PTELL)
limits annual growth in the operating property tax levy to the lesser of 5% or growth in the consumer price index (CPI), plus new construction. Colleges that are not subject to PTELL (generally those outside of the Chicago metropolitan area) are not subject to limits on overall annual levy growth but typically do not have significant headroom under rate limits for operating funds. (Moody’s Investor Service, 2016, p. 2)

Nevertheless, as depicted in Figure 10, local support has traditionally been a major source of revenue for Illinois community colleges.

Figure 10. Trends in Educational and Related Revenues at Illinois Community Colleges Fiscal Years 1999 to 2014 in FY 2014 Dollars

Tuition and Fees at Illinois Community Colleges

Despite data that support local funds being the highest source of revenue for community colleges in Illinois during fiscal year 2016, student tuition and fees has also reigned as the highest revenue source for these institutions (see Figure 9). In fact, ICCB data suggest that student tuition and fees for community colleges in the state have increased by 23.4% between 2013 and 2017 (Illinois Community College Board, n.d.). The increase places Illinois
community colleges above average national tuition rates. However, Illinois community college students pay significantly less than the highest tuition and fee rates in the nation (see Figure 11).

![In-District Tuition and Fees by State 2017–2018](image)

(College Board, 2017)

*Figure 11. In-District Tuition and Fees by State 2017–2018*

**IMPACT OF CHANGING COMMUNITY COLLEGE EXPECTATIONS ON FUNDING: ILLINOIS**

The changing expectations for community colleges began at an inopportune time for colleges in Illinois, for they have experienced steady decreases in state funding for 10 years. In fact, between 2003 and 2013 alone state support for higher education in Illinois decreased by 29.1% (Illinois Board of Higher Education, 2013). Instead of being singularly focused on revenue challenges, these colleges also had to consider ways of producing more graduates and embrace technology associated with flexible learning models.

**Illinois Community College Outlook**

In contrast to community colleges in Michigan, Illinois community colleges are not as dependent upon revenue from state appropriations. Instead, property tax support and student
tuition and fees provide the highest percentage of revenue support to public colleges in Illinois. Even so, when Illinois legislatures failed to pass a budget in 2015, some community colleges suffered great losses. An article in *The Chronicle of Higher Education* described the situation: institutions were “forced to cobble together cash reserves, lay off faculty and staff members, mandate furloughs, freeze hiring, and limit university-sponsored travel” (Brown, 2017, n.p.).

The budget impasse ended in 2017 but has left an indelible mark on the higher education sector. What is the pathway forward? Arguably, there are limits to increasing revenue from property taxes due to PTELL restrictions. There are also limits in how Illinois community colleges increase tuition. In fact, “state statute outlines tuition and fee limits for community colleges, which are based on per capita costs in certain operating funds. However, most colleges operate well below the limits” (Moody’s Investor Service, 2016, p. 2). Still, if these limits did not exist, there may be limits to how much taxpayers are willing to support community colleges and how much families are willing to pay for community college programs.

Perhaps financial leaders of community colleges will pursue non-traditional sources of revenue to lessen dependence on taxpayer dollars, student tuition, and government programs. Or, maybe they will continue to pursue expenditure reductions in response to revenue shortfalls. Regardless of what these leaders decide to do, the researcher would assume that it will not be business as usual for community colleges in Illinois. Nor will it be business as usual for community college leaders across the nation that witnessed what Illinois experienced.

**SUMMARY**

For institutions supported by tax dollars there is a direct connection between economic performance and funding. Reduced funding in periods of economic downturn impacts...
community colleges in a number of ways and often creates extreme challenges bordering on chaos. First, institutions attempt to plan financially a few years into the future and, to the extent possible, tend to use projections built upon prior funding. Economic jolts substantially outside of an institution’s budget forecast lay carefully laid plans to waste. (Mullin et al., 2015, p. 13)

Economic jolts can take many forms, including an economic recession, legislative amendments (federal and state), changes in unemployment rates, decreasing number of high school graduates, pension plan changes, and health care plan modifications—all of which have occurred since the establishment of the first junior college in 1901. That said, national representation of the revenue sources discussed in this chapter has fluctuated over the years. Consequently, Palmer (2013) offered this warning:

Any analysis of community college funding must proceed cautiously. Trends in fiscal support over time can be difficult to pin down because of changes in the way college revenue data have been reported and because the population of public two-year colleges often shifts over time as vocational schools become accredited to award the associates degree and as community colleges become baccalaureate-granting institutions. In addition, overall national averages mask considerable differences between states in terms of the mix of revenues used to support the colleges. (p. 172)

Warning aside, historical data provide some insight into revenue fluctuations and provide a foundation upon which CFOs can strategically approach budgeting and financial planning:

If we have learned anything during the 100-year plus history of the junior and community college movement, it is that the discretionary nature of funding from federal and state sources, combined with the vagaries of new funding initiatives, let alone other requirements of accountability and performance, has not provided community colleges with stable and predictable revenue streams. This type of revenue unpredictability, by definition, makes it very difficult for college leaders, boards, and system administrators to have any level of long-term confidence in budget development. (Phelan, 2014, p. 8)

Arguably, this is a unique environment to work in. Therefore, any guidance that can be provided to new CFOs and financial leaders is helpful. Is there a set of best practices for
responding to revenue fluctuations? Are current CFOs employing new or innovative solutions to address concerns of further disinvestment of federal, state, and local governments? Are there specific competencies necessary for new financial leaders to operate successfully? To find out, the researcher surveyed and interviewed CFOs in Michigan and Illinois. The interview methodology is outlined in Chapter Three and interview results are discussed in Chapter Four.
CHAPTER THREE: METHODOLOGY

INTRODUCTION

Chief financial officers (CFOs) of community colleges across the nation are tasked with balancing budgets based on anticipated revenue streams from an eclectic group of funding sources, all of which have the potential to fluctuate from one year to the next. In reality, much of their work is based on projections and statistical analysis. As an example, property tax revenue is projected based on available housing market information. State appropriations are based on budgets approved by the legislature. Lastly, student tuition and fee revenue is based on projected enrollment, a projection that is often available only after a sophisticated statistical analysis of data has taken place.

Arguably, the budgeting process for community colleges is somewhat unique and requires flexibility, especially when changes in external factors negatively impact the amount of monies received as revenue. To this end, the researcher is interested in understanding the strategies CFOs use to address changing community college revenue streams. This information is critical given the changing expectations of community colleges described in Chapter One of this research paper, the non-traditional approaches some legislatures have taken toward appropriations for community colleges discussed in Chapter Two, and the negative financial outlook Moody’s and Standard & Poor’s have assigned to the higher education industry.
TYPE OF STUDY

Vogt (2007) defined research as “the systematic collection and/or study of evidence in order to answer a question, solve a problem, or create knowledge” (p. 5), the latter of which describes the purpose of this particular study. Furthermore, the design of this research is qualitative. Designing the research in this manner allowed the researcher to learn from the personal experience of individuals that work in the area of community college finance.

Merriam (2009) contended that qualitative research has four primary characteristics. First, it focuses on meanings and understandings that people associate with their experiences. The emphasis is on the person being interviewed. This concept is referred to as the insider’s perspective or emic. Secondly, the researcher is the primary instrument for data collection and analysis. Collecting research in this manner has positive and negative consequences. On a positive note, it gives the researcher flexibility to adapt or change questions based on responses provided by the subject. Notwithstanding, collecting the information in this manner can be time-consuming and opens the door to researcher bias in terms of how answers to questions are interpreted. Third, the qualitative process is inductive, “that is, researchers gather data to build concepts, hypotheses, or theories rather than deductively testing hypotheses” (Merriam, 2009, pp. 14-15). Lastly, the product of qualitative research includes rich descriptions, which means the results may or may not be quantitative. However, they will include detailed descriptions of the experiences of human subjects. Therefore, the results of this research project are expected to resemble the aforementioned characteristics.
POPULATION

At the time of this writing, there are 28 community colleges in Michigan and 48 in Illinois. Each college has a CFO or other officer that is responsible for all aspects of finances for the institution. These individuals are the target subjects for this qualitative research project. Contact information for the population was obtained through public information available through statewide organizations. An electronic survey was emailed to the target group in order to determine interest in participating in this study. The survey resulted in a total of four volunteers. Additional participants were gained through referrals from the original volunteer group. The final participant group consisted of three participants from Michigan and three participants from Illinois.

The method of obtaining volunteer participants for this project is not dissimilar to how subjects are chosen for other qualitative research projects. In fact, Merriam (2009) contended that “sample selection in qualitative research is usually (but not always) nonrandom, purposeful, and small” (p. 16). Moreover, by limiting the population to CFOs from two specific states, the Researcher was able to compare and contrast financial practices by state and identify any differences in philosophies observed.

DATA COLLECTION METHODS

An invitation to participate in this research project was given to CFOs from Michigan and Illinois through an electronic survey tool called SurveyMonkey®. Although some of the participants were found through this process, the survey tool was not the primary data
collection method. Participant data were also collected through telephone and face-to-face interviews that took place between December 2017 and March 2018.

Volunteering to participate in a research project must be based on being informed, not persuaded (Seidman, 2013, p. 140). Therefore, all volunteer participants understood that participation was voluntary. Additionally, they were informed of the research process and understood the purpose of the research and the method in which questions would be presented. Most importantly, participants were informed that pseudonyms would be used to protect their identity and preserve confidentiality.

The initial questions presented during the survey phase were designed to capture basic information regarding funding structures and potential best practices and to gauge interest in survey participants participating in an extended interview. To this end, the questions were general and left room for additional discussions via the interview process. These survey questions are as follows:

1. Please describe community college oversight in your state.
   a. State System
   b. Non-System State
   c. Other

2. What is the most positive attribute of providing financial oversight for a community college with the type of oversight chosen from Question #1?

3. What is the most challenging aspect of providing financial oversight for a community college with the type of oversight chosen from in Question #1?

4. What is the current revenue structure for your institution? For example: 40% tuition and fees; 45% state funding; 5% federal funds; and 10% other.

5. What key variables determine the amount of state funding received by your institution?
6. How would you summarize the state appropriation process for your state?

7. How would you summarize the local appropriation process for your state?

8. What situation(s) have impacted revenue streams for your institution over the last five years? Please check all that apply.
   a. Enrollment Declines
   b. Reduced State Funding
   c. Reduced Federal Funding
   d. Implementation of Performance Funding
   e. Reduced Local Funding (including property taxes)
   f. Reduction of Endowments and Charitable Giving
   g. Other ________________

Out of the 65 emails sent, there were three survey responses over a period of 30 days. In an attempt to reach more subjects, two follow-up emails were sent out. As a result, two more responses were received. Demographic information was purposefully not collected from any of the survey respondents. Not collecting demographic information assures anonymity for the small population of interview participants.

Survey respondents that expressed interest in participating in the interview process were contacted via email to schedule an appointment. Two respondents opted to have the interview conducted face-to-face. The other four interviews took place via conference calls.

Once an appointment was scheduled, each participant received a copy of the interview questions in advance of the interview date. The purpose of providing the questions in advance was to help the interviewee prepare for the interview. In addition, questions were provided to make sure that the interview participants understood the context of the interview. A complete list of the interview questions is provided below:

1. Did you use a decision-making model or strategic plan process to address revenue stream changes? If so, how would you describe it?
2. Which key internal stakeholders were involved in the financial planning process for responding to revenue challenges? What was the role of each stakeholder?
   a. President
   b. Provost
   c. VP of Finance
   d. Board of Trustees
   e. Faculty
   f. Other

3. Which key external stakeholders are involved in the financial planning process for responding to revenue challenges? What was the role of each stakeholder?
   a. Business & Industry
   b. Consultants
   c. Other Institutions
   d. Community Members
   e. Other
   f. None

4. What strategic activities took place?
   a. Budget Model Review
   b. Policy Changes
   c. Academic Programming Review
   d. Review of Expenses
   e. Employee Inventory
   f. Student Enrollment Drive
   g. Collective Bargaining Review
   h. Bond Review
   i. Public Private Partnerships
   j. Other

5. How did the chosen strategic activities affect revenue?
   a. Immediate Rewards
   b. Short-Term (One-Time Cash Flow Impact)
   c. Long-Term (Multi-Year Cash Flow Impact)
   d. Unknown at this time
   e. Other

6. How did your actions impact expenses and/or operations?
7. Looking back at your institution’s response to its revenue challenges, how would you analyze your activities in terms of strengths, weaknesses, opportunities, and threats (SWOT)?
   a. What worked well? Why?
   b. What did not work well? Why?
   c. What is the impact on the decisions made?
   d. Additional comments?

8. In your opinion, what is the pathway forward? What can be done to stabilize the impact of funding uncertainties?
   a. At your institution
   b. In your state
   c. Nationally
   d. Other

9. Which leadership competencies were most helpful during this process?

10. What business acumen and financial skills were most helpful during this process?

11. Based on a best practice or lessons learned, what advice would you have for new community college leaders?
   a. To prevent or minimize revenue challenges
   b. When they are in the mist of revenue challenges

12. Any final comments?

The interview questions were chosen in hopes of specifically addressing several important aspects of managing revenue streams, such as decision-making models, involvement of internal and external stakeholders, strategic activities colleges used to address financial challenges, how those activities impacted revenue, and if best practices in managing unpredictable revenue streams exist. To add to this, the researcher was interested in leadership competencies necessary for individuals to operate as financial leaders within community colleges and in receiving insight on keys to managing fluctuating revenue streams.
DATA MANAGEMENT AND ANALYSIS METHODS

According to Merriam (2009), “In all forms of qualitative research, some and occasionally all of the data are collected through interviews” (p. 87). Nevertheless, collecting interview data requires attention to detail. With this in mind, interviews for this research project were recorded with participant consent. There are several benefits associated with recording interviews. In fact, Seidman (2013) found that by preserving the words of the participants, researchers have their original data. If something is not clear in a transcript, the researchers can return to the source and check for accuracy. Later, if they are accused of mishandling their interview material, they can go back to their original sources to demonstrate their accountability to the data. (p. 117)

Similar to any tool for obtaining information, recording interviews has some potential drawbacks. According to Merriam (2009), recording devices can malfunction and some participants may not be comfortable having their thoughts recorded. Therefore, written notes can be used to supplement information obtained via recording sessions. These notes allow researchers to record reactions to the information provided by the interviewee. That said, written notes were incorporated as a method of data collection and management for this research project.

When it comes to data analysis, Merriam (2009) described the process of data analysis as comparing one unit of information with the next in looking for recurring regularities in the data. The process is one of breaking data down into bits of information and then assigning these bits to categories or classes which bring these bits together again. (p. 177)

For this research project, one unit of information will come from the previous research findings of Mullin et al. (2015). These authors contended that there are six broad categories of actions
that a college may consider to respond to a financial crisis. These categories are Administrative Control and Management, Instructional Staffing, Academic Offerings; Enhance Revenues, Institutional Advancement, and Strategic Organizational Change.

The comparative unit of information came from participant interview responses. For this reason, interviewee responses were coded or categorized as follows: Administrative Control and Management, Instructional Staffing, Academic Offerings, Enhance Revenues, Institutional Advancement, Strategic Organizational Change, and Other. Separating data in this manner allowed the researcher to analyze whether the actions of interviewees completely aligned, partially aligned, or showed no alignment with the doctrine of Mullin et al. (2015).

VALIDITY AND RELIABILITY

To increase reliability of the surveys and interviews, the researcher took effort to make sure that the sample size was not biased. As an example, a survey invitation was sent to over 70 financial officers currently working at community colleges in Michigan and Illinois. Therefore, the researcher was not able to predict or dictate exactly which financial officers would ultimately participate in the survey and interview process. By soliciting participation in this manner, the sample size is considered random, which means that every member of the population had an equal probability of being selected. “A key goal of random sampling is to maximize external validity. External validity refers to the degree to which the results drawn from the sample can accurately be generalized beyond the subjects taking part in the study” (Vogt, 2007, p. 78). Furthermore, “significance testing assumes random sampling” (Vogt, 2007, p. 78).
In essence, if a study is valid, it must also be reliable, which means that if the study were to be conducted in the future by a different researcher, the findings would be similar. To prove reliability, the researcher referenced previous studies, ensured that survey questions were not leading or biased, created variation in sampling, and checked the research material against similar research, also considering outliers.

To ensure objectivity and move toward validity, the researcher discloses researcher bias in the next section of this paper, made use of random sampling tools, and created a diverse dissertation committee that had the ability to check the researcher’s work. The researcher also recorded all interviews and, again, included a consideration for outliers.

**RESEARCHER BIAS AND ASSUMPTIONS**

External factors play a key role in revenue streams for community colleges. None of the revenue streams are solely controlled by the colleges. First, tuition and fee revenue is determined by enrollment. Secondly, taxes are subject to changes in local elections. Third, state appropriations can change dramatically based on new legislation and the passage of the annual state budget. Lastly, federal support for community colleges is subject to change based on the passage of the President’s annual budget. This dependence on external factors places community colleges in a vulnerable position. Thus, the researcher is genuinely concerned about the sustainability of American community colleges and has a bias against passive financial planning.

The researcher is a purchasing professional employed by a Midwestern community college where the unemployment rate is below 5% (Bureau of Labor Statistics, 2017a).
Consequently, the college has experienced significant enrollment declines. The decrease in enrollment has directly impacted the amount of revenue generated from student tuition and fees, which represented more than 60% of operating revenue during fiscal year 2017 (Lansing Community College Comprehensive Annual Report, 2017). Leadership has partially addressed enrollment declines by reviewing programs of study (for relevance, employability, and enrollment trends) and increasing student tuition and fees. That said, the researcher has a vested interest in understanding how CFOs respond to significant fluctuations of key revenue sources.

Community colleges in Michigan and Illinois have both experienced declines in enrollment and/ or changes in revenue streams. Therefore, the researcher assumed that survey respondents located in these states have experienced some form of financial challenge in their role as CFO or are familiar with revenue challenges of neighboring institutions. It is also assumed that each CFO employed a specific plan of action in order to respond to revenue fluctuations.

**PREDICTIONS BEFORE RESEARCH**

The relationship between unemployment and community college enrollment is countercyclical. To this end, it is quite possible that there is nothing that community college CFOs can do in order to prepare for or avert revenue challenges due to fluctuations in available local, state, and federal funding. Furthermore, there are limited actions that a CFO can take in response to such unplanned revenue challenges. However, if financial leaders are able to influence non-public revenue streams, they may be able to limit the negative impact on
resources that often occur when there is an absence of government support for postsecondary education.

**INSTITUTIONAL REVIEW BOARD**

The researcher submitted the proposed research project to the Institutional Review Board (IRB) at Ferris State University. However, it was determined that this research did not meet the federal definition of research on human subjects as defined by the Department of Health and Human Services or the Food and Drug Administration. More specifically, this project does not meet the federal definition of research on human subjects because it is a project intended to collect information related to the operational activity of an organization. As such, approval by the Ferris IRB was not required for the project (see Appendix A).

**SUMMARY**

Literature suggests that community colleges have had a long history of being primarily supported by public funds. The services provided by these institutions were historically considered for the public good. Consequently, federal, state and local governments legislated financial support for these institutions via federal contracts, federal grants, federal student loans, state appropriations, state grants, levies, and local taxes. Notwithstanding, the primary revenue sources for most community colleges are state appropriations, local taxes, and student tuition and fees.

The economic impact of these colleges has been studied by companies like EMSI, which quantified the total effect of America’s community colleges on the U.S. economy in 2012 as more than $800 billion (EMSI, 2014). In fact, there are over 1,000 community colleges currently
operating in the United States, and it was reported that 41% of all undergraduate students attended a community college during academic year 2014–2015 (AACC, 2017b). Despite these impressive statistics, community college enrollment has consistently declined since 2010.

The enrollment declines have largely been associated with recent economic recessions. This assertion was made because of the countercyclical relationship between the economy and community college enrollment. Moreover, this idea is supported by the difference in the amount of government-supported revenue (federal, state, and local) that is available to community colleges during times when the economy is thriving, compared to the amount that is available when the opposite is true, and unemployment is high. To this end, when you have fewer people working and paying all forms of taxes, there is less government money available to allocate to public entities such as community colleges.

Each year federal and state government leaders make decisions about how to allocate government resources. Inside Higher Education and other sources have reported on the gradual decline of government support (via Pell Grants and state appropriations) to community colleges. However, local taxes have been steady because they are normally set for multiple years at a time. Still, requesting additional support via local taxes is not a simple task.

According to the U.S. Department of Treasury (2012), “Intergenerational support for public education seems to have weakened in recent decades. Polling and case studies suggest that older voters are less likely to support tax increased or bond measures for public education” (p. 12). Therefore, community colleges often end up increasing student tuition and fees to compensate for reductions in the availability of funds from their other primary revenue sources.
(state appropriations and local taxes). The oscillating nature of community college funding sources often puts these institutions in a vulnerable financial position.

The complexities of operating a financially sound community college are compounded when you consider some of the changing expectations that community colleges have been presented with in recent years, especially changes like flexible learning environments and outcomes-based education that often require a significant investment of financial resources. Such changes conflict with the expectation for community colleges to compete (from a quality and price perspective) in a saturated education market filled with students and parents who seek a return on their educational investment. This creates a unique environment for community college CFOs and other financial leaders to work in.

Is there anything that financial leaders of community colleges such as vice presidents of finance, chief financial officers (CFOs), and chief business officers (CBOs) can do to help lead their organizations through times of financial challenge? The researcher explored this question by interviewing a group of CFOs about this and related topics. The results of the interviews and findings from the interviews are provided in Chapter Four.
CHAPTER FOUR: RESULTS

INTRODUCTION

The purpose of the study was to analyze, compare, and contrast funding strategies employed by public community colleges during fiscally challenging times (and times of changing expectations), comparing the actions of the colleges in the study to the toolkit of options suggested by Mullin et al. (2015), and using the information to provide guidelines for how colleges can withstand financial storms and contribute to the body of knowledge.

Data for this research project were obtained through the use of basic qualitative research practices. According to Merriam (2009), basic qualitative studies “are probably the most common form of qualitative research found in education. Data are collected through interviews, observations, or document analysis. The analysis of the data involves identifying recurring patterns that characterize the data” (p. 23). Thus, the primary data collection method for this project was through interviews.

Seidman (2013) emphasized, “At the root of in-depth interviewing is an interest in understanding the lived experience of other people and the meaning they make of that experience” (p. 9). In this case, the researcher was interested in the experience of public community college CFOs as they operate in an environment of revenue fluctuations. For this reason, the researcher conducted one-on-one interviews with six individuals that currently work as CFOs for public community colleges in Michigan and Illinois. Three CFOs represented
each state. For anonymity purposes, the interviewees will be referred to as Participants 1–6. The interviews took place between December 2017 and March 2018.

To increase accuracy, the researcher collected data by handwritten notes and recorded each session (with the approval of each interviewee). Additionally, each session was transcribed by a professional transcription company. Through the interview process, the researcher learned that many of the interviewees employed similar strategies during times of financial challenge. Most of their solutions fall in line with the toolkit of options suggested by Mullin et al. (2015). However, there were some unique activities that financial leaders of public community colleges employed that others might benefit from knowing regardless of whether they are a new or seasoned CFO or other financial leader.

DATA ANALYSIS

Data analysis for this research project began with listening to the interview recordings while simultaneously reading the professionally transcribed interview transcript. The data were then organized by using the concept of category construction, which involves coding: “Assigning codes to pieces of data is the way you begin to construct categories” (Merriam 2009, p. 179). With this in mind, the following categories were used: Administrative Control and Management, Instructional Staffing, Academic Offerings, Enhance Revenues, Institutional Advancement, Strategic Organizational Change, and Other.

DISCUSSION OF RESEARCH QUESTIONS

Interview questions presented by the researcher were designed to gain a clearer understanding of ways that CFOs can manage revenue streams during times of revenue
fluctuations. The questions covered the following topics: decision making models, internal and external stakeholders, strategic activities, strategic activity impact on revenue, best practices in managing unpredictable revenue streams, leadership competencies necessary for CFOs, and ideas for operating as CFOs in an industry that is ever-changing (many times due to external factors). The questions asked are as follows:

1. Did you use a decision-making model or strategic plan process to address revenue stream changes? If so, how would you describe it?

2. Which key internal stakeholders were involved in the financial planning process for responding to revenue challenges? What was the role of each stakeholder?
   a. President
   b. Provost
   c. VP of Finance
   d. Board of Trustees
   e. Faculty
   f. Other

3. Which key external stakeholders are involved in the financial planning process for responding to revenue challenges? What was the role of each stakeholder?
   a. Business & Industry
   b. Consultants
   c. Other Institutions
   d. Community Members
   e. Other
   f. None

4. What strategic activities took place?
   a. Budget Model Review
   b. Policy Changes
   c. Academic Programming Review
   d. Review of Expenses
   e. Employee Inventory
   f. Student Enrollment Drive
   g. Collective Bargaining Review
   h. Bond Review
   i. Public Private Partnerships
   j. Other
5. How did the chosen strategic activities affect revenue?
   a. Immediate Rewards
   b. Short-Term (One-Time Cash Flow Impact)
   c. Long-Term (Multi-Year Cash Flow Impact)
   d. Unknown at this time
   e. Other

6. How did your actions impact expenses and/or operations?

7. Looking back at your institution’s response to its revenue challenges, how would you analyze your activities in terms of strengths, weaknesses, opportunities, and threats (SWOT)?
   a. What worked well? Why?
   b. What did not work well? Why?
   c. What is the impact on the decisions made?
   d. Additional comments?

8. In your opinion, what is the pathway forward? What can be done to stabilize the impact of funding uncertainties?
   a. At your institution
   b. In your state
   c. Nationally
   d. Other

9. Which leadership competencies were most helpful during this process?

10. What business acumen and financial skills were most helpful during this process?

11. Based on a best practice or lessons learned, what advice would you have for new community college leaders?
   a. To prevent or minimize revenue challenges
   b. When they are in the mist of revenue challenges

12. Any final comments?
This chapter provides the results and analysis from the data collected during the interview process and discusses the categories and themes that emerged from the data gathered.\(^1\)

The questions presented assume that the interviewees have managed revenue fluctuations for their respective community colleges. Those that represent community colleges in Michigan have experienced significant enrollment decline, which decreases tuition and fee revenue. Similarly, colleges in Illinois have experienced enrollment decline as well as found themselves managing their colleges during the temporary absence of a state budget for higher education. Each interviewee provided commentary that validated the assumption regarding what community colleges in their respective states have experienced. Some of the responses are noted in the paragraphs that follow.

Participant 2 stated:

We had a record enrollment, and unfortunately, staffed for record enrollment, and then as enrollment has been declining in Michigan, it's been a significant loss of revenue for us, absolutely.

Participant 3 stated:

Obviously, enrollments are down, pretty significantly down, too. You have property values that in our area are down significantly. You have economic things that impact with and affect your levy and what you can go out to the voters for.

\(^1\)Conversations with interview participants were lengthy. Therefore, entire responses are not recorded in this document. In some instances, interviewee respondents did not respond in complete sentences. Therefore, the researcher provided entry and exit words for the purposes of forming complete sentences and readability. Careful attention was given to making sure unnecessary words were not added and that the researcher’s thoughts and opinions were not inserted.
Participant 4 stated:

So, when you think about revenue streams in Illinois—State revenue is based on credit hours generated and on your relative wealth in terms of property taxes for students. So when you think about that, two out of the three streams of revenue in Illinois are related to enrollment. Our enrollment peaked in 2011 and continues to decline even in the current year we've experienced a 4.1% decrease in enrollment. Couple that with the state of Illinois fiscal debacle in 2016–2017—we went almost two years without a budget. . . . We had no notice 1/3 of revenue would be basically gone. It was like emergency room triage.

Participant 5 stated:

So, we've watched enrollment, basically follow the economy as we typically do in community colleges. There was this pattern that hit in 2010–11, it looked like we were continuing on that pattern. Then '12 hit and '13 hit and we just continued to drop off at 6% to 7%. We're still continuing that trend today.

**ANALYSIS AND FINDINGS**

Research Question 1

*Did you use a decision-making model or strategic plan process to address revenue stream changes? If so, how would you describe it?*

The first question sought to gain an understanding of strategic planning processes employed by the participating CFOs when they experienced revenue challenges. Answers to this question provide some insight on budgetary practices at various institutions and provide a framework from which newer financial leaders can draw upon during times of financial challenges.

The researcher analyzed the information and found that interviewee comments supported the data previously collected by the researcher in Chapter Two of this paper. Moreover, it confirmed the characteristics of public community college revenue streams.
described in Chapter One of this research paper. Further, it confirmed the researcher’s assertion that, under the current revenue structure, CFOs have limited options with respect to how they address revenue fluctuations.

Participant 1 stated:

Primarily in the last several years, we've been using an early, I guess I'll call it, high level financial forecast. And to use that financial forecast to get some general ideas of what may be happening in the next fiscal year. So, using that forecasting, we're looking up both revenues and expenses. But on the revenue side, we try to make as educated, of an estimate that we can, based upon different sources of information. So, for example, state appropriations. In early February, the Governor makes the administration's recommendations to the legislature, so that's actually the first numbers you see before anything else. Of course, we know the Governor may or may not get those recommendations, but it's a starting point.

Property taxes is a little less clear, because we don't receive real information until late May or early June, and so that part of the revenue model is based upon our best assumptions as far as what we see going on around in the local economy. Is there job growth? Is there a housing market where houses are selling? Using all those factors we'll make an estimate on what type of increase we think we'll get on property taxes. The main thing is the real property taxes and the economy.

The last main source is tuition and fee revenue. The board usually will approve course fee changes in February or March, so we'll have some indication then of changes in revenue based upon the changes that are approved in the course fees, which can go up or go down. Currently the board has not actually approved tuition until June... This makes forecasting difficult, because it's not a known factor or variable in there. And then of course there's enrollment.

Enrollment is very difficult to project. We must use statistical analysis methods to come up with a prediction. They'll look at the labor market, including things such as unemployment rates, to see what's happening there, because as the economy improves, enrollments traditionally drop. Because that whole enrollment thing is kind of cyclical. When the economy is good, enrollment will tend to go down. The economy is bad, enrollment will tend to go up. So, we have to put together the forecast considering those three major components: state, local, and tuition and fees. And then there are some other smaller pieces.
Participant 2 stated:

We really have three primary revenue streams. You need to look at tuition and fees, at what's coming from the state, and looking at property taxes. The revenue coming from the state has been even, at best. Thankfully, we didn't see some of the large reductions that the university saw, but it's certainly not gone up, and then property taxes went down fairly significantly. It used to be that you could almost count on the growth and property tax revenue to help offset the standard increases and expenditures related to salary and benefits, quite honestly, that's no longer the case. While our property taxes have started to increase, the increases are very small compared to what they used to be.

In 2011 I could clearly see that we had a significant imbalance in revenue and expense as enrollment started to drop. A lot of that, quite honestly, was on the expense side of the equation as we had really staffed to serve thousands more students than we were going to have in five years. We did some large, what I would consider forward-thinking, planning, at that point in time, and involved a large number of stakeholders. We pulled together a budget committee longer term. We worked over nine months. The Provost and I actually co-chaired it. I think it's important to be inclusive of the academic side. We came up with, after long months of work, some strategic budget reduction recommendations that then went to the executive team.

The team, as part of its work, analyzed everything across the board, got data, asked for data, which was provided, did surveys of the entire campus community, did some external looking as well, and then came back with a series of recommendations, which were really in three buckets, if you will: cut now, cut if you need to if enrollment continues to decline, and review going forward. The cut-now bucket, as an example, was we offered a voluntary early resignation plan, and we didn't replace the positions. We cut a number of positions across the board, including full-time faculty, and didn't replace them. If you have a separation plan where you incent people to leave early and then you replace them all, you're simply kicking your financial problem down the road.

There is some strategic alignment of revenue streams that you can certainly work towards. Our customized training is a great example of that. When I got here, we were subsidizing our customized training department fairly significantly, hundreds of thousands of dollars. We revamped and did away with a couple programs that weren't balancing themselves and really went with the philosophy that if this was customized training, it should be revenue neutral at worst and generate income to cover other costs at best, and we really moved towards that, so our customized training now actually generates a little bit of income. While it's not funding anything in our general fund - the general fund is no longer subsidizing it, so in essence, it is helping with that. That being said, there are limits to significant revenue streams that you're going to see other than your three primary.
Participant 3 stated:

In terms of the core budget process, it includes about 100 people overall that are in the different units across the campus that represent departments and budget centers. This year it's a stagnant budget, with zero or no increases. In fact, we're looking for people to, if they can, instead of posting positions holding them for four to six months. We did a huge buyout the last six months, with 55 people retiring. We're looking at other alternatives, too, from a revenue standpoint. Your property values are not going to grow at the level that you're going to need for the future. Really, it's tuition. You've got to be upfront with people on tuition. Obviously, Pell plays a big role in tuition, but see, Pell, unfortunately as we continue to move forward, Pell is getting tighter. The rules for Pell are getting tightened up, a lot of people that were qualified for Pell a couple of years ago are no longer because of their income. Our Pell, I think a couple years ago, we were in the $18 million range. I think Pell right now is $13 million, we're five million dollars less.

You've got to understand all those things when you're making decisions. Yes, we utilize proformas and net present value calculations to compare different revenue streams to determine which ones would be selected for further exploration. We also map out current revenue and expenditure streams over a five-year forecasting spreadsheet that interprets demographic changes as well as college expenditure patterns. Unfortunately, when you raise tuition six percent, and that's what we've been doing the last couple years, there's not many other options, other than reducing programs and reducing your services.

Participant 4 stated:

So, we went almost two years without a state budget. So, you can imagine the impact it had on our institutions. We convened an institution-wide forum for a couple of purposes. One, to make sure that the communication was very clear about what was going on. But secondly, to engage everybody in ideas about cost production or revenue generation. So, we gathered all those ideas and many of them were instituted along the way, but in terms of a formal decision making model or strategic plan process, I would say no. It was more of an emergency triage.

So, when we looked at the breath in revenue across the State, it's very uneven. And it's based on enrollment. It is a systemic issue. The formula (speaking of the State appropriations formula) was set up for growing community challenges and the reality is, in Illinois, the population is shrinking. People are leaving the state. And so, given that, should we revisit the state's funding formula?
Participant 5 stated:

The decision-making model we've done is we start gathering data, and I've done some analysis over the last 30 years. It particularly pertains to enrollment numbers. We do a five-year projection with that. What we didn't see coming was the state totally going belly up basically. So, we looked at that. We said things have got to change. We're looking at our finances, certainly the fund balances. Over about three and a half years, we barely had enough to cover things.

Participant 6 stated:

I looked at that (referring to enrollment decline and State budget impasse), and I said, "How can we change this institution? Not go back to what we were, but how do we change and go forward, and figure out what forward is?" We're looking next year at an increase of 1% in the property tax levy and $1 per credit hour on tuition and fees, which really equates to about 74% of an increase for next year. So, it's very, very modest. But the reason that we can get away with that is because we have very luscious reserves. But we do recognize given a lot of different things that are going on here; that we're going to have to start drawing down those reserves and if we don't start gradually, ever so gradually increasing our revenues then when we get done depleting those reserves, drawing down those reserves to our target, it's going to be a whooping increase.

I'm giving you kind of the behaviors rather than a formal model. (I am) just trying to gradually grow the two legs of the stool related to revenue that I can grow (speaking of property tax and student tuition and fees) and drawing down fund balance in a measured way, so as to balance revenue growth with using the resources that we have on hand. That's as much as I can say about that.

Analysis of Responses to Research Question 1

The findings indicate that although the interview participants have developed formal strategic plans and general budgeting processes, specific procedures are not in place to systematically respond to sudden shifts in public revenue streams. Instead, colleges act in a manner that is reactionary based on perceived limitations. Nevertheless, this triage type of approach has provided short-term relief for some of the interview participants as they categorized and prioritized their expenses, as explained by Participant 2 and Participant 4.
Although not formalized, the decision-making models described were collaborative in nature as explained by Participant 2, Participant 3, and Participant 4. Moreover, some of the decision-making processes were data driven and incorporated forecasting methods that interpret demographic changes as well as college expenditure patterns (Participant 1 and Participant 3). Lastly, in all cases, finalized budgets were highly dependent on external factors such as state appropriations and anticipated enrollments.

Research Questions 2 and 3

*Which key internal stakeholders were involved in the financial planning process for responding to revenue challenges? What was the role of each stakeholder? Which key external stakeholders are involved in the financial planning process for responding to revenue challenges? What was the role of each stakeholder?*

The second and third questions ask the interviewees to identify key internal and external stakeholders that participated in development of a strategic plan to address revenue fluctuations at their respective colleges. Understanding the mix of internal and external stakeholders called upon by each college speaks to the variety of expertise necessary to resolve complex financial issues. Interviewee responses are provided in the next paragraphs.

Participant 1 stated:

As far as responding to revenue challenges, obviously there's a high level of involvement. So, the President, the Provost, the Senior VP, myself, the Board and faculty, to a lesser degree. They (faculty) are involved at the grassroots level of developing the budget. Ultimately, if we're talking about a budget which has to deal with revenue resources, the Board of Trustees has to approve the budget based upon the information that the administration supplies to them. The President is kind of the key communicator between the administration and the Board, naturally, in terms of
how we're progressing. The Provost role is obviously a lot to do with the academic programs the college is offering or not offering.

In terms of, I guess I'll say the budget process, the revenue piece is done more at the higher level, as opposed to putting together an expense budget, which has the tendency to start at the lower level. An academic department, they're not going to have any real input into what we predict for property taxes, or what we predict for enrollment, or what we predict for state appropriations. It's more looking at what we're going to deliver and how we're going to deliver it, and how we're going to deliver it in the most cost-effective manner. So, each of the major stakeholders, the Board, the President, the Provost, Senior VP, CFO, are the ones that are making the critical decisions or estimates as far as revenue.

The college established a vacancy management review team. The group looks at all requests to fill budgeted full-time positions that have become vacant, and also looks at all requests for new full-time positions, and new part-time administration or support positions. They had to review those requests to fill positions going through the year, because ongoing management of workforce, of the college, is a major consideration. So that's an ongoing process.

In the non-labor, non-personnel cost, we look for savings. In fact, that's the first thing that we request during the budget process, and that also includes personnel savings. Those are reviewed to see if they're acceptable. In other words, consistent with the strategic plan.

In the last several years, we've been strongly emphasizing reallocation. Taking budgetary money from what we're currently doing, and moving it to something else, which we are doing on a college-wide basis. Before that, it was done more on divisional basis, but now during the budget process, a division may offer to free up $50,000. On the other hand, a different division may need $50,000. So, the monies could be reallocated to one division from another.

Participant 2 stated:

All of the above (President, Provost, VP of Finance, Board of Trustees and Faculty). I was certainly blessed with the ability to have a fabulous President to work with as well. We always engage with the purchasing department, not necessarily for people savings. We also have a very strong foundation. However, I am very leery of relying on philanthropy for operating costs.

We got input from external people in a couple of ways. First, we did some benchmarking. (We wanted to find out) where we were providing services that are also provided out in the community, and how those services are provided from a fiscal standpoint. We did some of that work. We did some talking to partners, externally. We
had an arts outreach program for elementary school children where we did some outreach into the community. (We asked) who else is doing this? And ended up dropping that program.

Some external outreach, not a ton. Again, I just keep going back to the majority of our expenses are people, and that's really an internal community conversation. When we cut one of our Executive Director positions, the person retired. That's an internal conversation. That's not really an external conversation. A lot of our savings came from things like that.

Participant 3 stated:

The budget process incorporates the President, CFO, Provost and VP for Student Services. This group decides the framework and path that the new budgets will be set at. The CFO then works with the individual budget centers in the college (approximately 150) to fill in the detail utilizing the framework that was developed in the budget committee. The Board of Trustees will review the final proposed budget in March and approve it in April. The board approves the macro version of the budget and does not delve into the details of the process.

For external stakeholders, it's pretty much networking, and talking, and working with the outside, and reaching out. A lot of it is because they (external parties) don't look at the college normally as a partner. You have to be intentional and you have to go out and do the legwork, and you have to actually market. Right now, in our group in the business office, that's really been my major role over the last five years, is to do that. In the final analysis, colleges don't have a lot of revenue streams. Business and industry get involved if there are partnership opportunities that benefit both the college and the relevant industry. These would be one off projects that don’t necessarily take place within the framework of the annual budgeting process. It however would be mentioned in the framework of the college’s continual drive to identify and act on potential new revenue streams.

Participant 4 stated:

The President, Provost, Dean of Students and CFO were involved. I think that in hindsight, our approach was probably more top down than it might otherwise had been simply because of the situation we found ourselves in (budget impasse). We still have the same legislators at this point in time; there is absolutely no guarantee that we'll have a budget for 2019. So, we are reviewing expenditures and revenues and how we can continue to close the gap.

So, our Board of Trustees will generally approve recommendations from the administration but their role, as you know, is more at the policy level and we weren't looking for significant policy changes during that period of time. So much is operational
adjustments or changes to quickly close some of the gap between revenues and expenditures. So, the Board really wasn't even involved at that point.

Faculty are pretty insulated as well. We have two collective bargaining groups at my institution. One is full-time faculty, one is adjunct faculty. Faculty did not really come forward with much in terms of suggestions. I think they felt it was more the administration's role to make the adjustments to close the gap.

I will say, the staff was quite vocal. Their ideas were small. They weren't like holistic ideas, but they had ideas like sell advertising space on your website, rent out the facility more. You know, things like that. But they at least did get on board and brainstormed with us and came up with some ideas.

Participant 5 stated:

So, our financial team, which is me, our Director of Budgeting, Controller, and purchasing folks got together, and we worked with the President at the time. We got together, and we basically threw out one of our Strategic Plan goals, which addressed financing and redefined that goal. It really was championed by the President. I mean, he supported us.

I got the lovely pleasure of telling the Board, if we don't change something, we're not going to be here and went through all the financials and showed them how we'd depleted all our money. It was a fun meeting. They were on board, and that started really in that fall of '15. We started laying this out to them. We laid it out to the other administrators, vice presidents and directors. So, we've been open and as transparent with that information as we can.

Our President, he has really opened up being transparent, and saying, “Hey, here's the numbers. Look at them. This is what's going on.” For instance, when we talked about hitting a target of 70% (of revenue) for salary and benefits, we had several college meetings that we've just laid that out. Matter of fact, just last week, we did year two of here's where we are. Here's what we accomplished. Here's what the budget's looking at the next year. So, the Board has been supportive of it at their level. They are a policy board, but we still do monthly meetings and they still have authority there.

Last year, we implemented for the first time a zero-based budgeting process. With that, we had stakeholders, people actually sent their nominations to the President and he selected a committee. It was pretty cross representative from the institution. We did a lot of drilling down. I think it was real eye opening for the people on the committee. Hopefully, they have taken that back to their constituent groups. That's a piece we really haven't measured.
I mean, we didn't do zero based budgeting with staffing. So, I mean, there was a big chunk of it that went out. The President still had control of staff and wages. Quite honestly, we're addressing that through the organizational stuff. Everything else was on the table. So, it was a pretty drastic measure, but we had to do something. I think he (the President) realized that this is it and kind of mandated it for us.

So, we've put a program together, and took that to budget managers and said, "Hey, here's what you've got to do. Look at everything." We had some people counting pencils and erasers. Just because you got $1,000 for this material supplies over the last couple years (means nothing), you got to take that back to zero and explain what else you're doing with it.

The majority of it was internal. So, we haven't really laid out an annual report or anything like that. We're pretty well covered in the media. I mean, radio, television, local stations show up at the board meetings. We talk to them about it. We're like a lot of places in Michigan. We were a heavy industrial town '60s and '70s. A lot of places aren't here anymore. Right now, we're fortunate to have two large industries in close proximity to the college. We work with them on what we can do to train their employees. They're pretty supportive of what we do as well.

Participant 6 stated:

Well, certainly the Board and the President look to me to tell them what needs to be considered. There's no question about that. But beyond that, as far as the stakeholders go, the President is certainly a stakeholder, the Board of Trustees is a stakeholder. I would also say our Vice President for Student Affairs, because he is the one that's kind of the voice of the students; he never wants to, generally speaking, he never wants to hear about tuition increases. He wants it all to be level or decreasing. Which is great if you can do it, but it's not always realistic. So he would clearly be a stakeholder.

I would also say our Student Leadership Council, because they typically weigh in sometimes through the Vice President for Student Affairs, on where we should go with the tuition. Actually, the students have been pretty reasonable. I don't think they're going to go crazy over one dollar. We talked about it last year, increasing it. It's been flat for three years, and they understood. They (Student Leadership Council) said last year, we understand you can't keep it at zero forever. Now that was last year so I didn't have a great appreciation for exactly where the college was going financially. Now, I do. We're going to go back for that dollar . . . next year.

I might add other stakeholders, more loosely, is the cabinet. All the vice presidents also. Obviously, I'm kind of a central figure; but in the end the whole cabinet ends up talking about this before it gets to the Board. In terms of the process itself, it is more inclusive of all of the divisions of the college. During the budget process, everyone makes certain requests for what we call new initiatives. They're like new capital
projects, new staff, new this, new that, anything that's not really in the basic budget, as it previously stood. They prioritize all their requests, and in the end, we have a meeting with the cabinet and decide what's in, what's out before it goes to the Board as the proposed budget.

I wouldn't say external so much. I do have a budget committee of the Board that has a special interest in these things. I have a treasurer's advisory committee where we talk mostly about investments, but not exclusively. They (Treasurer’s Advisory Committee) can't talk about broader topics related to college financing. It's made up of some of my key leaders in Financial Affairs: the Controller, the Assistant Controller, one other person, and then there's a number of community members that sit on that committee and give some input. Basically, people with a finance background and/or interest in the college that also weigh in on this.

**Analysis of Responses to Research Questions 2 and 3**

The findings indicate that although a number of internal and external stakeholders participate in budget process, an insulated group of individuals make the final decisions as to which actions will be taken during times of financial crisis. The insulated group typically includes the president, CFO, and senior vice presidents. However, some colleges include individuals from purchasing and special committees to discuss specific items. Involving external partners is rare except when one is looking to create new streams of revenue.

The lack of participation by external partners stems from the understanding that external parties have limited influence on internal cost, especially personnel cost. Therefore, even though external factors influence community college revenue, internal factors determine where and how expenses are decreased. Nevertheless, at least one participant discussed the importance of listening to student views during decision-making processes and discussing college investments with a mixed group of internal and external stakeholders chosen based on their financial expertise (Participant 6). Thus, including internal and external stakeholders
during various portions of budgeting and decision-making processes promotes idea generation and collaboration.

Research Question 4


Research Question 4 was designed to gather detailed information on strategic activities that each interviewee engaged in as a response to fluctuating revenue streams. Responses to this section are critical as they form the basis for which the researcher conducts a comparative analysis of actions taken by these interviewees and toolkit of options for responding to financial crisis suggested by Mullin et al. (2015). Interviewee responses to Research Question 4 are provided in the paragraphs that follow.

Participant 1 stated:

*When I came to the college, enrollments were pretty much at an all-time high; because it was still based upon the great recession of 2008, 2009, 2010, which generated a lot of people coming to community colleges. Now, what happens as those enrollments decline?*

The College has a large group of adjunct faculty, as there are less enrollments, the expense adjustment is with adjunct faculty salary and benefits. That's a loss, because of how adjunct faculty are paid, and we don't have health insurance benefits and things of that nature, it's much cheaper to teach a class with an adjunct than it is a full-time faculty member. So, if you lose a section of enrollment in any department and you no longer offer that section, and you no longer get that revenue, the expense that you avoided is less than the revenue you're not getting. And that's significant to our college because approximately 2/3rds of the college's sections are taught by adjuncts. Now of course that percentage has been decreasing in the last several years, because enrollments have declined, and so unless the program goes away, full-time faculty members are essentially guaranteed a class. So pretty much all of the adjustment when
fewer sections are offered, it’s on adjunct faculty salaries and benefits. And then the other piece of that is on the average class size going down.

When enrollments were high, and it was getting the maximum enrollment of, depending on what course it is, let’s say 30 students. It costs us the same amount of money, pretty much, to teach 30 students in that section as 20. But obviously the revenue is different. Now some classes have consumable things within their course, like a lab course in a science area, so if you’re not dissecting as many dead frogs, you save some money there, but that is relatively minimal in comparison to the direct teaching salaries and benefits.

So, whenever enrollment declines, in our case, we will be losing more revenue than we are losing expenses. At least on the instructional side. And because community colleges are countercyclical, when enrollments are good and there’s additional money coming in we have a much larger, excuse the dirty word, profit margin. With adjunct faculty teaching, there is the tendency to spend that money maybe not as wisely as one should. That was kind of one of the reasons that the Vacancy Management Review Team was created. It was relatively soon after enrollment started falling off. Because of that, there was that difficulty of losing more revenue than we were losing expenses and had to make some adjustments.

Up until fiscal year 2017, the Board had been very conservative on tuition increase. Usually 2 or $3 of billing hour. ’17 was $11, but $4 of that was for a very specific purpose, and then this year it was $4. I think even though the membership of the board has changed a little, because we had two new board members that started in 2017; there will be, I just think, a strong propensity to go back to smaller tuition increases.

The new strategic plan has cost containment and affordability as two areas of focus. So, obviously to keep affordable and keep tuition low, we have to contain cost. So, I don’t see, in the near future, any big, significant tuition increases.

Now talking about cost of higher education, community colleges are the most cost-effective, and at least in my experience, there’s never been proven that community college tuition is price-sensitive in terms of enrollment, as opposed to a private institution or a public university where there is more sensitivity to increase in prices there. But not in community colleges. It’s never been proven, that I can see, that there’s any price sensitivity to that for enrollments. So, in fact, no student’s ever come to the board meeting to protest a tuition increase.

We have to respond to all revenue changes, but some of the specific revenue changes, we can’t do anything directly about them, so we have to look at those that we do have some control over, which is tuition rate, fee rates, our noncredit training with business and industry and expansion of K12. So yeah, we do respond to those changes
within the limited choices that we have, but most of our response has to do with how we spend. So, the expense side of the equation is where we can respond to the changes in revenue, and in some cases, the change in revenue does have a direct correspondence on expenses, primarily enrollment shifts.

When enrollment goes down, certain expenses will automatically go down. Enrollments go up, certain expenses will automatically go up. Pretty much everything else has to be looked at in the total context of the budget, and the total revenue. Grants play somewhat of a role in that, but grants are “in addition to” money for a specific purpose, as opposed to money for general use. So, it doesn't have that big of an impact. Trio may help student retention, so yes that has an impact on tuition and fee revenues.

The college did apply for a Title III grant, but we were not approved. The college did have a CCAMPIS grant that expired, and one of the major pieces of that was support for childcare scholarships, or childcare subsidy to certain students. And so when that went away, it was coincidentally about the same time we were changing our financial model for how the college's childcare center is operated, and so we were able to reallocate a certain budget amount to help replace what students were losing in terms of these childcare subsidies. We were able to use what we had budgeted to subsidize a self-operated childcare operation that we no longer had to do with the new model, which went to a facility rental model. We were able to use that to at least partially replace the loss to students of the childcare scholarships that were being paid by the federal grant. And that was, quite frankly, a coincidence of timing more than anything. We changed our financial model in the middle of August, and the grant expired at the end of September. So, if the timing had been different, there might've been a different solution.

The Board, at least in the past, hasn't liked to be the bad guys for people getting laid off or fired, or however you want to characterize it. I do see a little change in that recently, but we really haven't had situations where we needed to really go that way. Although, we are phasing out the Fashion program. It was only staffed by adjunct faculty to begin with, so that makes it a little easier. We're also changing the focus of the Tech Careers' architecture program. There have been employers tell the college, we need architectural technicians, not architects, but we need people that have the technical skills to support those architects, basically.

Public-private partnerships, as I'm defining that in my head, really hasn't been that big of a deal. That's much more common in a university. Although there are colleges that do that. Now if you look at it a little differently, yeah, we work with local government, but we also work with employers, and a lot of that's in that training, that non-credit training that's being done through corporate training, or getting employers to sponsor employees to attend classes; like the police academy. Most of it's going to be in either the health and human services or technical careers area. Probably the biggest thing in Michigan is New Jobs Training Program that the college has been involved in,
which is where the college does the training, gets paid for the training, but the employer
gets to use part of the individual income tax for certain employees to fund the training.
It's a rather complicated calculation, to be quite honest, but it is a partnership, in our
case between state government, a college, and employers, in terms of training.

Participant 2 stated:

A good example of that is when we had our practice football field. We no longer have
football. We did a lot of due diligence and a lot of research about the best way to
dispose of that property, a large piece of property right downtown, which is strategic in
and of itself. What's the best way to do that? And wound up working with a neighboring
business to sell the property for a fair value, which then was put into capital, renovation
work. In addition, because of the uniqueness of the parcel and the value it had, the
College was able to negotiate an ongoing perpetual scholarship that's currently bringing
about 350,000 dollars a year of additional scholarship revenue that will then go to
students. That's a tremendous help.

The foundation is stellar. I would hesitate to go to the foundation for
philanthropy in general for additional what I would call operating resources, just
because they're not something you can rely on 100%. You can't set up a sustainable
long-term financial model with cyclical revenue streams, or I guess I wouldn’t
recommend it.

We didn't replace employees that accepted a buy out or retired, so that was a
significant savings. As we all know our expense is in people, primarily. That was an
example of what was in that first bucket. There were some programmatic changes in
there as well. The second bucket, so to speak, had some additional programmatic
changes, some of which we did adopt.

The third bucket had some concepts. A good example there is zero based
budgeting, which we recently went through. We have used that as really a launching
point to quickly cut, and we had the philosophy that we were going to cut. I'm not going
to say once because that's not true, but we were going to cut a significant amount of
money. We weren't going to look at this as a one-year issue. I'm not going to cut just
what I need to cut to get us through an extra year. We're going to cut enough to try to
right-size, to strategically align our revenues and expenses to move us into the future.
We did that over a two-year period, but we made some significant reductions, and
because of that habit, really had to make significant cuts.

Now, we could still watch everything because we're still losing enrollment, but
we haven't had to do a wholesale cutting again. This will be my third year where we're
not adding revenue, but we haven't, had to do big cutting. We were able to really
involve a lot of people and take a longer term view, which I think was hugely helpful.
A few years ago, we issued bonds. Now, we did it strategically, but not necessarily related to this, so it's a bond review that we go through, and we did a couple bond re-funding as part of that as well, but I don't necessarily look at those so much as a cost-cutting, but that is normal practice. You should always be watching and monitoring your outstanding bonds, and when they're able to be refunded, and you can save money, that's just a normal course of doing business.

We issued bonds after a miserably failed millage attempt. It just didn't go anywhere, and we were dealing with a budget problem; a significant deferred maintenance backlog. We had well over 40 million dollars of deferred maintenance backlog work and no funding mechanism. We had a significant issue, and again, it's not anyone’s fault or anything. It's just, as you're cutting, that's one of the easiest things to not do, is to put money into deferred maintenance of facilities. If it can be moved a couple years and you're in a crisis mode, you move it. We went ahead and issued bonds, and we focused on our highest priority needs in our academic buildings, and we instituted a student facilities fee, and we are using that revenue stream to make the bond payments.

Participant 3 stated:

Public Private Partnerships, they are key. They are the only way. That's that fourth alternative revenue stream. We went head over heels in partnerships because it's the only revenue stream that you can create that's outside of the framework of the controls that are already in place that are constrained, that you have some ability to affect. Every time we do these alternative revenue pieces, we put in place dollars that wouldn't have been here, that can support not having to raise tuition as much. It is revenue that can support continuing to do the services that we provide to students. If you don't do those now, at some point, you will. I'll tell you why most don't do it . . . it's difficult.

The skill set needed to develop partnerships is unique. You need to have somebody who's comfortable in a financial setting that can also be comfortable in a marketing setting, and comfortable in representing what the college has. They also have to have the ability to be authorized to be able to make commitments on behalf of the college. You won't find that in most colleges, you won't see where that position exists. We have an entrepreneurial president here at the college, he's very business savvy. He's been here a long time, the Board has great respect for him, and he’s been given a lot of autonomy. So, I think that's the reason why you'll see more things here at this college than you do at other institutions.

I will tell you about our partnerships. First, we have several acres of land. So, not just for the college, but for development. So, we partnered with a real estate company to develop and build a world headquarters for a corporation that expressed interest in partnering with us. That partnership creates a couple of things for the college. Number one, there's a revenue stream because we built the building, and then the corporation
leases that building from the college and from our partner. So, there's a revenue stream. We've also brought 250 jobs into our city through this partnership. They pay property taxes. Then we also developed internships with this corporation for our students.

A second partnership was with a nearby hospital. We worked with them to develop an urgent care facility that they placed inside one of our buildings on our campus. It's a seven day a week, 365-day operation, but it's an urgent care that's open to the public. It's run by the hospital. The purpose there was, obviously, to make sure that we had a clinic for our campus, but more importantly, for the community, because we have such a great location. We get nursing and medical assisting internships in that facility also.

We built a sports facility with another company. It's a big, huge facility. The company wanted the naming rights on the facility, so we got revenue from giving them naming rights. Then we partnered with them to develop programs inside the facility where kids from the ages of five to eighteen come in and play sports. We have a club there, it's a soccer club. It has 1,600 kids. They signed a 25-year lease and so that supports all the operations of the facility. It drives not only enrollments, it drives revenue, and it was a good community service for our students and all of our younger kids that are learning sports.

Partnering, it's pretty much us driving, networking, talking, and working with outside, and reaching out. A lot of it is because they don't look at the college normally as a partner. You have to be intentional and you have to go out and do the legwork, and you have to actually market.

When we do program review and when we do salary, position control, and all that, those are the other tools that I utilize to try to benchmark our revenue streams and make sure that we're not getting outside of ourselves, or we're not doing things that we can't afford to do. There's no one single bullet that you can utilize, especially in community college world, to say this is the right decision, this is how much we should allocate for this. It really goes back to trend analysis, understanding where your dollars go, making sure you track your positions quite extensively because that's where 80% of your cost is, and then understanding what they're doing to provide revenue streams.

The budget model incorporates academic program review, a review of expenses, appropriate staffing levels, enrollment forecasts as well as identifying and implementing public-private partnerships.

Bond reviews are usually setup outside of the budget process and deployed as a one-off event. The budget process will incorporate the long-term debt stream that is required to support that bond going forward.
I would say the review expenditures, the buyout, was a driver. It was 55 positions leaving, we'll save between three and a half to five million dollars. So instead of doing a layoff, you do it through attrition. Obviously, when you do a buyout, that's a review of your expenditures.

Collective bargaining, that's more of a long-term thing. Obviously, that's important, but something that you can do within a budget framework to make a difference in a very short period of time would be the buyout, floating bonds, and tuition. The whole way in which you set tuition is important.

Participant 4 stated:

The first thing that we did was we made sure that the core mission was driving. Our core mission is really to educate students, right? So, we started looking at our facilities. We had built an extension center. It's a lovely building, I love that building. Anyway, we had more capacity in our facilities than we had students. One of our most significant partners and larger employer in the area is one of the hospitals. We were talking with them one day and they indicated that they were going to be renovating a facility. So, we talked with them and now they are actually renting most of the new facility from us, which will generate a fair amount of revenue for us. So, we've done some partnerships like that with our facilities, just generated additional revenue.

Another key piece of what we've done is we've partnered our faculty with our foundations staff to ensure that the foundation staff is cognizant of the need of our educational programs in terms of any equipment. Now, when they meet with donors or potential donors, they have a better handle on what instruction needs.

We've also got one shared position. One of the hospitals helps pay 50% of the salary. We have also gotten significant dollars in terms of current training programs.

We didn't do a hiring freeze per se but every time there's an open position, we review it and make sure that we need to fill it and I'm probably more aggressive with that than a lot of people are. I challenge my people to see if they can do without a position.

We did look at our academic programs and we didn't eliminate a lot. We're fairly lean some of our low enrollment programs are serving the community and are politically popular. So we have to be a little bit careful with that. We did eliminate the massage therapy program because we only had like five or six students in it and we couldn't afford that obviously. There were two or three other programs eliminated, massage therapy is just an example. In the process we were able to eliminate a full-time faculty position.
So, we started looking at if there any units that we could eliminate that would not impact instruction. So, one of the early moves that we made was to eliminate the Office of Sustainability. We had a prior President who had a priority on environmental sustainability and he hired a dean level position and a coordinator level position dedicated to sustainability. The current President, although we’re very much cognizant of environmental sustainability, eliminated those positions pretty quickly. We also reduced our computer services, service area by about 120 hours a week and eliminated a full-time position.

Childcare was also eliminated, we thought it's important to start looking for another way to provide that service. Childcare centers in Illinois are largely not even revenue neutral. They lose money every year. So, we engaged with the local Head Start program to open a Head Start program with the understanding that the program would be for our students. And so, we don't have any cost any more but we still have childcare in the form of Head Start for our students on campus. So, we started looking at moves like that.

We had a radio station. We were the only public radio station in our area and we didn't want to lose that because we know it's important for the education of the general public, but we also couldn't afford to run it any more. It was losing money every year. So, we thought about how to do that and we actually sold that radio station and generated a little revenue in the process. The buyer agreed that they would provide public radio in our area.

So, we started to look at things like that and if there were different ways that we can provide the same services without the expense and those were the kinds of early moves that we made. Our most challenging situation right now is that we have more full-time faculty in the collective bargaining units than we really need. But understand in Illinois there is a law that dictates how you can assess the reduction of faculty.

We have some impending retirements among the full-time faculty that we're pretty certain will come to fruition either this year and next year and our approach will be not replacing those people, except when there's a program that only has one full-time instructor.

Participant 5 stated:

We had four main strategies: one was to look at our working capital to make sure we could re-establish having a sufficient working capital once we depleted all of our operating fund balance. We had to look at our tuition model, because when you take the state mix out of the tuition, we've seen that coming through our projections that we are about 45% tuition funded last year; and about 48% tax funded. Then our foundation's been fortunate with grants. So, we looked at our tuition model; how changes impact faculty load, that sort of thing.
We've looked at our whole organizational chart. We really have right sized the institution quite a bit. This has been over a couple years. When we started the fiscal year '16, so July of '15, between July '15 and July of '17, over that two-year period, we reduced staff by about 30%. Of course, that follows, our enrollments are down substantially more than that. So, we've done it a couple of ways. We put a hard freeze on hiring. So basically, we didn't rehire anybody that left, and just continued to reorganize and redo things.

For adjuncts, we went from a group that we actually probably used to hire 130 - 140 adjuncts during a year; we're probably down to about 40. So, we've greatly reduced that. When full time faculty members left, we didn't replace them.

Also, we were a little top heavy, and so when the new President came in, a Vice President and Chief of Staff positions were eliminated. We've reduced that load a little bit. Then we got rid of some directors. We did an early voluntary separation plan where we compensated people if they left the institution, and then we did several other layoffs and closures. We closed our childcare daycare facility, got rid of our in-house printing, and all copying, and all those auxiliary things; things that wouldn't have a lot to do with services to students. We've tried to stay away from cutting services to students. Although, our President is currently looking at our student services area, and just as of this past Friday, he's given notice to about eight or nine people in that area that we're really changing their job descriptions. So basically, we have given those folks notice that if they want to continue on, they're going to have to apply for one of the new positions. Therefore, we may be a little bit lighter in that area when we're done.

In the operation maintenance area, we've reduced the number of folks in that area when we did the early retirements. So, we've reduced quite a few numbers. Over the last couple of years, we've probably knocked a little over $2.5 million out of our salaries and wages. Then we're also looking at equipment and those kind of things, starting to put a plan together as we get back on our feet financially. We stopped purchasing equipment. We stopped doing a lot of things along those ways.

Then we recently have redone our health insurance. We started comparing ourselves to look at how much of the operating funds are dedicated to salary and benefits. We were just bumping 80%. We've set a target to get that down to closer to 70%. This past year with the changes we implemented with personnel, we haven't done any raises for non-bargaining unit folks for two years, so we are closer to 75% at this point.

We actually are still in the process of doing a comprehensive, and I mean comprehensive review of every program. We're using a matrix of about 10 criteria to evaluate programs. Then those that have at least four red pieces, four red status—for enrollment, costs, and those kind of things—we bring those in front of a committee. From this committee, we did reduce a couple of programs. We just did a layoff of an
instructor because we could not justify having a full-time instructor for a particular area. Also, with all the agriculture here, our horticulture program has gone by the wayside, and the committee identified this as well. Of course, there is a couple others that are on the cusp, but not enough to eliminate the program.

The other thing the committee does is highlight areas that need some bolstering. It could be a good program, but may need some equipment, may need some other kinds of arrangements that things will help the program grow.

Participant 6 stated:

I’d say there are two: one is preparing for the future from a financial sense and that goes back to what I was explaining earlier. We’ve got a lot of cash for sure, but we also have a lot of obligations that we’re going to have to be meeting over the next decade. So that’s going to be drawing down. At the same time, we’re trying to gradually increase tuition, because we don’t need to gouge people right now, but we need to do something in a very measured way so that we don’t get caught in basically a crisis a few years down the road. That’s one challenge. The other challenge is that we do have a need for space, even though enrollment has declined. That’s a big deal here. Classroom space, even administrative space is limited to a degree, even though we have a lot of buildings.

Analysis of Responses to Research Question 4

The findings from Research Question 4 validate the researcher’s concern for the financial status of public community colleges. Substantial fluctuations in revenue from student tuition and fees and state appropriations have led each interviewee and their institution to take drastic measures in an effort to reduce expenses and/or increase revenue, most of which fit within the scope of the six categories of activities described by Mullin et al. (2015) as options for responding to a fiscal crisis. The results of findings from Research Question 4 will be coded and discussed further in this chapter under the section titled Findings and Analysis in Comparison to Mullin, Baime, and Honeyman (2015).
Research Questions 5 and 6

How did the chosen strategic activities affect revenue (Immediate Rewards, Short-Term/One-Time Cash Flow Impact, Long-Term/Multi-Year Cash Flow Impact, Unknown at This Time, etc.)? How did your actions impact expenses and/or operations?

Participant 1 stated:

The bonds that were refinanced, it's going to save the college, from a cash standpoint, $1.4 million. Because of tax regulations, you have to look at the net present value savings; because there's a threshold you have to meet, and that came out to about $900,000. So that is something that's immediate when you do that refinancing. A lot of other things aren't very immediate and takes a little time to develop. It takes time to expand K12 relationships. Long-term, I guess you could say a long-term thing would be new programs that would generate new enrollments and new revenue.

As far as looking at the expense side of it, obviously in some cases there's a very direct correlation with a specific revenue and a specific expense. But in many cases, there isn't, because of state appropriations and property taxes. That revenue has nothing to do with how we spend money, or very, very little. There is an itsy-bitsy piece in the state appropriation calculation that deals with that, but it's so minuscule, it's not even worth mentioning.

Obviously, if we're expanding something, like keep using the K12 as an example. We have to generate that revenue, we have to pay the faculty that are going to go out to wherever they go to teach that class. But there's a lot of things where there is not a direct correlation, so you have to look at it in the big picture of the entire general fund budget, which is the primary emphasis of the college.

Participant 2 stated:

Well, the immediate is the expense reduction. I should say out loud, we did that without letting anyone go. That was one of our committee's and our President's strong commitments, is that we weren't going to tell anyone coming to work and doing a good job that they didn't have a job. We did that through our retirement or resignation incentives, and then we might have moved people. You might have a different job, but no one lost a job. We have also been doing some outsourcing of our third-shift cleaning as a financial cost-cutting measure, and we've done that the same way. We're not going to tell any custodian that's come in here and working that they don't have a job. On our third-shift, we might not re-hire if someone leaves and we have a vacancy, and we've done that strategically as well.
As far as the financial implications for the short-term has been the reductions that we've made as part of that team. Longer term, I think, has been the strategic work we've done as far as collective bargaining, really doing a benchmarking and more of a fair but not excessive philosophy, that there's no longer an automatic step plus something when we bargain. It's we're going to look at benchmarks, and what we do with Group A may be different than what we can do with Group B, depending on where you are.

We want everyone to be fairly compensated, absolutely, but we don't want to be on the top end of that scale. Depending on where we are, we had a faculty contract when I first got here that had five years of no increase because our faculty at that point in time were primarily way above peer institutions. We just finished the last round of bargaining with them last spring, and after five years of being frozen, that's fallen back in line, but it's still not a step plus something. It's a collective pool of available resources that we're building into a sustainable financial model, sustainable contracts is a longer-term piece of that overall strategy, and again, fair contracts, but sustainable contracts.

Participant 3 stated:

The review of expenses resulted in the implementation of a significant employee buyout process, which provides immediate savings to the budget. These are also recurring savings that are sustainable as long as positions are not replaced. The public-private partnerships continue to bring new revenue into the college with the potential to drive new enrollments for the future. There are direct impacts on operations and expenditures as it relates to the strategic implementations of a budget framework.

Participant 4 stated:

So, our institution had never issued what are called working cash bonds that are allowable in Illinois. Basically, you issue bonds and they're paid back. The bond gives you immediate money and then the bonds are sort of like a long-term loan, if you will. Paid back through the tax levy over a number of years. So, we immediately issued working cash bonds for the first time which gave us about three and a half million dollars to work with; and it is an account that we just keep in the bank, so to speak, and borrow from it through our operations. Like your own revolving loan fund. So, we issued those right away because we needed cash. We borrowed every bit of that during 2016 to you know take care of payroll and things like that. So that makes not only a short-term impact but also long term in that you keep that money forever in an account and then if and when you need it, you borrow from yourself. So that was another strategy that we implemented that had not only short-term but long term-impact as well.

The other thing that we did was re-evaluated special levies, so I don't know if those exist in Michigan. In Illinois there are certain special levy that you can impose for specific reasons. So, for example, there's a liability protection and settlement levy that
you can impose and the rules around that are pretty strict about what you can impose it for. We went through the process of looking at all of our expenditures to ensure that we had diverted everything to special levy funds that was legal and that therefore relieve the operating funds of those expenditures.

Letting the hospital rent space is more of a long-term thing, as well as not filling some positions. In terms of immediate we sold our radio station you know, selling that would be immediate.

Participant 5 stated:

We made a pretty significant dent in expenses. We just re-did the health insurance. Believe it or not, we ended up going with a fully insured plan with Blue Cross from a consortium. At least the initial year, we're going to save about half a million dollars there. So, we've done those kind of things. When we did get some state dollars coming in, but we didn't budget those. Those dollars went back to repaying our working cash.

The partnerships certainly have helped us probably less on the immediate piece. I mean, with the exception of the daycare. I mean, $100,000 swing in our operation fund is not a bad deal.

Bonding was an immediate need that addressed a severe problem. So, getting the money in was pretty short-term. It's about a four-month process to do that. So, I would say that's pretty immediate in our world. We issued an additional $3 million worth of working cash bonds. That's how we covered not receiving any state funding for a year and a half. Fortunately for that, it does not require a referendum in Illinois. So, we did that. Then because we did issue the bonds and spend the money, basically because we didn't have enough cash, when we have received a little bit of state funding over this last year, we've used that to repay our working cash. Once we're done, we should have about six months’ worth of balance in that fund, six months’ worth of operating bills. So, we did bond that.

We were able to bond the voluntary separation program. So, we bonded that. We also have a brand new student services area that was state-funded project that started clear back in 2009, and we just moved in about three weeks ago. It sat for a year and a half with no construction going on, just the steel was up, and the slab was down. That was it. Certainly, the bonding is a significant piece of this. We worked very closely with our bond underwriters. Immediately after we successfully put that together, we went out for a capital campaign and basically a funding campaign and raised quite a bit of money with that.

The review of the staffing, was more long-term. We're eliminating a couple of full-time faculty positions, which is never fun. We also did a riff in the student services area, which is kind of weird, because we have counselors and librarians in our
bargaining unit with our full-time faculty. We're going to layoff the full-time counselor. Then we will not have a full-time librarian or a full-time counselor. The advisors will help out, and we'll have people that work in the library, but we won't have anybody that is part of the bargaining unit.

The zero-based budgeting model, I will be doing it maybe this year and next year, and after I would see us go back to more of a traditional type budget. Once we stabilize our staffing, and we can reverse the trend in enrollment, we'll see. If not, we'll probably continue it.

Participant 6 stated:

It's definitely evolving. One of the things that we've done, we've been much more transparent about how we do our budgeting. If you look at our website, if you look under budget, you'll see our budget in brief. It's a summarized budget document. It's basically a popular type of report, so that everybody can understand their budgeting more easily. I've done a number of speeches to the college community about what's going on with in-service training and what not.

There's a lot of businesses and organizations that like to do stuff on our campus, so there's a lot of space that gets leased out for lots of different activities. The thing that comes to mind that is closest to public-private partnership would be a clinical program for our nursing program, and what not, where they go off into local hospitals and stuff like that. That certainly takes place. We do have internship programs that students can go work out in the business community.

The program that would be most interesting to you happened recently, is that we are developing an incubator accelerator business enterprise advancement, sort of, entity. What we've done is we're building out space in the local city hall that was vacated by a police department. We're moving that into the building, as well as an incubator; the county is also moving in there. We're going to have involvement from private investors, we're going to have involvement from a couple of four-year schools, at least two, maybe three, four-year schools to help in business development and training at that facility. We're building up the space as we speak. We've got a lease arrangement for the facility. We should, any day, be having a not-for-profit corporation formed that is going to be the entity that pulls this all this together.

Analysis of Responses to Research Questions 5 and 6

The findings from Research Questions 5 and 6 identify the impact of strategic activities employed by the interviewees during times of revenue fluctuations. Similarities and differences
exist among each college represented. The similarities were present in how these colleges chose to issue bonds, sale property, lease space, and increase student tuition and fees for the purposes of immediately receiving additional revenues. Nevertheless, some of the participants that issued bonds did not issue them for the purposes of obtaining revenue. Instead, the monies were used to support capital projects. Similarities were also present in strategies that play a dual role, in that they are both short-term and long-term. This includes, but is not limited to, offering early retirements, not filling vacant positions, revising position descriptions, and ending a small number of educational programs of study.

The findings also uncovered some unique practices. As an example, one college proactively sought public–private partnerships as a mechanism to increase non-public revenue streams. Along these same lines, another participating college strategically partnered with its foundation to capture the needs of the college for the purpose of informing current and prospective donors. To add to this, one college chose to implement a hiring freeze, while most other colleges chose to implement unofficial freezes and or position review committees. Another participant eliminated step raises within union contracts for a particular group of employees. One courageous institution sought a millage increase from its tax base. Despite the fact that the mileage increase was not awarded, requesting the increase was a bold move and is indicative of the current funding environment for public community colleges. Thus, both the common and the uncommon practices helped these individual colleges continue operations during fiscally challenging times.
Research Question 7

Looking back at your institution’s response to its revenue challenges, how would you analyze your activities in terms of strengths, weaknesses, opportunities, and threats (SWOT)?

What worked well? Why? What did not work well? Why? What is the impact on the decisions made? Additional comments?

Participant 1 stated:

Different changes mean different things. It's a hard situation. So, if we do have some significant revenue declines, that's probably going to mean less employees, and having to lay off people is not an easy thing to do from a human side.

I would think that the threats that are facing us would be the thing with the federal government and the tax structure and all those things. They impact our bond rating and how we operate. The biggest threat would be the economy in and of itself, because of the countercyclical nature. When the economy is good, the revenue will go up, but the demand will go down. On the other hand, when the economy is poor, demand is up, and revenue is stable or declines. So that's just the industry. This is how it works.

Participant 2 did not directly answer this question.

Participant 3 stated:

I think the strength is we have, over the last five or six years, developed a framework for how to do business outside of the college, how to construct partnerships, and how to do them effectively. There's a whole series of financial components that need to be put in place with partnerships. You need to create entities outside of the college, you need to be able to make agreements with partners that are corporate.

The Michigan Community College Act of 1966, allows you to do very limited things. What we needed to do was create a framework outside of it. So, we've created entities, we've created structures, we've delved into the whole legal aspects of what we can and can't do, and we formulated all that. From a strength standpoint, we've done all the homework. It takes a while to get that set up, because any time you go out and do anything in the private sector, there are different conditions that occur, and some are good, some are bad, you have to learn. We learned, a good example with our sports facility.
When we were structuring the sports facility deal, we partnered with a private real estate company that actually owned a couple buildings on our campus, they put in the equity money, and the college didn't put a dime in. To structure the agreement, we created a limited liability company (LLC), where we were a 51% owner of the facility.

The whole basis of the operation was is that all the money, all the operations money, revenue, that's generated from the facility, that's how we'll pay back the money invested by the real estate company over a period of time, we set up a 12 year period. We would give the company a certain amount of money over a 12-year period, the investment company would keep a million dollars in equity, and the two parties would share in revenue going forward.

The facility deal had a great structure, everything worked out fantastic, the college got an asset on its campus, didn't have to pay for it, we get immediate impact in terms of kids being on our campus, and a lot of clubs. However, the city decided they're going to charge property taxes, and we hadn't thought about that, we just figured that we we're a 501(c) 3, non-profit, and the clubs that we're involved with that are renting the facility are also 501(c) 3. However, because they saw the LLC; immediately the assessor said it was a company. So, we have to pay property taxes. We learned our lesson there.

Since the facility deal, we are structuring things differently. The city has strict codes on what kind of signs you can put on highways, but they don't have oversight over the college. So, we were able to put a very big sign on our facility that the tenant paid for. They pay a significant amount of money on a 10-year basis for the naming rights of the facility, and so we were able to justify, it as a way to pay taxes to the city. In the future, now we've learned and will structure things so that property taxes don't become a part of the cost, because that obviously is a revenue killer if you're having to pay property taxes.

The other strengths and weaknesses that we learned is, always make sure when you're dealing with the corporate side, the corporate side has a tendency to think that you're going to give things away for free. We've dealt with it for the last eight or nine years, but it's a tendency because they think we're tax payer subsidized, that when you go into business with them, that you're going to give them things, that they shouldn't have to pay for. You have to drive that out in your first couple of conversations. Otherwise, they will try to kind of roll you over. What we do is explain that we have a fiduciary responsibility to the taxpayers. We're going to do it in a fair manner.

Now, obviously, there's advantages to dealing with the college because there's some things that the college can provide that no other business can provide. We have some utility cost savings because of the way in which our rates are structured, we can do signage that others don't have the capability of doing. So, there's advantages to working with the college. You have to express that to the businesses as you're talking to
them. You have to educate the business, but you also have to make sure that you're very clear about what is going to be required in the deal, that the college is going to get fair value for its assets and it's going to get fair value for the project.

Participant 4 stated:

Hmm, so as some of the loans that we made mature a little bit, I see some unintended consequences that might make me rethink a little bit how we moved forward in that crisis. For example, we have athletics at our institution. We had a full-time person for each sport. Now a decision was made to shift to a paradigm of part-time coaches. So, we have reduced the number of full-time people in athletics from seven to two and everything else is part-time. The other consequence of part-time coaches is they are not available during the day. So, they don't monitor student academic progress as closely, and we just had more attrition among student athletes than in the past.

I'm going to spend some significant time thinking about the funding formula and reviewing formulas also from other states and seeing if there is a better way to distribute the limited resources that we do have available from among the community colleges.

Participant 5 stated:

The things that worked well, if I start at the top, I say open up communications, get everybody on board in the institution. That's not easy. I don't think we're there yet, but certainly people are aware, and they've jumped in to help. So, when you announce that you are not filling any positions, and yet we're still going to try and deliver services, people are willing to get on board. But that's a tough one. When people don't have raises for the first year and then the second-year hits, and keeping the morale up is difficult with staff. Yet, we've got to do that.

So, one of the things, we're trying to do is energize the staff and keep that up and running. I think in some respects being more open about everything has helped quite a bit, at least from the financial perspective. We'll see what it does with the student service perspective with the changes we're just getting started on over there.

So probably the biggest bang for the buck is be open, honest, create some trust, because we've certainly, before the current president, had some trust issues across the campus. We didn't have a vote of no confidence, but certainly there was not a lot of trust between faculty, administration, and different parts of the administration. I see that changing, particularly with the current leadership.

Being behind the eight ball, not realizing that three years ago, realizing it and not taking any significant action is probably the biggest thing that hurt us. We collect a lot of data. We don't analyze a lot of data.
Let's see if I'm looking at failures, we started doing budget stuff that really didn't have any effect. Trying to get faculty initially and providing them with additional raises and all that. It really caused some disparity in the institution. Going a longer-term contract with faculty, we should have done shorter term. Again, getting labor cost in line. I think we're slow. I think we should have taken some more risks. It's hard to measure if you didn't do something. Not really addressing the whole persistence issue quickly enough, we saw it coming years ago, and really didn't believe it, because we were coming off such a high. I think it's really not that we took a wrong action. I think that we had inaction.

I think because we've been public and straightforward with the numbers for a while, people are understanding that they did a really good job. The budget managers worked really hard over this last year to do that. As we complete this budget process, and starting a new one, we're starting to see some things that we probably need to change, a few little tweaks we can do to the system, but it does help people understand.

Participant 6 stated:

There's a lot of respect for our college but there's still the stigma about coming to a community college, rather than going to the big school. As I've said earlier, our enrollment is dropping to a degree, like 4% last year. Probably 4% next year. But we're still above levels of where we were prior to the recession. So, we're still above 2007 levels in terms of our enrollment. So, we're not doing all that badly. I think that the community now in Illinois is an interesting place because no doubt you've heard about all our financial problems.

There are a lot of college students that are looking to leave the state and go somewhere else, looking to go anywhere else: Michigan, Missouri, Indiana, or wherever to get away from the problems in Illinois. But for those that stick around, our college is a pretty attractive option. They get the kind of academic rigor that they need at a pretty darn affordable price. We're only about 3.3% of the property tax bill. I mean, we're tiny. Yet there's so much value here.

*Analysis of Responses to Research Question 7*

The findings from the answers to Research Question 7 suggest that having led their respective organizations through fluctuating revenue streams is a strength within itself, because they have already built a framework for addressing financial issues. The responses also suggest that the interview participants found that being transparent in activities and
communicating well with all stakeholders (internal and external) is a great strength for institutions that do so.

The SWOT analysis includes a discussion of weaknesses. Although a large group of weaknesses was not specifically identified by the participants, it is clear that not responding to revenue fluctuations in a timely manner was considered a weakness for at least one participant. Along these same lines, this prior weakness can be an opportunity in the future, which means when financial leaders of community colleges have concerns about future revenue streams, they could take the opportunity to address them early. Failure to use the data that were collected was also identified as a weakness. Having data is useful only if you use it during your decision-making processes. Lastly, the primary threat to community college finance was identified as the economy itself. Shifts in the economy incite a chain of reactions from the legislative community, federal government, state government, and local government, all of which impact public community college enrollment and revenues.

Research Question 8

In your opinion, what is the pathway forward? What can be done to stabilize the impact of funding uncertainties (at your institution, in your state, nationally, etc.)?

Research Question 8 was presented to the interviewee group in hopes of receiving insight as to how this unique community of finance professionals would suggest community colleges move forward despite uncertain revenue streams and declining enrollment, both of which impact the amount and quality of services institutions are able to offer to the communities they serve. Participant responses are outlined in the next group of paragraphs.
Participant 1 stated:

Well, I guess from a very conceptual standpoint, it should be the strategic plan. Now strategic plans are kind of generic. However, at this college, the plan that the Board just adopted is less so than the one that preceded it. For example, one of the specific things is a thorough review of what the college does with remedial education. Prior strategic plan didn't get that specific, and also there are some metrics to measure those things.

Another goal is to improve the college's comprehensive financial indicator, the CFI. We didn't say, get it to point A. We just did work on improving it, which can be a variety of things. So, it wasn't that prescriptive, but it did, in general, have a goal out there on making that better.

If you can identify things that should be done and put them in a strategic plan that's approved by the Board, it gives it a little more weight. Because the Board has essentially said, "Yes, you will do this." They haven't told you how. That's for the strategic planning steering committee and the individual committees to come up with. But at least from my perspective, a little more specificity will help. Some people don't like that. It's kind of a cultural thing within the institution.

The public face of community colleges in general is important, so that's why there's national, professional organizations like AACC and ACCT that serve as a national representative, and one of their things obviously that they do is lobby, in terms of legislation that would be more favorable or less damaging to community colleges. During the Obama administration community colleges got a pretty high profile. Now it's still there, more focused on the job training aspect. On the other hand, like I said, some of the proposed changes in tax code could have a detrimental effect. Not just to community colleges, but higher education in general.

Participant 2 stated:

I think, quite honestly, community colleges are so well positioned to meet the needs that we have nationally, and in our state and in our city. We are that bridge for students that whether they want to get two years' worth of, and I'm not saying anything you don't know, but two years' worth of a less expensive education and transfer or whether they want to get some short-term certificate and get out in the workplace. I say all that to say, we need to build upon that and do everything we can to stay relevant.

We can't just continue to do what we've always done, and I think, too, being community colleges, we are better positioned to be nimble, to react to changes in our environment, to react to what businesses need today and to be working with them on what they're going to need tomorrow. We're well poised to do that, well positioned to do that, and we need to. If we don't listen to what they're telling us, we will render ourselves irrelevant, and then we will fall behind.
I think being relevant and nimble, and we're well positioned to do that, is critical. I think being mindful of those that we're serving because one way to balance the revenue stream is to increase tuition. While I believe you need to modestly increase tuition, we also need to be mindful that we don't balance a budget on the back of a student because then we are going to impact those that we serve. It's important that we're open and provide that opportunity for as many students as possible. I don't think there's any magic answer. I think each institution needs to do that themselves.

I think first for us was looking at our budget from a long-term lens as opposed to trying to balance year to year. I've got, as does everybody, a working five-year projection, and we really monitor everything and keep that running five years out. We really need to be looking at the budget from a long-term lens to get as financially stable as we possibly can. We should not react to things like enrollment being 2% better this year than we projected by spending the additional monies. That's not the answer. You've got to balance and look at that from a long-term perspective.

If you see a sustainable pattern over a couple years, maybe you want to inch forward. You also, I really believe, need to retain some flexibility within your budget. When the opportunity to enhance your online class offerings comes, if that's where you want to be relevant, and that's one area where you think there is an expansion opportunity for increased revenue, for increased relevance to students, or whatever that is then you need to be able to fund it.

You need to maintain some flexibility in what's already a tight budget so that you don't have to be the one sitting here saying, "No. Well, that sounds like a fabulous idea, but I don't know how to get you that money." There needs to be some flexibility built in. I don't think there is a one answer.

Buildings clearly is a question. Do I think we're ever going to be completely not needing buildings, not as a community college? No. I think that at some point in the future we may need less than what we have now, or maybe different spaces than what we have now. Clearly, we have the same problem that I think most of our community colleges do. You could shoot a cannon through the buildings on Friday afternoons. So, we make more efficient and effective use of the spaces that we have but I don't think that's going to cut our way into a sustainable budget if we're not being mindful of the rest. That's not going to solve a budget problem by shutting down a building or two. That's just not going to get us where we need to go.

There is no perfect answer. In every state, you think about just each individual institution. If I had three additional buildings, well, then, yeah, I should be doing something. If our enrollment dropped by another 10 or 15%, then maybe I am in the position of needing to look at a building structural issues differently. Some institutions may already be in that spot. Others, I just don't think that we're there yet.
Then, again, from a statewide issue, the whole workforce and skilled trades is, in Michigan, such an important piece of our economy now. That's where our relevance is and really working with those business partners. We have to ask "How can we get you what you need? Is it apprenticeship programs? Is it internships? And being responsive to them?" This is going to help not only meet student needs, but it's going to help with revenue by keeping students engaged and partnering with businesses. How about we develop an apprenticeship program where they come here two days and work for you three days? We've done a lot of that work. That is back to that being responsive and relevant to meeting the needs of our students and our community, which is going to help us move into the future.

Participant 3 stated:

Identify recurring revenue streams and act upon them, leveraging college assets. Let's be honest, you have a campus that has, extensive resources, extensive facilities, and a lot of campuses sit idle Saturdays and Sundays, does that make sense? No. What we have done is, we have opened up the campus on Saturdays and Sundays, and we have driven, instead of business being at 20%, we're more likely at 70% in terms of buildings occupied, rentals done, arrangements there, so you have a fixed cost you have to pay for.

I think the other driver that we look at is, how do you deliver your education? The faculty model, the way it's structured today, with the faculty member making $100,000 and you tack on benefits, and you tack on all the other things you're making a year, you're probably at $150,000–$175,000 a person. Does that model work for the future? The question is pretty simple, probably not, based on those parameters. I think you have to start researching different ways to do this.

Then the other thing that you've got is the generational difference with the students coming in, they learn differently. They've been exposed to technology their entire life, they don't listen to the old methodology of teachers upfront in the classroom teaching. They're more active. So, you have to start the conversation of, what is a different model in the next five to ten years that's sustainable? This might include maybe a combination of facilitators, maybe some faculty, maybe some context experts, maybe some advisors. Kind of more of a global approach as opposed to just relying on the faculty member to do everything in the classroom. Getting that perspective and researching that, and really getting a handle on that, that's a longer-term approach because obviously that goes into collective bargaining. That's a conversation that needs to start and it needs to start occurring because that will drive how you can deliver education in the future.

Private schools are coming in and doing 18-week classes, and you go from 18 weeks to a job. Well, that's reality, that's what we're supposed to be doing. Nobody has said you can't do six-week classes, or five weeks, we've just put our limitations on that. I
think you've got to look at every limitation you put out there, analyze it, and make sure it's viable for the future, and then you've got to have conversations. You've got to start talking now, because cultures at colleges take a long time to change.

Every day, we try to figure out other ways in which we can leverage the things that we do have, and we have a lot of assets. If you look around at what you have in a college setting, obviously when you do that, you work on the weekends and you bring things in, you have to be ready, you have to have security, you have to have an infrastructure in place that supports that, and at the college here, we've done that. You have to do those things to be viable in the future. Otherwise, you'll be restricted to the constant layoffs, and programs and services getting cut, or people not being able to do as many things for students as you need to do to retain them. Those are all bad options. None of those options are any good. They're not sustainable, number one.

When you lay off people, that's not a sustainable. That's a reactionary process. That does not help you long-term. It might help you a little bit even in the short term, usually it doesn't. It's just a reactionary process. So, you have to figure out what you can do sustainably, over a longer period of time, and so you've got to have people focused on trying to figure out how to leverage, how to get programs in that are going to be exciting for the students, how to get them into jobs quicker.

Guided pathways, getting them (students) to a career coach, getting them structured at the beginning so that they don't waste time. Those are key things in the process. Community colleges are in much better shape for being able to change than the four-year universities. The four-year institutions, even though they are doing okay right now, in fact, they're doing pretty good right now. See, what they have figured out is, the kids that are going to four year institutions that normally would come to a community college, because the parents' wealth, the generation, the baby boomers and a little bit after the baby boomers, they're able to send their kids to the four year schools, even though maybe a lot of them don't necessarily need to start there, they do. That will change.

As the wealth changes in the next 10 years, there's going to be more constraints. The people that are making decisions, they are going to be a lot more looking at their dollar and saying, "What am I going to get for my dollar the first year or the second year?" I think community colleges are poised to be able to sell that, but right now, it's more difficult. I think it's a matter of time. Community colleges do change, they are more adaptable than four-year universities. Community colleges can't do status quo, that's for sure. They must identify recurring revenue streams and act upon them; leveraging college assets efficiently and spending money efficiently.
Participant 4 stated:

In Illinois, my opinion is that we must move from this flat tax rate to a progressive income tax and generate additional revenue for the entire state through that structure. But I think the basic structure of income taxes in Illinois is not conducive to a bright future. Secondarily, for community colleges in general, the funding formula as I indicated earlier was really designed for a growing system. Now, it's a mature system and I don't think the funding formula is appropriate for the current status of the system.

We have a performance funding model. I like the model, but it hasn't been imposed on community colleges the way that I thought it would be by now. So this year I think a percent of funding is supposed to be performance based. But we haven't seen a lot of our funding yet, so we'll see if they really stick to that or not. But the way that our performance-based funding is set up, we don't want to be competing against other colleges so it's set up so that we can compete against ourselves. So, there's a benchmark here. And then we see how we perform against our benchmark and based on that, we get a percentage of our funding for performance. The thing about performance-based funding is that you have to look at what can you generate by chasing those dollars and what does it cost you to do that? So, if and when performance-based funding becomes more of a percentage of state revenues, then we'll all have to pay increased attention to that.

Nationally we're, we have many differences. I hope somebody can get their arms around that, but I can't. One of the things that I think we need to spend more time thinking about is advocacy for the community college system. My concern is releasing the identity of the community college system; that we'll lose that opportunity which maybe the only opportunity, for lower income people to move upward economically, because community colleges are the vehicle for that. We all know that.

I don't think that our legislators, by and large, come from a background that helps them identify with or understand this population of students. Same for the Board of Trustees that I have, and I think it's indicative of all of the state officials in the country or most. If their background is so different, they don't get it. They don't get living paycheck to paycheck. They don't understand the immense need for the community college system. So, I am troubled at how we advocate more heavily with our legislators and our local board to help them understand. If you look at the wall in our boardroom, we have had six white men and one white woman on our board since the inception of my institution over 50 years ago and I can tell you that they're all economically well healed or at least right now they are.

I have this idea, I don't know if it will ever come to fruition, but you can have legislators have local offices on our campuses. They can mingle with our students. I think that's one of the ways that we could make a fundamental shift in the thinking about community college funding in the country is if we could find a way to really enlighten
the legislators at every level. All the elected officials at every level on the true nature of our students and why they need community college education.

Participant 5 stated:

This whole idea of third party funding outside the traditional channels of taxes, tuition, and state: I think, really has to be key for all of us going forward. Community colleges, we've kind of done it. Universities have done it a lot more over time. It's a couple of things that have helped. Foundations are also helpful. Our foundation has inherited a couple of estates. One particular was almost $8 million. That's a pretty good boost. In the meantime, they've received substantial other major gifts, too. For our most recent capital campaign the initial gift was $1.7 million. So, having a very positive community is important. The community seeing us as an integral part of the community and a very valuable resource is key.

Not paying attention to the data that's out there and thinking this will turn around tomorrow is not practical. So, in terms of awareness, absolutely let people know that we've got to continue this becoming more efficient in our operations. Higher education's always been really good at saying, we just need more people. I think we have to follow business' suit in determining how we become more efficient in our delivery. The other piece is community colleges have always been the affordable option, and we have to not confuse affordability with cheap. Our affordability is still there, but we're definitely not cheap anymore.

Participant 6 stated:

Well, community colleges do need to look at their programs. I mean, it goes back to the Pathways theory. Community college exists for specific reasons and if it gets too far off of that path, you're spending money on stuff that is probably not delivering much return. I hate to say that the college is business, but in the end it all has to come down to whether it's financially sustainable. So, I mean, looking at their costs, keeping collective bargaining agreements reasonable, it's not a bottomless pit of money. Those are the things I'd say. It's basically watching the relevance of your programs and the associated costs and keeping those collective bargaining agreements under control because for a lot of these institutions, salaries are the lion's share of the general fund.

There's probably going to be some consolidation in higher education. It may not necessarily be community colleges being rolled up into universities. I mean that's impossible. But what's certainly, I think, more probable is that you have some of the regional state colleges combined and some closed to make just the whole system work. Like we've got numerous universities and colleges in Illinois. Do we need all those directional colleges? I don't know. Some of the schools are just barely hanging on for dear life. Consolidation. I mean, nobody wants to hear that. They want their own domain, but it's not sustainable. It'll have to change.
Analysis of Responses to Research Question 8

The findings suggest that since each college is positioned differently from a financial and location perspective, each college may have to chart a unique pathway forward. It also suggests that all colleges can benefit from strategic planning, and such planning should consider the needs of the businesses and industries that surround each college campus. At least one interviewee hypothesized that doing so will help colleges remain relevant. Moreover, according to the findings, planning activity should be long-term and community colleges must figure out how to become financially sustainable for years to come. One participant suggested reviewing perceived limitations and questioning them for accuracy.

The findings also suggest that moving forward, community colleges will need to use all resources more efficiently. This includes both human and physical resources. If not, colleges will find themselves restricted to traditional solutions like lay-offs during times of financial challenge. It was specifically suggested that salaries and union contracts should be fair but not excessive, and buildings should generate revenue. In addition, respondents spoke of public–private partnerships and third-party funding as mechanisms for colleges to create new streams of income that are not as sensitive to changes in legislation and the availability of government funds. Further, in consideration of the current unpredictable nature of community college revenue streams, one interviewee suggested that consolidation may become an option for some colleges seeking to achieve financial stability and sustainability. Lastly, the findings indicate that advocacy for the public community college is critical to its future.
Research Questions 9 and 10

Which leadership competencies were most helpful during this process? What business acumen and financial skills were most helpful during this process?

Understanding that community college CFOs operate in a unique environment, the researcher sought to find out if specific leadership competencies and business acumen is essential to be successful in this role. Research Questions 9 and 10 were designed to obtain this type of information. Participant responses are provided in the paragraphs below.

Participant 1 stated:

Patience. Flexibility. Be willing to make the hard decisions. Creativeness. Those things can kind of cover a pretty broad perspective in terms of being creative. Oh, obviously communication, yeah. Obviously, communication is a very important piece. Kind of more on the front end and more on the tail end. Sometimes we maybe don't do as good of a communication job in between the beginning and the end. At least some people think that, but in some cases, there are things you can't communicate yet because they're a work in progress, and you start saying certain things.

Obviously keeping current on what's going on in the industry is very important, and from a CFO perspective, it's not just the pure financial stuff. It's really everything, because there are very few things that ultimately don't have some kind of a financial impact. So, the CFO really has to look at themselves as an institutional administrator, not just the guy in charge of the money, or the lady in charge of the money. You got to have a much broader perspective on things. Obviously, the education, there's an, I'll say, experience, but you have to do it to get an experience. So, I guess the biggest thing is to be vigilant in terms of what's going on around you. What's happening in the job market? What's happening in technology? Those are things we have to be able to respond to now. The speed to which we respond to things can be questioned. I think I've heard our president say, "It's not good enough to be the fastest snail."

Participant 2 stated:

I think always being forward thinking is important. Ask questions. What else is out there? What's the new thing that's going to help students? Then I guess the last thing, I would say is we need to continue to work on retaining the students that we have. Tuition, revenue, enrollment growth, if we retained 10% more students and got them through, there'd be growth right there.
Being transparent is important. If there is an issue and we need to work on it collectively. I can come up in my office and come up with a budget and tell you what we're going to cut in 10 minutes, and it won't be the right answer, and it won't be accepted. I think transparency you can't emphasize enough.

I think being calm is important. Chasing after the next crisis or opportunity to panic isn't helpful. Being decisive, being a leader, but not over-emphasizing a crisis, particularly in the financial area. People get tired of hearing we've got to cut two million dollars; the state's cutting us, and we've got to cut another program. It gets old after a while, so you need to be mindful of that and to lead appropriately. Be as inclusive as possible. When we put budget teams like that together it's very intentional that someone from every employee group that we have, or two people from every employee group that we have are included so that it's not just our faculty. Instead, we've got a police officer and a couple custodians sitting on our teams as well. Everyone's got different perspectives and sees things from different points of view.

From where we sit, just always trying your very best, because sometimes it's hard, but to keep the student in the center of the conversation. If you can do that, the conversations are easier to have. They become a little bit less personal or territorial. Know your basics first. Make sure that you're comfortable enough that you know your institution and your budget and the cyclical nature of it, because every institution has some of that.

You need to have your core skills, your core competencies. You need to be able to look at a budget and read it. You need to be able to do that core work. That being said, the most important thing you need to go do is work and lead people. It's more of a people issue and opportunity if you've got those core skills. Again, you need to be able to work with people and all different types. You need to be able to sit down with the custodial team and listen to them and then to work with the President and the Board. You need to be able to figure out how to do all of that, and I'm still learning.

Participant 3 stated:

I think it's important that your financial people are integrated with your instructional people, and that there's a tight linkage that those key people talk all the time. That it's not finance people saying, "No," and it's not instructional people saying, "I need this." It's got to be a cooperative relationship, that's the key. Our previous Chief Instructional Officer here at the college and I had a great relationship for six - seven years. We've got a new one, I'll have a great relationship with them also, because we're integrated together. Any time we do things, we're always structured in a way, and you'll see that, too, as a best practice, but sometimes it doesn't occur. You'll have conferences out there where it says, if you have a good relationship with your instructional leader and your financial leader, more often than not, you guys can solve problems pretty quickly. Problems usually become insurmountable if you build walls. Those two departments
need to be really talking on a continuous basis in terms of the need, the things that are going to drive how students will get successful and how they graduate, and how they get into jobs.

Passion, perseverance, strategic and tactical analysis capabilities, constant communication, transparency and financial analysis are important business acumen. As well as visioning a future of what can be as opposed to focusing on what is. It is good to have a higher level of educational background and have an understanding of trends and issues. As well as utilization of forecasting tools and the ability to create different scenarios based on various assumptions is helpful during times of financial challenge.

Participant 4 stated:

Yeah, so I went back to the ACT leadership competencies for a consistent way to look at this. In terms of those competencies: organizational strategy; promote the success of all students; strategically improve quality of instruction; sustains mission of the community college. Some of the things I said earlier are important such as let the mission drive the decisions and collaboration. In terms of collaboration, that was also you know, pretty important for us (the entire leadership team) to all come to the table.

Messaging is also important. It is critical that we maintain a very confident stance in terms of resource management when we communicate, which is another competency. So, the communication piece was very critical I think. We needed to tell the story and be completely transparent about what is happening while avoiding any kind of unnecessary issues. You don't want people jumping ship because they didn't believe the college could not manage resources and maintain operation. On the other hand, if employees hear that 30% of revenue is gone, they kind of wonder about job security, especially when they see people being laid off from other units. So, you have to be really, really careful with communication.

People wanted assurance that they'd have a job for example. Especially among the support staff. In our situation, they would ask, almost directly about how secure their positions were, and we could never say that we could guarantee they would be here the next month. So, we had to be careful in communication and say, “You know, we're looking at everything that we can do to maximize the resources we have and minimize expenditures.” We did everything we could to provide people some kind of mental comfort.

The other competency from AACC is advocacy. Due to what happened in our state the President's council rotated writing editorials and participating in interviews. Also, one of the things that I do for my institution is participate in a weekly telephone session between the lobbyist for community colleges and all the Presidents. Legislative issues are discussed, and the Presidents take turns responding and visiting legislators as a form of advocacy.
I think that to be effective as a CFO, you can't be weak when these situations happen. You must take the 10,000-foot view, looking at where your resources coming from. Looking at where your resources being expended? It's not something you learn in formative years of accounting or in finance background, so much of the experience, I think you gain over the years and that is, you have to let the little stuff go. You have to look at the mission of the institution. The position of your Board and President and how can you make your goals happen. I approach it like a puzzle and I try to get all the big pieces in my mind, and then see where we need to make strategic moves to bring the budget, gap, to a smaller level or to manage through the process.

Participant 5 stated:

Certainly, core finance principles is one of them. You got to know the mechanics of how to run finances for higher education. The other thing I would say is good interpersonal skills, because if you don't . . . if you're not able to get along with people and kind of bring them together into a solution, you become a problem rather than a solution yourself. You just got to be able to get along and just kind of give-and-take and try to consider what the other person needs. It's not all about what you need. And the other thing I would probably say is, executive skills, and that is basically leading your own organization and leading other work teams to get work done.

Sometimes in higher education, it's generally a collaborative environment. But sometimes you can't spend all day long talking about everything. You got to pull a trigger. There's some decision-making ability, you got to be somewhat confident to be able to make a decision when everyone's looking at you to make a decision. There is more of that kind of leadership than you might expect in higher education, at least in my realm. I get people coming to talk to me all the time. They may know what they want to do. They may not know what they want to do. They have a recommendation. They've got information, but they don't know what to do with it. They need your help. You're the senior person telling them what to do or guiding them.

I find that it helps a lot if you're able to teach others about the mechanics. You can't always give all the elaborate details you know there's not time for that. Being able to summarize it, convey it to them in a way that they can understand. For example, if I can't communicate that Pathways is going to cost us $4 million next year and the cost is not going away, it's the year after that, and the year after that, and the year after that, and oh, by the way, we got this capital plan, and it's going to eat up funds too. So, when you start to realize we're decreasing our fund balance, we've got to start building the revenue base so that you can sustain yourself after the fund balance is gone. If you can't explain that in a way that a layman understands, they're never going to go along with you as the CFO.
Analysis of Responses to Research Questions 9 and 10

The findings suggest that, along with having financial analysis skills, it is incredibly important for CFOs to have interpersonal skills that allow them to communicate well and get along with others. One interviewee stated that CFOs are institutional administrators, meaning they must understand what is going on at the college as a whole, work collaboratively with others, and break silos instead of build them.

Communication skills, as suggested by interviewees, are necessary in order to explain the college’s financial situation to multiple constituencies in a transparent manner. To add to this, the findings suggest that CFOs should make the budgeting process as collaborative as possible. Notwithstanding, they must be decisive and willing to make tough decisions. Finally, the findings suggest that CFOs must be forward thinking, especially, as it relates to funding streams for the college.

Research Questions 11 and 12

*Based on a best practice or lessons learned, what advice would you have for new community college leaders (to prevent or minimize revenue challenges, or when they are in the midst of revenue challenges)? Any final comments?*

The cyclical nature of public community college enrollment and revenue has been acknowledged by all interview participants. Nevertheless, the researcher was interested in understanding if any best practices exist for responding to revenue fluctuations. Further, the researcher was interested in understanding if the interviewees had learned any lessons from responding to recent revenue challenges and if they had any advice to offer new CFOs and
financial managers of public community colleges. Interviewee responses are provided in the paragraphs that follow.

Participant 1 stated:

Staying abreast and knowing what's going on is important. Looking beyond your own, little niche that you're currently in. You've got to see and learn how you fit in the big picture. You can't be out there on your own and communicate with the area that you need to communicate with. But again, staying very much on top of what's in your specific area, but also staying on top, at least generally, in terms of what's going on in the industry.

As the CFO, there are times you have to say no, but there are also sometimes you may not say no, but you might be able to offer a better solution for things. You can never prevent revenue challenges because there's too many things you can't control. To minimize them, you try to expand the ones that you can control. It's not like a business. I mean businesses are factories, but their big thing is selling, and what their price is, and what they're making, and they have to respond to consumer market changes and cost changes that produce their product or their service, whatever it might be. But it's different than that, being in the governmental or not-for-profit area.

Participant 2 stated:

Always look long-term. Try not to get caught up in just fixing this year, and then looking at next year later. Be inclusive and be as transparent as you can. You can't control everything. You're going to be off sometimes. Things aren't always going to work exactly like you've predicted them to work, and that's okay. Don't feel like you've got to own that. The more you have conversations with your executive leadership team and with your academic leadership . . . the more it will be seen as a partnership and less as something you've got to go fix everything. The CFO is not the enemy. We're all in this together.

Participant 3 stated:

Understand the business they are in and develop frameworks to ensure fiscal stability. Create both short and long-term goals that drive the vision you want for the next 10 years. Long term horizon planning is crucial; however, you have to take care of short term needs to ensure you can still be around for the long term. Great balancing act that needs to occur. Leverage College assets, communicate the issues in-house regarding financial condition, provide opportunities to streamline expenditures without laying off or disrupting the culture any more than is necessary.
Participant 4 stated:

What I have witnessed is reaction all the time to current situations and if you do that, if you react, to the current situation and set up your short-term plan as a long-term plan, it will be ineffective. For example, enrollment’s going up, and colleges build another building because we need more capacity. All right, well, you’ve got that building forever. Is that the best short-term solution, because you know, enrollment is typical? As an alternative, should you look for space that you can partner with another University? Could you look for a work place learning company that offers instruction in the industry instead of building another building? Buildings are going to be there forever. So, you must have a short-term and a long-term solution that makes sense for your institution. Don't treat short-term solutions as though they are long-term solutions because most frequently, they are not.

When you are in the midst of a revenue challenge, it's a little bit different. You have to build your toolbox. You have to know legally what's available to get through the situation. So, if you don't know a lot about line of credit or you don't know a lot about the rules in your state relative to options, to generate revenue quickly, then you're going to be at a disadvantage. So newer CFOs must know all the tools available. So that if a revenue challenge hits, you know how you can build that tool box to address it.

Participant 5 stated:

I think you have to be creative. The entrepreneurial piece gets thrown out there quite a bit, most community colleges don't get to be very entrepreneurial. Although, I think at this college, we have been. New CFOs most certainly need to be willing to adapt to any kind of change that they see coming and do it quickly. You just can't let that stuff throw you. You've got to continue on with a goal in sight. It's really facing the challenges that are out there. It's not going to get any easier. The reality is, I don't see things turning around. I think the heyday of this is over. I mean, I started working for the system of Illinois community college board 31 years ago. Those in fiscal affairs and capital construction and all that kind of stuff. Those were the heydays, the late '80s, early '90s. Things were being funded and we were the right place to be. Now, I've seen it completely go the other direction. It's certainly been a struggle.

Probably the other big piece is if you can establish a goal that everyone is working towards, I think that helps a lot. The other piece that's looming is we've all tried to be comprehensive community colleges, and I'm not sure that that's the long-term strategy for all colleges anymore. We may have to become more niche oriented. That'll be a big mindset change. We can't be everything to everybody all the time.

The good thing is community colleges have always been nimble and quicker to respond. I sat in a meeting 30 years ago CACUBO had done. They had a lady in there that was a futurist. It was interesting, because she was an anthropologist. When I saw
her name on the keynote, I thought, "Well, this is really strange," but what she really said is education has to change. It's got to be different than it is. We can't continue to do the same things we've always done and expect to survive. She said it will be interesting to tell what happens in 30 years or 40 years, because universities, are like a lodge. How do you get into the lodge? Well, you put on the hat with the horns, and you say the traditional stuff. She stated that the universities are similar to the Flintstones. On the other hand, community colleges might have a chance, because they're nimble and they can adapt, and they can change.

Participant 6 stated:

Well, I think I'd probably start out with the basics and that is, what is not a best practice. You got to make sure that the regulatory requirements are met. That there are reporting requirements on the municipal side, and reporting requirements on the higher education side. You have to understand what those are and get those boxes checked before you can do anything creative. That would be one thing.

I would say also getting into long-range financial forecasts. You got to go out a few years. Maybe five to seven years and start to see where the problems are and which problems are coming at you? What funds are getting out of balance? You must take the appropriate action when you realize, the college can do the first half of a project, but at the moment, unless something changes, the college can't do the second half right now. This is why financial forecasting is important.

I would also say the transparency aspect of it that I talked about earlier is critical. I may be a bit in the minority on this topic, but I really believe in popular reporting, both the popular annual financial report for an institution that summarizes, exemplifies the comprehensive annual financial report, as well as what's a little bit novel, budgets in brief that summarizes the budget, so that the average person who's trying to follow you understands. If they don't understand, they're unlikely to trust what you're telling them.

I don't think the traditional classroom is going to die a complete death very soon. The buildings that are left must be maintained. You might be able to get away with postponing something for a year or so, but you can't do that forever. You just create a big mess. So, maintaining the buildings that you do have is very, very important.

As we talked about earlier, trimming programs where you don't have genuine demand is important. As well as considering what your mission is along those lines. Example, if your mission is not to teach business history of the Far East, get rid of it and other sorts of programmatic demands would probably be helpful.
Analysis of Responses to Research Questions 11 and 12

The findings suggest that although CFOs are not able to prevent revenue challenges, it is best practice to understand all legal actions that are available during times of revenue fluctuations and focus on the revenue streams that financial leaders can somewhat control. In terms of advice, the interviewees suggested that new CFOs focus on being an expert in their area while also understanding how the rest of the college works, as well as what is going on in the higher education industry overall. Moreover, new financial leaders should not be reactionary, nor treat short-term solutions as if they are long-term.

Leading in a collaborative and transparent manner was a recurring theme, as well as long-term planning and financial forecasting. In terms of final comments, a couple of the interviewees stated that it is important for CFOs to communicate that they are not the enemy. Others thought it was important to remind new financial leaders that the position requires creativity and an entrepreneurial frame of mind. Additionally, times have changed, and as visions for the future are considered, some thought must be given to the current practice of offering comprehensive services and a possible future of offering niche programs and the impact of both on community college financing.

FINDINGS AND ANALYSIS IN COMPARISON TO MULLIN, BAIME, AND HONEYMAN (2015)

The findings indicate that interviewees approach budgeting for their respective colleges in a similar manner. Each depends on a collaborative budget process to understand the unique financial needs of their institutions. Moreover, interview participants expressed agreement of the cyclical nature in which public revenue sources for community colleges fluctuate in
relationship to the economy. For this reason, budget creation for the interview participants includes both forecasting and data analysis. Both are necessary in order to form a proposed budget. Notwithstanding, the proposed budgets are created based on strategic plans for the entire college and usually cover a period of 5 to 7 years.

When revenue from state and local resources is reduced, it creates a financial strain for these colleges. To this end, interview participants acknowledged that community college leaders have limited options available to bridge the gap between the revenue that is needed to continue operations “as is” and the revenue that is available. Perhaps the most problematic financial situation occurs when public revenue fluctuates unexpectedly. Such situations can lead to a financial crisis.

As discussed earlier in this chapter, Mullin et al. (2015) posit that in response to a financial crisis, community colleges are limited to making decisions that impact Administrative Control and Management, Instructional Staffing, Examine Academic Offerings, Enhance Revenues, Institutional Advancement, and Strategic Organizational Change. For this reason, the researcher has coded interview responses into categories that align with the suggestions of Mullin et al. Any activities that the interviewees engaged in outside of these broad categories were coded as “Other.”

Administrative Control and Management

This particular category encompasses any of the following activities: converting administrative positions to instructional positions; deferring library and equipment purchases; deferring maintenance; delaying the purchase of new equipment; contracting out student
services, financial aid, or other academic or support services; consolidate shared services across the college; and instituting a four-day work week. While the interview participants did not engage in every single one of the activities listed under administrative control and management, they did engage in some of the suggested activities.

The findings suggest that interviewees stopped purchasing equipment (Participant 5), deferred maintenance (Participant 2), and outsourced some cleaning services (Participant 2), all of which fall under the Administrative Control and Management Control.

Instructional Staffing

This particular category encompasses any of the following activities: hiring more part-time faculty, reducing the number of faculty and staff, leaving faculty and staff lines vacant, freezing hiring of new employees, instituting furloughs, freezing travel, altering compensation or benefits, freezing professional development, reducing student work opportunities, increasing teacher contact hours, increasing faculty-student ratios, and sharing staff across colleges. Similar to the first category, interview participants discussed employing some but not all of the tactics listed under instructional staffing.

The findings suggest that some of the participants reduced the number of faculty and staff (Participants 2, 4, and 5). Similarly, some participants left faculty and staff lines vacant (Participants 1, 2, and 5). One participant even implemented a hiring freeze (Participant 5), and another participant spoke of holding positions for four to six months prior to posting new positions (Participant 3). Two participants altered compensation and/or benefits (Participants 2
Lastly, one participant spoke of sharing staff resources between multiple departments (Participant 5).

Examine Academic Offerings

This particular category encompasses the following activities: reviewing programs to determine economical and educational viability, reducing course offerings, increasing class size, delaying new program development, expanding programs, pruning and grafting programs together, expanding alternative pathways to a credential, and expanding dual enrollment. All of the interview participants participated in at least one of the activities described for this category.

Program reviews were conducted at each institution represented with the exception of the institution represented by Participant 6. Similarly, findings suggest that each interviewee, with the exception of Participant 2 and Participant 6, reduced course offerings. Most of the examination of academic offerings remained in those two areas. However, academic offerings for Participant 1 extended to expanding K-12 programs, as well as pruning and crafting together the architecture program to better fit the needs of the surrounding business community. None of the participants mentioned increasing class sizes, delaying program development, or expanding dual enrollment as a mechanism to reduce cost.

Enhance Revenues

This particular category encompasses the following activities: raising tuition, issuing bonds, activating reserve fund accounts, increasing local funds, increasing taxes or rates, selling property, expanding contract training, and diversifying funding streams through increased
efforts to obtain gifts and grants. The findings show that interview participants participated in a lot of the activities described in this category. First, four of the six participants spoke about raising tuition or creating new student fees (Participant 1, Participant 2, Participant 3, and Participant 6). Secondly, Participant 2 and Participant 4 both sold property in order to increase revenues. Thirdly, Participant 1 expanded corporate training. Lastly, Participant 6 spoke of activating reserve funds, and Participant 2 spoke of launching an unsuccessful proposal to increase local taxes.

Some of the interview participants engaged in other activities listed under this category. However, the interviewees stated that such activities were not directly related to revenue challenges. For example, Participant 2, Participant 4, and Participant 5 all spoke positively about financial support offered through philanthropic monies received through their college foundations. However, they did not speak of this activity as a response to revenue challenges. Additionally, four interview participants issued bonds during times of revenue challenge (Participant 1, Participant 2, Participant 3, and Participant 4). However, two of the participants considered bond review as part of a periodic review or outside of the budget process (Participant 2 and Participant 3). Regardless of the original intent, participating in such activities positively impacted revenues available to these colleges during financially stressful times.

Institutional Advancement

This category includes the following activities: increasing lobbying efforts, engaging alumni, and investing (buying property). The findings indicate that the interview participants did not engage in a lot of the activity described in this category. However, Participant 4 spoke
about how community college presidents in Illinois have taken turns responding to inquiries about the budget impasse in 2015–2016 and visiting legislators as a form of advocacy for their colleges. Along these same lines, although none of the participants spoke of purchasing additional property during this time, Participant 6 invested in the remodel of a space that will be shared with both public and private partners.

Strategic Organizational Change

This category includes the following activities: right-sizing the institution, altering within-college allocations, limiting enrollments, recruiting new student populations, and enrolling more students who pay the full price (that is, out-of-state and international). Similar to the previous category, the interview participants did not discuss engaging in a lot of the activities described in this category. However, the activities discussed by each of the interviewees can be considered actions taken in an effort to right-size the organization. Further, even though enrollment was discussed by each interviewee, it was discussed from a different perspective. Instead of focusing on getting new students to enroll, these colleges are primarily focused on meeting the needs of the current student population, which positively impacts student persistence, retention, and graduation rates. Lastly, it is important to note that while the practice was not widely discussed, Participant 1 shared information on a revenue reallocation program, which could be considered an alteration of allocations within the college.

Other

Although the toolkit of options suggested by Mullin et al. (2015) covers a variety of ways community colleges can respond to financial crisis, the findings suggest that it is not an all-
encompassing list of categories or actions. The interviewees participated in several activities that fell outside of the suggested categories, some of which address ways to increase revenue, while others can be classified as ways to reduce expenses.

Despite the fact that some interview participants commented on the limited influence community colleges have on the cyclical nature of public revenue received by community colleges, the findings suggest that the same is not true of the impact that community college leaders can have on non-public revenue sources. For example, all but two of the interview participants spoke of increasing revenue by leasing space on their college campus (Participant 1, Participant 3, Participant 4, and Participant 6). Two participants engaged in public–private partnerships (Participant 3 and Participant 4). Lastly, one participant spoke of public–public partnerships (Participant 1).

Multiple interview participants spoke about the importance of cost containment. Moreover, they spoke about how employee salaries and benefits represent the largest expense at most institutions. Consequently, it is not surprising that all of the participants conducted several activities under the Instructional Staffing category (with the exception of Participant 6). They also froze raises (Participant 2 and Participant 5), changed certain full-time employees to part-time employees (Participant 4), and at least one participant shared the cost of an employee with another entity (Participant 4). In addition to reducing faculty-related expenses, two of the interview participants let go of costly auxiliary services that could not operate without a subsidy from the college (Participant 1 and Participant 2). Lastly, one participant reviewed community programs and dropped programs that were duplicative or available elsewhere (Participant 2).
The interview responses and coding of data revealed some reoccurring themes as to how each institution approached managing revenues and budget creations. First, many of the interviewees approached decision making based on the mission, overall strategic plan of their respective colleges, and with a student-centered focus (Participant 1, Participant 4, Participant 5, and Participant 6). More than one participant attempted to manage revenue and expenses by exploring zero-based budgeting, which is a very restrictive budgeting model (Participant 2 and Participant 5). Lastly, a couple of the participants mentioned creation of a vacancy management or position control review team as an ongoing way to manage employee expenses. Although these reoccurring themes are outside of what was coded, they are included in this section because knowledge of these practices might be helpful to new and existing community college finance leaders.

SUMMARY OF FINDINGS AND ANALYSIS IN COMPARISON TO MULLIN, BAIME, AND HONEYMAN (2015)

The interview participants shared a lot of information regarding how their respective colleges responded to enrollment declines and/or financial challenges. It is understood that interview participants may have participated in more activities than what was disclosed. Nevertheless, the level at which interviewees shared their experiences provided enough information for the researcher to compare and contrast how respondents approached revenue fluctuations and challenges.

The findings revealed that several similarities abound among the interview participants with respect to how they responded to recent financial challenges. All of the participants discussed having participated in activities coded in the categories of Enhance Revenue and
Strategic Organizational Change. In addition, with the exception of Participant 6, participants engaged in activities coded in the following categories: Instructional Staffing and Examine Academic Offerings. However, the findings also found categories of activities that were used by only a couple of the interview participants.

Participant 2 and Participant 5 were the only interviewees to have conducted activities in the category coded as Administrative Control and Management. Likewise, Participant 4 and Participant 6 were the only interviewees to discuss activities coded as Institutional Advancement. As a further matter, all participants participated in activities coded as Other because they were outside of the original categories and/or activities presented by Mullin et al. (2015).

The candid detailed nature with which each interviewee responded to the interview questions provided an opportunity for the researcher to gain a clearer understanding of the many ways the interviewees managed revenue streams during times of revenue fluctuations. Each participant freely shared information on the following topics: decision making models, internal and external stakeholders, strategic activities, strategic activity impact on revenue, best practices in managing unpredictable revenue streams, leadership competencies necessary for CFOs, and ideas for operating as CFOs in an industry that is ever-changing (many times due to external factors).

The information obtained through this research project will contribute to the body of knowledge regarding community college finance. It will also add to the model suggested by Mullin et al. (2015) and be available as a guide for use by new CFOs and financial leaders of
community colleges during times of fiscal challenge. All suggestions and proposed guidelines are provided in Chapter Five.
CHAPTER FIVE: DISCUSSION

INTRODUCTION

The purpose of this research project was to describe, compare, and contrast funding strategies employed by community colleges during fiscally challenging times, comparing the actions of the colleges in the study to the toolkit of options suggested by Mullin et al. (2015), and using the information to provide guidelines for how colleges can weather financial storms. It was also conducted to contribute to the body of knowledge available regarding community college finance. The final research product is available to be used as a guide for use by new CFOs and financial leaders of public community colleges during times of fiscal challenge. This chapter presents a summary of the research and research findings, provides suggested modifications to the model presented in Mullin et al., offers guidelines for addressing revenue fluctuations, and acknowledges potential topics for further research.

RESEARCH SUMMARY

The history of public community colleges has been traced by several scholars including, but not limited to, Drury (2003), Cohen et al. (2014), and Dorn (2017). The work of these individuals records the rich history of the American community college and its impact on society. In fact, the societal impact has been generally regarded as positive. As an example, Bowen (1977, as cited in Kezar et al., 2015) and other scholars “identified four major
intersecting dimensions, with related areas of impact, that frame the broad individual and social benefits of higher education: public, private, economic, and social” (p. 10). This idea is also supported by the works of Mitchell et al. (2016), who suggested that “higher educational attainment has been connected with lower rates of crime, greater levels of civic participation, and better health” (p. 22).

According to the AACC (2018), there are 1,103 community colleges operating in the United States, 980 of which are public. These open-access institutions are accredited to award a variety of associate degrees, certificates, and certifications. Such awards are credited with increasing the income potential for awardees. In fact, in 2016, the median weekly earnings for individuals age 25 and older who worked full-time and had less than a high school diploma was $504 (approximately $26,200 per year), compared to $819 (approximately $42,600 per year) for individuals with an associate degree (AACC, 2017b).

These postsecondary institutions are accredited with awarding more than 800,000 associate degrees and over 500,000 certificates during academic year 2014–2015 (AACC, 2017b). These figures highlight the important role that community colleges play in the higher education sector. Nevertheless, operating in this industry is not without challenge. Changes in the economy, education market, and private sector often require these colleges to examine service offerings and prices to remain relevant and financially viable.

The fluctuating nature of public community college revenue streams creates a special challenge for these institutions. Despite the fact that these colleges are public, the U.S. Constitution does not legislate specific support for higher education. Instead, state governments are left to support these institutions at their discretion (Mullin et al., 2015).
Consequently, most community colleges are primarily funded by local tax support, state appropriations, and student tuition and fees. Of these revenue sources, community college leaders are able to control prices for only student tuition and fees.

The unique financial structure of public community colleges has been the subject of research conducted by several scholars, including, but not limited, to Breneman and Nelson (2010), Palmer (2013), and Mullin et al. (2015). A major topic of discussion has been community college enrollment, which has a tendency to be countercyclical to the economy. The correlation is important because student tuition and fee revenue contributes significantly to the operating revenue of many public community colleges. When enrollments are down and revenue from state and/or local taxes is not able to cover operating cost, colleges often are forced to increase tuition to cover shortfalls. This can be problematic when colleges experience consistent enrollment declines.

Data indicate that in 2013 “public two-year institutions enrolled approximately 6.3 million students. By fall 2016, enrollment at public two-year colleges dropped to around 5.7 million students—a 2.6% decrease from the previous year and a 9.6% decrease since 2013” (AACC, 2017a). This is a national issue—negatively impacting the amount of student tuition and fee revenue available to community colleges (without increasing tuition and fees). The impact of decreasing enrollments is compounded in states where state appropriations have gradually decreased, such as in Illinois and Arizona.

To compensate for the loss of state appropriations, tuition and student fees are often increased. Community colleges in Vermont and New Hampshire are a prime example. Tuition and fee revenue in these states is “more than four times as high as appropriations” (Baime &
Baum, 2016, p. 5). The disinvestment of appropriations for community colleges by some states has gained national attention. Consequently, recent reviews by Standard & Poors and Moody’s about the credit worthiness of the higher education sector has not been positive. The entire situation creates a unique operating environment for public community college CFOs and financial leaders.

To explore the impact of this phenomenon, the researcher interviewed a group of CFOs from Michigan and Illinois about this and related topics. The interviewees were referred to as Participants 1–6. Complete results of the interview research are provided in Chapter Four of this paper. However, a summary of the findings is also provided in this chapter.

SUMMARY OF RESEARCH FINDINGS

Interviewee responses were coded as Administrative Control and Management, Instructional Staffing, Academic Offerings, Enhance Revenues, Institutional Advancement, Strategic Organizational Change, and Other. Separating data in this manner allowed the researcher to analyze whether the actions of interviewees completely aligned, partially aligned, or showed no alignment with the doctrine of Mullin et al. (2015).

Review of interviewee responses showed partial alignment to the suggestions of Mullin et al. (2015). Specifically, the findings revealed that there are several similarities among the interview participants with respect to how they responded to recent financial challenges. All of the participants discussed having participated in one or more of the coded activities. They also engaged in the following activities coded as “Other”: leased space to other parties in exchange for rent, created public-private partnerships, established public-public partnerships,
experimented with a new budget model, and directed position vacancy management.

Moreover, more than one interview participant discussed making decisions based on the mission of the college and developing a 5- to 7-year budget plan based on forecasted information.

PROPOSED MODIFICATIONS TO MULLIN, BAIME, AND HONEYMAN (2015)

Mullin et al.’s (2015) suggestions on how community colleges can respond to a financial crisis are extremely relevant. All of the research participants engaged in activities within one or more of the categories identified by these scholars. However, since the interviewees participated in activities outside of the original six categories and/or activities that could have been included under one of the original categories, the researcher proposes a few modifications.

The first modification the researcher would suggest is that the Enhance Revenue category—which includes the following activities: raising tuition, issuing bonds, activating reserve fund accounts, increasing local funds, increasing taxes or rates, selling property, expanding contract training, diversifying funding streams through increased efforts to obtain gifts and grants—be expanded to include leasing of owned space. This particular activity aligns well with everything else that is listed in the category.

The researcher would also suggest creating a category called Budgetary Review. This category could include such activities as creating a position and vacancy management team and exploring new budget formats like zero-based budgeting. In addition, the researcher would suggest a category titled Entrepreneurial Activities. It would include creating public–public
partnerships and public–private partnerships. All of the proposed modifications and additions reflect unique activities that interview participants engaged in during a time when they experienced revenue fluctuations.

GUIDELINES FOR ADDRESSING REVENUE FLUCTUATIONS

State and local subsidizing of public community colleges play an important role in college finance. Therefore, when government subsidies are delayed or disappear, it can be detrimental to the institutions that depend on such subsidies to cover operating expenses. This is a strategic issue. “Strategic issues are fundamental policy questions or critical challenges affecting the organization’s mandates, mission and values, product or service level and mix, clients, users or payers, costs, financing, organization, or management” (Bryson, 2011, p. 55). To this end, budgeting within the unique funding structure of public community colleges requires strategy.

Community colleges should have an established written plan or strategy for responding to fluctuating revenue streams. Research suggests that community college leaders respond to changes in available revenue by engaging in several categories of activities, as explained by Mullin et al. (2015) and confirmed by the interviewee participants. However, the results of this research project suggest that financial leaders of community colleges have other options available to them as well. With these things in mind, the researcher would like to offer guidelines for addressing revenue fluctuations. The guidelines are separated by the probable timing associated with each set of guidelines.
Long-Term Guidelines for Addressing Revenue Fluctuations

Seek to Understand Laws That Govern Community College Finances

Financial planning and budgeting for community colleges is different than doing the same work for any other institution or organization. As an example, decision making for CFOs is not only governed by federal and state laws but is also governed by Board of Trustees policies. Such policies establish the amount of funds that are set aside for reserve. Moreover, the annual budget and tuition rates must be approved by a governing body (the governing body may vary by state), all of which will determine a community college’s ability to request tax increases, levies, and even issue bonds during times of revenue uncertainty.

Be Mission Minded

Avoiding mission creep is a critical component of revenue and expense management. Therefore, prior to taking any action or making changes, CFOs should reflect on the mission of the college and let the mission guide the decision-making process. This includes a review of any established college goals.

Conduct an Immediate Review of Expenses

Faculty and staff are typically the largest expenses for community colleges. Therefore, it may be beneficial to review and reassess benefit packages available to employees. This includes exploring areas where employees can share a greater percentage of cost associated with benefit packages, such as health care and life insurance. It also includes changing the level of benefits or plan design, and/or joining a different pool that provides health care and insurance
benefits to public entities. Additionally, modifying the manner in which tuition reimbursement programs are set up could reduce expenses.

Although faculty and staff expenses account for the majority of community colleges budgets, non-personnel expenses should not be ignored. These non-personnel expenses are typically goods and services purchased by the college. Such expenses can easily be categorized into mission-critical expenses and non-mission-critical expenses. Those that are not mission-critical should be candidates for expense reductions. Below are a couple of areas for consideration:

- Deferment of library and equipment purchases;
- Deferment of maintenance;
- Delay the purchase of goods and services;
- Temporarily reduce charitable giving and sponsorships;
- Reduce the frequency and level of cleaning services provided by housekeeping services (whether they are provided by internal or external parties).

Most of the above-mentioned expenses are purchased using a standard purchasing process. Therefore, it is important to include the purchasing department in efforts to reduce all non-personnel-related expenses. Professionals in this area can reach out to the vendor community to request lower pricing and cancel any unnecessary goods and services. They can also be utilized to contact equipment companies for the purpose of obtaining loaner equipment versus making additional equipment purchases. Inclusion of this department can help expedite cost-containment efforts.
Reallocate Resources as Needed

Colleges have access to both human and physical resources. Efficiently using both during times of financial challenge is critical. Colleges may consider listing all resources and categorizing them (for the purposes of making sure the effectiveness of each resource is evaluated). That said, CFOs may want to engage in the following activities in order to maximize resources:

**Human Resources**

- Establish a position management team in order to have better control over when new positions are added and when vacant positions are filled or not filled. This team should include at a minimum the human resources director and the CFO. However, participation from other executive leaders might also be beneficial. The team could tackle the following type of activities: (a) hire more part-time faculty and staff, (b) reduce the number of faculty and staff, (c) leave faculty and staff lines vacant, (d) institute a temporary hiring freeze, and (e) reduce student work opportunities.

- Conduct an employee desk/position audit to make sure that job responsibilities are divided in the most efficient manner.

- Take advantages of any opportunities to share staff among departments or with partner organizations.

- Change job descriptions as needed to support the work of the institution.

- Freeze professional development.

- Freeze travel.

- Increase teacher contact hours.

- Increase faculty–student ratios.

**Physical Resources**

- Modify hours of operation and buildings being open by introducing a four-day work week.

- Consider allowing some departments to work remotely on a part-time or full-time basis.
• Share equipment and supplies across divisions.

• Use available data to determine if all spaces are utilized efficiently and or develop a facility utilization plan.

• Create a course section management plan to complement the facility utilization plan. This plan should address (a) the appropriate number of faculty and staff necessary to cover student demand, (b) reductions in course offerings, and (c) increase and or decreases to class sizes based on demand.

Funds reserved for non-mission expenses can be reallocated to support mission-critical expenses. Nevertheless, the categorizing of expenses should be the result of program and departmental reviews.

Review Departments and Programs for Efficiencies

It is not uncommon for colleges to conduct periodic reviews of their academic and non-academic programs. These reviews typically cover program relevance and program expenses.

Why are these reviews important?

Over time, institutions have created programs to fulfill special felt needs of a particular time or for a special audience, allocated resources to the programs, and permitted the programs to become considered a continuing part of the institution’s plans, budgets, and obligations. (Dickeson, 2010, p. 56)

Therefore, all programs must be reviewed for relevance and efficiency.

The review process will provide critical information that college leaders need to know about each program. Results will highlight areas that require additional investment and potential candidates for disinvestment. Moreover, a review should help colleges prioritize which programs to address first. According to Dickeson (2010), “The program prioritization process should seek to secure a measure of the relative worth of a program as against all other programs at that same institutions” (p. 67). Expounding on this idea, the author recommends
approaching the review process and prioritizing programs by evaluating each program using the following 10 criteria:

1. History, Development, and Expectations of the Program
   What were the institution’s original expectations? What is the degree to which the program has adapted to the changing demographic characteristics of the institution’s students? What is the maturity level of the program? Is it fledgling?

2. External Demand for the Program
   What is the national and local demand for program enrollments?

3. Internal Demand for the Program
   What programs would suffer, or possibly fail, without the service courses offered by another program? Does the program produce services needed by other parts of the campus?

4. Quality of Program Inputs and Processes
   Can we attract and retain the people necessary to make the program successful? To what degree does the curriculum meet the learning needs and styles of the students? What is the degree to which this program has taken advantage of advancements in technology to enhance learning? How current are equipment and materials?

5. Quality of Program Outcomes
   What are the degrees of student satisfaction, alumni satisfaction, and employer satisfaction?

6. Size, Scope, and Productivity of the Program
   Is the program of sufficient size and scope to affirm that it can be conducted effectively?

7. Revenue and Other Resources Generated by the Program
   Does the program generate revenues from admission fees, special fees, laboratory fees, ticket revenues, other user fees, or by other means that help offset some or all of the expenses associated with the program?

8. Cost and Other Expenses Associated with the Program
   What investment in new resources will be required to bring the program up to a high level of quality?
9. Impact, Justification, and Overall Essentiality of the Program

What impact does the program have or promise to have? What are the benefits to
the institution of offering this program?

10. Opportunity Analysis of the Program

What cooperative or collaborative relationships exist with other programs? With
other institutions? In what exciting, creative ways can program faculty and staff put
their best case forward by advancing new ideas about the program? (pp. 71-86)

Since each community college has its own unique mission, an individual college may rate
a particular criterion more heavily than another. As Dickeson (2010) writes, “The intent is to
provide a framework for analysis that facilitates, rather than stifles, the prioritization of
programs” (p. 69). This particular framework is flexible enough to use when reviewing
departments, auxiliary services, community programs, dual enrollment, and other non-
traditional activities that colleges participate in. It should help colleges decide which programs
to discontinue (if any), expand, and or graft into something different in response to market
demand. Lastly, it should help colleges decide if they are in a position to create new
programming.

Outsource Non-Mission-Critical Activities

According to Barron (2017), “In order to reduce costs, a long-standing practice at
colleges has been to outsource various ancillary services, such as facility and grounds cleaning
and maintenance, human resource management, payroll services, tuition payment services,
collections activities, and internal audit functions” (p. 46). Of course, community colleges must
use discretion as to which outsourcing activities (if any) make the most sense for their
institution. Nevertheless, choosing to outsource any particular service should be done only
after careful consideration, because doing so has the potential to change how the college is perceived and the quality of service provided to students and visitors of the college.

**Advocate for Financial Support**

Strategic advocacy is critical to the preservation of financial support that community colleges receive from federal, state, and local revenue sources. Although there are laws to support the work of community colleges and many state constitutions provide financial support to community colleges, the current level of support can easily change. Why? Legislators propose new legislation on an annual basis, some of which impact community colleges. For this reason, community college leaders must be abreast of current events and voice concerns as appropriate. Moreover, financial leaders of community colleges can analyze legislative trends and make budgetary adjustments as needed.

Advocacy is not limited to state and federal legislators. Community college leaders must also communicate the benefits of their services to the local community. After all, a large portion of community college revenue is received courtesy of local property owners. Advocacy extends to philanthropic and advancement efforts. Of course, this type of work is usually led by the college foundation (which is a separate entity). Nevertheless, it is important that CFOs and other financial leaders embrace philanthropy.

Klingaman (2012) emphasized, “Fundraising, development, or advancement, whichever term you prefer, has come late—if indeed in some cases it can be said to have come at all—to the community college sector” (p. 10). However, it has the potential to positively impact the amount of funds available to support special projects and student scholarships. Consequently,
engaging the CFO and faculty members in this process will be helpful. It can assist foundation personnel with understanding the needs of the college and areas of potential growth.

*Engage in Entrepreneurial Activities*

“From one end of the United States to the other, entrepreneurial community college leaders have helped create entire new regional industries in fields from wineries and health care to food services and global distribution” (AACC, 2012b, p. 17). That said, increasing revenue streams by participating in entrepreneurial activities can help community colleges become less dependent on public funds. Examples of entrepreneurial activities are:

- Expansion of corporate training programs;
- Expansion of auxiliary services that do not require subsidy;
- Public–public partnerships;
- Public–private partnerships;
- Become a landlord and rent out unused space.

Proactively diversifying college revenue streams in this manner allows community colleges to become more flexible and nimble than they already are.

*Gradually Increase Revenues*

Advanced planning allows colleges to proactively address potential revenue streams. Moreover, small increases over time are more palatable than large increases. Therefore, financial leaders should consider gradually engaging in the following type of activities:

- Increase student tuition;
- Increase student fees;
- Increase pricing of auxiliary services;
• Increase rent payments from lessors;
• Request additional taxes via a millage or levy request.

When colleges increase service fees, they are able to plan for financially supporting technology upgrades, additional equipment needs for each program, and even increases in employee salaries. Moreover, it gives colleges an opportunity to keep up with inflation.

In addition to increasing various fees and requesting additional taxes, community colleges can increase online programming. The colleges that do so will need to make an initial investment in online programming. Nevertheless, such programs have the potential to attract new students and bring in additional revenues.

**Take Advantage of Collective Bargaining Agreement Negotiations**

Without question, employees are valuable resources. However, in order to be a good employer, colleges must think past the current budget year and think about how changes in collective bargaining agreements can positively or negatively impact the future financial sustainability of the college. Since these agreements are typically open for negotiation based on a specified schedule, it is important to take advantage of such open periods. That said, areas for negotiation should include, but not be limited to:

• Automatic step increases;
• Compensation and benefits;
• Guaranteed workload;
• Tenure requirements;
• Sabbatical benefits;
• Short-term union agreements.
Negotiating a labor agreement does not have to be contentious. Instead, it is an opportunity to communicate about the future of the relationship between the college and its employees. With this in mind, CFOs and other financial leaders participating in this type of process should seek a framework that embraces open communication, like Interest-Based Bargaining (IBB). Engaging in this type of process should yield mutually beneficial agreements.

Pay Attention to Trends
Each state legislates how community colleges are funded. However, despite their uniqueness, it is possible for one state to model itself after another with respect to major political and/or legislative issues. For this reason, financial leaders of community colleges should take notice when states like Arizona decide to disinvest in a portion of their community colleges, when Ohio adopts a 100% performance funding model, and when Illinois legislators reach an impasse that directly impacts the amount of state appropriations that are available to community colleges in the state. Likewise, CFOs should pay attention to the number of millage and levy proposals that are unsuccessful, as well as proposed changes to the Higher Education Act.

Understanding the marketplace is just as important as understanding legislative trends. For this reason, community colleges may consider conducting an environmental scan to better understand the needs of the marketplace and to know what competing institutions are doing. Financial leaders that pay attention to trends and the marketplace have the ability to strategize early and develop some understanding as to how their respective colleges would approach the same situation if it were to occur in their state. Regardless of how long concerns for community college funding structures have existed or the number of times different states have changed
funding formulas, the current landscape of higher education (changing student needs, different market expectations, increased competition, outcomes-based education, and concern for return on educational investment) requires new ideas and approaches to problem resolution.

Take a Collaborative Approach to Financial Planning

There is not a single person who has all of the answers to every problem. Therefore, establishing a key stakeholder group to have real conversations about the financial issues facing the college is recommended. Additionally, there are several reputable organizations like AACC, the National Association of State Business Officers (NASBO) and the Central Association of College and University Business Officers (CACUBO) that often post information regarding budgeting and other topics that might be helpful resources for community colleges dealing with financial issues.

Too often we try to fix existing problems with existing and limited resources without concern for how the society and economy are transforming. As a result, there is an increased level of frustration as we try to make increasingly obsolete ideas and methods more efficient. . . . We must see connections and tackle challenges with fresh ideas and an open and visionary mind; otherwise we will be doing little more than re-arranging deck chairs on a sinking Titanic. (Smyre & Richardson, 2016, p. 9)

Short-Term Guidelines for Addressing Revenue Fluctuations

Arguably, financial crisis are unpredictable, and when they occur, financial leaders may not have a great amount of time to react, especially if a long-term strategic revenue management plan is not in place. In those situations, applying short-term solutions might be helpful. Nevertheless, it is critical that financial leaders are mission-minded and collaborative as they address revenue fluctuations. Below are guidelines that the researcher would suggest
CFOs consider applying when a financial crisis occurs suddenly, and a strategic plan has not been developed.

**Review Budgeting Practices**

There are several approaches to budgeting, and it is not uncommon to review budgeting processes during times of financial challenge or significant revenue fluctuations. For example, colleges that utilize incremental budgeting may choose to switch to zero-based budgeting in order to conduct a thorough review of all expenses. Likewise, a college that normally subscribes to unit-based budgeting might want to switch to incremental budgeting in order to shift the focus to the needs of the entire organization instead of unit by unit.

**Increase Revenues**

When the benefit of time is not available, community college leaders should seek to increase revenues immediately. This can be accomplished by engaging in some or all of these activities:

- Issue bonds;
- Activate reserve fund accounts;
- Sell unused or not fully utilized property;
- Dedicate additional space for lease by outside parties;
- Increase student tuition;
- Increase student fees;
- Increase customer pricing for auxiliary services;
- Increase enrollment;
- Increase corporate training activities.
Decrease Expenses

An easy way to make sure that monies are available to support mission critical activities is to cut expenses for non-mission-critical activities, reallocating those funds to mission-critical areas. Below are some examples of how this can be accomplished:

- Temporarily freeze hiring;
- Temporarily freeze travel;
- Offer early retirement packages;
- Reduce professional development activity;
- Institute furloughs;
- Decrease discretionary spending;
- Reduce student working opportunities;
- End financially draining community programs that can be provided by other parties;
- Stop subsidizing auxiliary services that are not profitable;
- Work with the purchasing department to negotiate pricing for items that are considered fixed costs.

Seek Efficiencies

During moments of financial stress, it is important to make sure that all resources are being used efficiently or as efficiently as possible. A review of efficiencies should include reviewing operational flow charts and standard procedures of operations. This type of activity helps to reduce redundancy and duplication of effort. Of course, there are other ways to achieve efficiencies, some of which include:

- Conduct an employee desk/position audit to make sure that job responsibilities are divided in the most efficient manner.
• Initiate a review of the course scheduling process and the current class schedule, making changes to the schedule as necessary to create efficiencies.

• Seek cost-sharing opportunities with other entities and/or business partners.

ADDITIONAL CONSIDERATIONS

The guidelines presented thus far are specific to actions that CFOs and financial leaders can take when faced with financial challenges. However, since the research findings also included suggestions about leadership competencies and business acumen necessary to operate as a CFO (outside of financial analysis skills), the researcher suggests that new CFOs and financial leaders consider the importance of the following things when leading their institutions:

• Understanding what is going on at the college as a whole;

• Having interpersonal skills (ability to get along with others and work collaboratively);

• Possessing communication skills (written and verbal; able to simplify information);

• Being decisive and willing to make tough decisions;

• Being forward thinking.

ADDITIONAL RESEARCH

The purpose of this research was to describe, compare, and contrast funding strategies employed by community colleges during fiscally challenging times, comparing the actions of the colleges in the study to the toolkit of options suggested by Mullin et al. (2015), and using the information to provide guidelines for how colleges can weather financial storms. Data were collected from six interview participants and compared to the suggestions of Mullin et al. The
data were analyzed, and the results of the findings suggested that interview participants responded to financial challenges in a manner similar to the model under review. However, there were some unique aspects to how interview participants performed. The results of the findings were used to create suggested guidelines for new CFOs and financial leaders.

There were some limitations of the research project. First, the study included interview participants from only two Midwestern states. Secondly, the American Association of Community Colleges 2018 fact sheet reported that there are 980 public community colleges in their membership database (AACC, 2018). Only six public institutions were included in this study. In the future, the study could be expanded to include more participants from different parts of the country. It could be further expanded to include a comparison of the budget processes employed by interview participants.

Several authors have written about community college finance in general, such as Romano and Palmer (2015), Barr (2003), and Breneman and Nelson (2010). However, there is a very limited amount of literature specifically related to managing revenue fluctuations. Katsinas and Palmer (2005) are among the few authors outside of Mullin et al. (2015) to dedicate a book to this extremely important topic. For this reason, there is space for this topic to be explored further.

CONCLUSION

Managing community college revenue fluctuations can be a daunting task for even the most skilled CFO. Nevertheless, there are some things that financial leaders can do to make the fluctuations more palatable. Perhaps the best way to approach revenue fluctuations is by
creating a strategic plan in advance of any major fluctuations. However, it is unrealistic to think that financial leaders will always have a plan in place prior to a financial crisis. For this reason, CFOs must have guidelines for quickly addressing revenue fluctuations.

The guidelines presented in this chapter are designed for guidance purposes only. They are not numbered because they are not meant to be sequential. In fact, community college leaders can engage in more than one activity at a time. Moreover, the researcher fully understands that since each public community college is unique, CFOs and financial leaders that entertain the proposed guidelines from this research project will approach them in a manner that best aligns with the mission, vision, and culture of the individual college.
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APPENDIX A: DEFINITIONS OF TERMS
**Community College.** The community college is largely a phenomenon of 20th-century American higher education. The label applies to an array of institutions that offer six-month vocational diplomas; one- and two-year vocational, technical, and pre-professional certificates; and two-year programs of general and liberal education leading to an associate degree.

**Community College District (Michigan).** A community college district is directed and governed by a board of trustees, consisting of 7 members, elected at large in the territory of the district or proposed district on a nonpartisan basis. At the organizational election, the electors shall elect 3 members for 6-year terms, 2 for 4-year terms, and 2 for 2-year terms. After the initial terms, at the next regular community college election immediately preceding the expiration of their terms of office, the electors shall elect members for 6-year terms. In a community college district that is comprised of 3 counties and is in operation on the effective date of this act, the board of trustees shall continue to consist of 9 members, 3 from each county, elected for 6-year terms.

**Grants.** Grants are funds for college that do not have to be repaid after graduation. The largest federal grant program is the means-tested Pell grant. Pell awards are determined by a student’s EFC and cost of attendance.

**Interest-Based Bargaining.** A negotiating strategy in which both sides start with declarations of their interests instead of putting forward proposals, and work to develop agreements that satisfy common interests and balance opposing interests. Interest-based bargaining is also called integrative or win-win bargaining.

**Levy.** Impose or collect an amount (such as a tax) by compulsion or legal authority.
**Loans.** Unlike grants, loans are liabilities accumulated by students to fund their own education. While grants can be thought of as intergenerational transfer in the sense that current taxpayers or private foundations and charities are subsidizing the current student’s education, loans can be thought of as a generation financing its own education through pledged future earnings. Loans have to be paid back after graduation.

**Millage Rate.** A value used to calculate property taxes or school taxes. The millage rate is a value per $1,000 of property value, which is multiplied by the taxable value of the property to calculate the amount of taxes due on the property. The term comes from the Latin word *mil*, meaning "thousand."

**Net Tuition Revenue.** Net tuition revenue is the amount of revenue an institution takes in from tuition and fees, net of all institutional grant aid provided to students. Some of this revenue comes in the form of financial aid from federal and state governments and other sources. Institutional averages are weighted by 12-month FTE enrollments.

**Property Taxes.** Property taxes are levied based on the value of property. In addition to the taxation of real and personal property that typically falls under the local General Property Tax, local governments are authorized to levy three other ad valorem taxes (unit-wide special assessments, Low Grade Iron Ore Tax, and the County Real Estate Transfer Tax) and the state government is authorized to levy five ad valorem taxes (State Education Tax, Utility Property Tax, State Real Estate Transfer Tax, State Essential Services Assessment Tax, and Motor Vehicle Registration Tax). Motor vehicle registration taxes are not typically associated with property taxes; however, because Michigan taxes personal passenger vehicles based on their value, the Motor Vehicle Registration Tax qualifies as a property tax. Michigan local governments are
authorized to levy eleven different types of specific taxes in lieu of ad valorem property taxes, several of which were created as economic development tools to reduce the tax burden on individual taxpayers.

**Work-Study.** Federal work-study (FWS) pays students for part-time work while they are enrolled in school. Work-study is one of the campus-based programs, so the federal government provides funds to participating institutions whose financial aid offices determine each student’s job, hours, and wages.
APPENDIX B: IRB APPROVAL LETTER
Date: November 29, 2017  
To: Dr. Sandra Balkema and Seleana Samuel  
From: Dr. Gregory Wellman, IRB Chair  
Re: IRB Application for Review, Strategies to Address Changing Community College Revenue Streams

The Ferris State University Institutional Review Board (IRB) has reviewed your application for using human subjects in the study, Strategies to Address Changing Community College Revenue Streams and determined that it does not meet the Federal Definition of research on human subjects, as defined by the Department of Health and Human Services or the Food and Drug Administration. This project does not meet the federal definition of research on human subjects because it is a project intended to collect information related to the operational activity of an organization. As such, approval by the Ferris IRB is not required for the proposed project.

This determination applies only to the activities described in the submission; it does not apply should changes be made. If changes are made and there are questions about whether these activities are research involving human subjects, submit a new request to the IRB for determination. This letter only applies to Ferris IRB Review; it is your responsibility to ensure all necessary institutional permissions are obtained and policies are met prior to beginning the project, such as documentation of institutional or department support. Note that quality improvement project findings may be published, but any findings presented or published should be clearly identified as part of a quality improvement initiative and not as research.

Your project will remain on file with the Ferris IRB for purposes of tracking research efforts at Ferris. Should you have any questions regarding the determination of this letter, please contact the IRB.

Regards,

Ferris State University Institutional Review Board  
Office of Research and Sponsored Programs