Organizational Change at Maricopa Community Colleges

A Position Paper

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If, at first, the idea is not absurd, then there is no hope for it. - Einstein

Organizational Change – A Position Paper

Forward

Maricopa Community Colleges has experienced significant tuition and property tax increases, low quality student services, declining enrollment, poor graduation rates and high student loan default rates and lack of new programs. Environmental threats are increasing and include greater competition, changes in Higher Learning Commission ("HLC") accreditation criteria, stricter Federal student loan requirements, new teaching & learning techniques and technology and new types of educational credentials in the marketplace. To fulfill its mission of graduating Maricopa County citizens with useful degrees and certificates, Maricopa Community Colleges must transform itself or become irrelevant and a dying institution.

This "Organizational Change - A Position Paper" represents the application of my education and experience. With a 30-year career in the global manufacturing sector, with significant restructuring work, coupled with an MBA and continuous training I have prepared this report. Importantly, most of ideas have been provided by faculty and staff. I want to express my appreciation of those faculty that "over a beer" shared their frustrations and ideas to better the institution. On reflection, I do not believe any one idea is new or novel or a surprise as they are discussed at leadership meetings, open forums, employee meetings and within the community. What is new is organizing these ideas into a "blueprint" to transform Maricopa Community College into a world-class educational institution for the 21st century.

By necessity many estimates have been used, but are believed to be directionally correct. Estimated reductions to general operating expenses, which can be achieved over several years, is $185 million. Another $160 million in capital can be raised from the sale of assets and better use of existing funds.

More importantly than efficiency is improving effectiveness. That is, increasing the percentage of students that receive a degree or certificate so that they can join the workforce as quickly as possible. Imagine if the percent of students receiving a degree jumped from about 15% to 30% or even 75%. The economic and social impact would be enormous.

The Chancellor and Governing Board of Maricopa Community Colleges have the power to implement the Transformational Blueprint presented here. There is the opportunity to be bold.

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Strengths, Weaknesses, Opportunities and Threats (SWOT)

SWOT Analysis is the most renowned tool for audit and analysis of the overall strategic position of an organization and its environment. Its key purpose is to identify the strategies that will create a specific business model that will best align an organization's resources and capabilities to fulfill its mission within the environment in which the organization operates. This SWOT analysis presents observations and trends from the public documents, data analysis, literature and more importantly from regular discussions by faculty and staff. These discussions take place at lunch, over a beer, at parties and anywhere employees gather.

Institutional Strengths

1. Economies of scale. Due to the large number of students (225,000), number of colleges (10), and course offerings (over 8,000) the organization has the ability to provide high quality and low cost education to the community.
2. Strong financial strength. MCCCD is required to maintain a financial stability balance equal to 8% of the annual projected revenue which equates to $52.7 million. The remaining fund balance of **$114.5 million** is more than double the targeted figure and is comprised of college surpluses, designations for future operations, and minimum financial condition measure for future years, allowance for student bad debt, priority initiatives, capital master planning, reserves for potential claims and contingency, enrollment growth/retention, and an undesignated balance of $3.0M. This financial strength has been maintained for many years.
3. Excellent legal structure and funding model. Maricopa Community College (MCCCD) is a special District created by the State of Arizona's constitution and statutes. It is governed by a seven member elected Governing Board with the power, subject to some limitations, to *set tuition, tax property owners and borrow funds* through the sale of bonds and *control costs*. The District does not receive funding from State Legislature and is not subject to their supervision or uncertainties from its annual budgetary process.
4. Capital funds availability. In 2004, Maricopa County voters overwhelmingly approved a $951 million General Obligation Bond Program. Bonds totaling $951 million have been issued as of June, 2013. As of June 30, 2016 about $75.0 million has not been appropriated and could be reallocated to new priorities. Additionally, General Capital Fund (710) has about $25.0 million of unassigned funds available. There is **potentially $100.0 million of capital funds available**.
5. Supplemental funding from Proposition 301, a statewide November 2000 referendum that raised sales taxes for education. Community colleges are required to use the funds for workforce development and training. The FY2016/2017 Adopted Budget shows **$18.5 million is not allocated** to any project and will be carry-forwarded to future years.

Institutional Weaknesses

1. Tuition has increased 32% from $65.00 per credit hour in FY 2007/2008 to $86.00 in FY 2016/2017. Tuition generates $226 million or 33% of total revenues. Annual student tuition increased from $1,950 in FY 2007/2008 to $2,580 in FY 2016/2017.
2. Property Tax rate per $100 of assessed value increased 49% from $0.9760 in FY 2007/2008 to $1.4651 in FY 2016/2017. Property Taxes generate $447 million or 65% of total revenues.
3. Net current assets have increased dramatically from Fiscal 2009 and total $425 million at year-end Fiscal 2015. Normally, high net current assets would be viewed as a strength; however, due to annual reports by a residential faculty member, this high balance is viewed negatively by faculty, staff and the public because it demonstrates that tuition and property tax increases have not been required. Do we really know how much money we have?
4. Enrollment (FTSE) has declined in each of the past 5 years from a peak of 84,544 in FY2010/2011 to 71,889 in FY2015/2016 for a cumulative decline of 12,655 or 15 percent. FY2016/2017 has an estimated enrollment decline of 3 percent. Seven of the ten colleges have enrollment below 9,000. Further declines are likely.
5. Enrollment (FTSE) projections used for Expenditure Limitation Calculation[i] has been *significantly overstated* beginning with FY2011/2012 budget when projected enrollment jumped from 85,000 to 92,850 while actual FTSE is declining. FY2016/2017 projected enrollment is 80,678 while the previous year actual posted another decline to 71,889. This overstatement misleads the Governing Board and creates loss of trust by the community, faculty and staff.
6. Employee manuals create a faculty-centric culture that prevents the institution from fulfilling its primary mission of graduating students, improving teaching and learning or addressing environmental threats. For example, Mesa Community College has an accreditation requirement for faculty to measure learning outcomes. After 3 years, faculty participation (which is voluntary) in this requirement is very low at 15% and College Leadership is powerless to insist that faculty comply with accreditation requirements. Loss of accreditation is a possibility. There are many examples like this one where faculty are not accountable to anyone for anything.
7. Lack of *defined programs of study* that clearly show students how to complete their degree in the shortest time and lowest cost. Good colleges have always had these tools

FTSE

Full-time Equivalent Students

All colleges and universities use FTSE to measure number of students because it takes into account credit hours generated by students rather than a headcount or enrollment numbers that may over count part-time students. The metric allows comparison between colleges.

One FTES represents 30 credit hours of classes taken by a student over an academic year and is calculated on an annual basis by taking the total credit hours taught divided by 30.

FTSE = total credit hours / 30

from day one of their creation. Poor colleges, defined as those with a faculty-centric culture, maintain a college without programs of study. I graduated from a good community college in 1972.

a. Mesa Community College, and other poor colleges nationwide, have just recognized this weakness and launched a great initiative, Guided Pathways for Success, to correct it. This is simply a program of study that informs students of the requirements to obtain a degree. This is like General Motors announcing that after 75 years they have created instructions on how to build a car. It demonstrates that Maricopa Community Colleges have never been focused on awarding degrees, just teaching a bunch of classes.
b. Now that we have determined that this lack of Programs of Study is the number one cause for low graduation rates, the faculty states it will take 3-5 years to create them (written on a piece of paper.) District Information Technology leadership wants to create a District-wide project to automate this which means it will never get done.

8. *Cost per FTSE has increased* from $8,160 in FY2008 to estimated $10,790 in Fiscal 2017 or 32 percent. Cost per FTSE has increased every year from the peak enrollment year of Fiscal 2011 at $7,752 with the cumulative increase at 39 percent. Although the colleges have decreased spending each year from Fiscal 2011 due to declining enrollment, the cost per FTSE has jumped dramatically due to higher employee salaries and benefits.
9. Cost per Award (degrees and certificates) in Fiscal 2016 is $26,200; while Cost per Degree (excluding transfer certificates) is $36,700. At about $18,000 per year, the cost of a degree at Maricopa Community College, funded one-third by students and two-thirds by taxpayers, is similar to that of high cost private colleges.

Opportunities

1. Degree and certificates that ***lead to employment*** in a short period should be priority one. Transfer degrees should be priority two. Graduation rates range between 12% and 17% depending on the metric. Occupational degrees awarded account for about 40% of total awards, while transfer degrees account for about 28%. Excluding transfer degrees (AGEC) which only require 35 credit hours and the number of degrees awarded plunges.
2. Adopt a focus on ***number of degrees awarded***, not number of students enrolled or number of courses taught.
3. **Transfer curriculum control** and development from faculty to administration. Faculty participates but should not initiate or direct programs of study or courses. Each year, old programs must be discontinued; while new programs in high demand by business are created.
4. Career & Technical Education (“CTE”) programs should be priority one. Certificate programs that only require 6, 12, or 30 credit hours, instead of 60 -70 or 100 credit hours, will allow more students to earn credentials and enter the workforce quickly. And at much lower cost.

5. Create an organization that is ***student-centric***; not today's faculty (and staff) centric model. A phrase borrowed from Michael Crow, President of Arizona State University.
6. *Reduce the cost of education* for students while minimizing taxes on property owners. The Arizona Constitution mandates the provision of higher education ***"as nearly free as possible."*** The cost of education includes tuition, course fees and books. Technology and policy changes can reduce estimated annual cost from $5,200 by 25%.

Environmental Threats

1. Accrediting agencies and lawmakers are looking at accreditation reform. Institutions with low graduation numbers will need to have a plan for increasing those rates. The Council of Regional Accrediting Commissions (C-RAC) is targeting two-year institutions with graduation rates of 15 percent or lower over 4 years.
2. Competition is increasing with universities and for-profit institutes. Two of the country's most innovative universities, ASU and GCU, are located in Maricopa County. Each is significantly improving student services, breath of programs and teaching methods.
3. New programs required by the marketplace are being fulfilled by other organizations as MCCCD faculty are unwilling and unable to respond. Maricopa Community College runs the risk of becoming irreverent to students.
4. High student loan default rate created by non-completion and lack of post-graduation employment. Many Maricopa Community College have defaults rates in the 20s. Potential new Federal regulations could deny a college from awarding federal grants or loans if the rate exceeds 30%.
5. Stricter Federal student loan requirements lowers the amount of time and funding available to students.
6. New teaching and learning technologies improve course completion and improve core student skills which makes many course curriculum and faculty obsolete.
7. New Higher Learning Commission (HLC) accreditation criteria including continuous improvement.
8. National declining enrollment trends at community colleges which are generally perceived as "low quality" or for "kids not smart enough to get into a real college."

Organizational Change – A Position Paper

Blueprint to Transform the Institution

A Student Centric Organization: A New Philosophy

"Creating and supporting a cohesive system for students means making institution-wide changes to achieve success. Clearing barriers so that the best of your recruited students can continue to excel, and providing a safety net for those at risk of dropping out, is of the highest priority. Equally important, is that the <u>changes must work to make colleges more affordable</u> as well as managing an alumni and employer ecosystem to create career opportunities for graduates."

Changing the Culture to Improve Outcomes

1. Revise Mission Statement

Today's Mission: The Maricopa Community Colleges provide access to higher education for diverse students and communities. We focus on learning through: ▪ University Transfer Education ▪ General Education ▪ Developmental Education ▪ Workforce Development ▪ Student Development Services ▪ Continuing Education ▪ Community Education ▪ Civic Responsibility ▪ Global Engagement	**Example Mission:** Prepare individuals to succeed in life by providing affordable access to high quality career education delivered in an innovative learning environment.

Mission statements are important because (i) the High Learning Commission provides accreditation based on fulfilling the mission and (i) it focus resources on mission important activities and eliminates programs that do not meet the mission. The current mission statement commits the Board to funding programs that are not important.

A focused mission can eliminate \$3.0 to \$10.0 million of costs associated with unimportant programs and initiatives.

2. Recruit and develop decision-making leaders instead of administrators. Change the designation of “administrators” to “**management”** and replace titles. Chancellor becomes President, Vice Chancellor of Business Services becomes Chief Financial Officer, Deans become Directors, etc. Changes to the Residential Faculty Policy (RFP) and Staff manuals are a prerequisite to redefining who makes decisions.

3. Human Resources needs to be redefined as a support function and removed from operational decisions. As a support function, HR facilitates policy development with executive leadership. Operating leaders are the decision-makers for the application policy. If operational managers make mistakes, then they should be held accountable.

4. Define the role of District Office functions and College functions to eliminate confusion, in-fighting and lower efficiency.

5. Key to the creation of a student-centric organization is the repeal the Residential Faculty Policy (RFP) manual and replacing it.
    a. Faculty Association membership is about 30 percent of total faculty and the non-members have just withdrawn from participation. That leaves the “radical” members to control policy. This statement made by senior faculty members.
    b. There are other colleges nationwide with faculty manual which can be used as a template. Start by looking at Arizona State University, the number one innovation university in the country. GCU is excellent too.
    c. Eliminate the Faculty Association (aka faculty union) as the sole bargaining agent for all faculty. ABOR policy already does this for the State universities.
        i. ABOR Policy 6-906 Labor Union Membership

        “The Board does not oppose labor organization membership of employees as such membership is their right and in no way affects their employment relationship, but the Board, as a public employer functioning under the provisions of A.R.S. 15-1626, does not have legal authority to recognize a labor organization as the employees' agent for purposes of collective bargaining. **In addition, neither the Board nor the universities shall engage in "meet and confer" activities**. (A.R.S. 15-1626)”

    d. Convert faculty to “at-will” employment contracts. Tenure is no longer in the best interests of students

   e. Require Residential Faculty to have the College as its full-time employers and prohibit a second full-time employment position
   f. Require Residential Faculty to work 40 hours per week with casual overtime expected
   g. Establish annual employee performance appraisals patterned after ASU forms and procedures
   h. Install merit-based pay system that rewards for results not seniority
   i. Eliminate "shared governance" clause. There is no generally accepted definition which leads to conflict. Faculty should participate with management, but not initiate or stop initiatives
   j. Eliminate mandatory budget participation and staff hiring committee participation
   k. Establish faculty performance appraisal conducted by managers and make it easy to remove faculty that are poor teachers.
   l. Remove employee group leaders from decision-making review and approval
   m. Replace faculty elected department chairs with full-time exempt (MAT) employees appointed by the College President

6. **Rescind** the authority delegated to the Chancellor in December 2014 ***to approve changes to Faculty and Staff employee manuals.*** Employee salary and benefits account for 85% of annual operating costs and changes to the manuals significantly increase costs and should be approved by the Governing Board. Communicates to faculty, staff and the public that these important costs are reviewed in public and at the highest levels.
   a. Increasing the number of residential faculty (60/40) is an example of this. Over 10 years this provision will add 360 residential faculty positions at an estimated annual cost of $36.0 million with no demonstrated improvement in the number of degrees awarded.

7. Change enrollment projection process used for the Expenditure Limitation Calculation
   a. This is a provision of the State Constitution and Arizona Revised Statutes that limits the expenditure of local tax revenues (e.g. primary property taxes and State Aid). The limitation is set by the Economic Estimates Commission (EEC) by applying growth in enrollment (FTSE) and inflation over a base budget year.
   b. Define change as an Administrative Regulation to restore the public's confidence in leadership. Stop "cooking the books"
   c. Historically, FTSE figures used for spending authorization has been 10% to 20% higher than prior years' actuals.
   d. USE PREVIOUS YEARS' UNAUDITED ACTUALS
   e. Provide Pro Forma calculations in the budget using lower future enrollment (2%, 3%, 5%) as supplemental information

Cost Reductions that Improve Efficiency

8. Eliminate all Athletic programs; this is a quick one with large savings.
    a. Annual savings in operating costs are $12.5 million
    b. The cost per FTSE, excluding Athletic costs is $7,500, while the cost per student athletic adds another $6,400 for a total cost per student athletic of $13,900
    c. Avoids needed capital improvements estimated at $3.0 to $5.0 million annually
    d. Eliminates compliance and student athlete safety issues
    e. Sell athletic land and buildings – generates $25-$75 million cash; alternatively, lease the land to create an on-going revenue stream (this is the ASU model)
    f. Viewed by many faculty members as not contributing to the college mission.
    g. There are no Student Outcomes that support the enormous cost of Athletic Programs.

9. Convert Rio Salado College from its custom built in-house Learning Management System (LMS) to the already owned and highly effective Canvas software used by the nine other colleges.
    a. Quick and easy to implement
    b. Estimated annual savings $5-8 million
    c. Canvas is a superior student management learning system

10. Restructure the college academic affairs function that creates *separate vice presidents* for Career & Technical Education (CTE) from traditional academic programs (English, Math, History, etc.). Each is sufficiently different from the other. It increases the focus and accountability for Outcomes of each.

11. Convert academic department chairs from part-time faculty to full-time Classified Staff positions hired by the College President or designee. Proper management of a department requires full-time managers; instead of a faculty who teach, works 9 months a year and not trained to perform the managerial functions needed. Additionally, Academic Department Chairs, who are elected by their faculty, are often placed in a position of "conflict of interest" by making financial decisions (scheduling, class load, reassign time, etc.) that benefit individual faculty, but are detrimental to the college.

12. Dramatically *reduce the amount or faculty reassigned time* from teaching. Mesa Community College averages 900 teaching hour per semester which requires hiring 30 additional faculty at a cost of $3.0 million a year. District-wide the cost is about $15.0 million. A reduction of 50% could save $7.5 million.

13. *Increase the compensation for adjunct faculty* to market rates. MCCCD pays about 50% of what ASU pays. This lower pay will prevent the District from attracting qualified instructors and compete with ASU and GCU which offer higher compensation. Many MCCCD faculty teach part-time at ASU and GCU because of the higher compensation.

Qualified adjunct faculty are necessary to provide students with instructors with real world experience. Estimated annual cost $30-$40 million.

14. Set *salary ranges based on market rates* not inflation and non-value adding credentials. Freeze residential faculty salaries as existing salary ranges and their applications creates residential faculty salaries that are estimate to be 20-30% above market. Reduces residential faculty costs by $40-60 million.

15. Adopt a *single HLC accreditation* for Maricopa Community Colleges. This will create class scheduling improvements for students, allow faster consolidation of small academic programs into larger centers of excellence could save $5.0 to $10.0 million annually, promotes Maricopa Community Colleges instead of small neighbor schools. Also, eliminates duplicate administrative costs creating annual savings of $2.0 - $3.0 million.

16. Revise long-range financial plan (latest version FY2013-14 through FY2021-22) to show important assumptions, strategies and initiatives that enlighten the Chancellor, the Board and the public. Transparency of cost and benefits will place controls on high cost and low student Outcomes.
    a. Add Expenditure Limitation calculation and variations
        i. Show FTSE assumptions; scenarios at 5% and 10% enrollment decline
    b. Show separately MCCCD budget contingency (difference between bottoms-up and total budget) separately
    c. Show routine Maintenance Capital funding separately $25-$30 million a year
    d. Show cost of MCCCD initiatives separately including mandatory costs increases from existing employee policy manual provisions.
        i. RFP 60/40 Requirement adds costs $36 million annually over 10 years
        ii. Other salary increase provisions

17. Improve Annual Budgeting Process
    a. Delete open positions older that one year will save 100 positions or $5,000,000
    b. Remove Faculty Senate formal and informal influence over resource allocations and budget changes
    c. Provide a comparison between actuals and budget by account with a written analysis
    d. For each college show a reconciliation of funding separately from reconciliation of expenses
    e. Require Colleges to present their key operational objectives with the budget
    f. Hold College Presidents accountable for accurate and proper allocation of resources without the fear of Faculty Senate

18. Adopt an ***outsourcing strategy*** to replace the ingrained "do it in-house" philosophy that can save $20-40 million annually. Functions that readily become more efficient with outsourcing are:
    a. Information technology, maybe 50% of what they do
    b. Grounds and custodian services, can be 75%
    c. Data Networks, can be 100%
    d. Call & Contact Centers, can be 90%
    e. Child Care Centers, can be 100%
    f. Learning Management Systems (LMS)
    g. E-mail system, convert to Microsoft exchange
    h. Public Safety, can be 50%

19. Create Capital Plans required for accreditation and good business practice
    a. Identify Growth (new land and buildings) vs Maintenance Capital (maintaining existing buildings and equipment) requirements
    b. Sweep the unused $50 to $100 million of 2004 Bond funds from colleges and District Office and reallocate funds based on need
    c. Hire consultants to assess condition of facilities for the purpose of defining amount of maintenance capital needed. Cost estimated at $1.0 million.
    d. Create an annual District and College Capital Plan that separates Growth Capital (new buildings) and Maintenance Capital (maintaining existing buildings and equipment)

20. *Create a curriculum process that is led by management*, faculty participates not directs, that defines degrees, certificates and courses *based on market needs* that are identical across all colleges.
    a. Require a program of study for each degree and certificate
    b. Associate degrees should not exceed 60 credit hours
    c. Standardize courses across all colleges
    d. Eliminate 20% of about 8,000 courses offered
    e. Annually add 10% and delete 10% of total courses and programs to ensure programs in high demand are added and old programs are eliminated.
    f. Eliminate faculty control over class scheduling; it's a conflict of interest; increasing average class size 10% from about 20 to 24 could reduce the number of residential faculty by 140 that generates $15.0 million savings.
    g. Create "badges" or certificates that can be earned with 6 to 30 credit hours to allow students to gain skills and a job without a 2 or 4-year degree

21. *Sell underutilized buildings and campuses*; proceeds can reduce Bonds and lower taxes or redeploy to other capital needs. Estimated annual operating cost savings are:
    a. Red Mountain Campus $5.0 million per year
    b. Communiversities (2) $3.0 million per year

c. South Mountain College convert to a Phoenix College Campus $15.0 -20.0 million per year
d. Glendale Community College's Happy Valley Road Campus $2.0 to $5.0 million
e. Close Corporate College $1.0 million per year; this is now in process.
f. Evaluate all satellite campuses and locations creates savings of $5.0 to $15.0 per year

22. Eliminate costly provisions of the Residential Faculty Policy (RFP)
    a. Eliminate 60/40 Residential Faculty hiring clause and freeze hiring of residential faculty saving $20 to $30 million annually and avoids future cost increases
    b. Eliminate faculty staffing levels for counseling and library which create savings of $5 to $8 million annually and avoids future cost increases

23. Make Staff Policy Manual Revisions
    a. Create a work ethic environment by establishing all employee as "at-will"; eliminate the culture of "guaranteed lifetime employment without accountability"
    b. Eliminate "Meet and Confer-like" process recently established with Classified Staff employees that gives them almost collective bargaining rights
    c. Consolidate employee groups
        i. Eliminates paid assignments
        ii. Eliminates employees from stopping improvements
    d. Establish annual employee performance appraisals patterned after ASU forms and procedures
    e. Install merit-based pay system that rewards performers will save $3.0 million annually
    f. Improve employee productivity by adopting stricter controls on FLMA and ADA employee accommodations will save $3.0 million annually
    g. Create a "business environment" by eliminating academic titles for senior administrators from vice chancellor to senior vice president, etc. This is a common practice at ASU

24. Lower costs by implementing Maricopa Priorities recommendations
    a. require Leadership to prioritize programs and services identify the bottom 20%
    b. Require new programs be launched each year; and old one deleted
    c. Lower costs by eliminating low (under 15) attendance courses and high cost programs

25. Improve effectiveness of developmental education
    a. Define rigorous Outcomes that ensure students can successfully advance to college-level work
    b. Create separate department within each college; instead of being embedded in academic departments

c. Create a new category of residential faculty with lower pay ranges (about 25% below existing residential faculty teaching college-level courses) similar to high school teachers. Savings estimated at $5,000,000 annually
d. Create a career path for these faculty to move to teaching college-level courses
e. Adopt new teaching techniques and update annually

26. Reduce course fees for students by stricter definitions that will reduce annual costs to students by $5.0 million

27. Require all faculty, whether residential or adjunct, to use Canvas LMS software for all courses taught that allows adoption of innovative learning technology and techniques. Improves learning experience for students and develops learning skills required by employers. Again, the focus is on students not faculty.

28. Dramatically reduce the cost of books for students by mandating e-books and similar technology. Goal is to reduce an estimated annual cost to students for books of $75.0 million by $50.0 million.

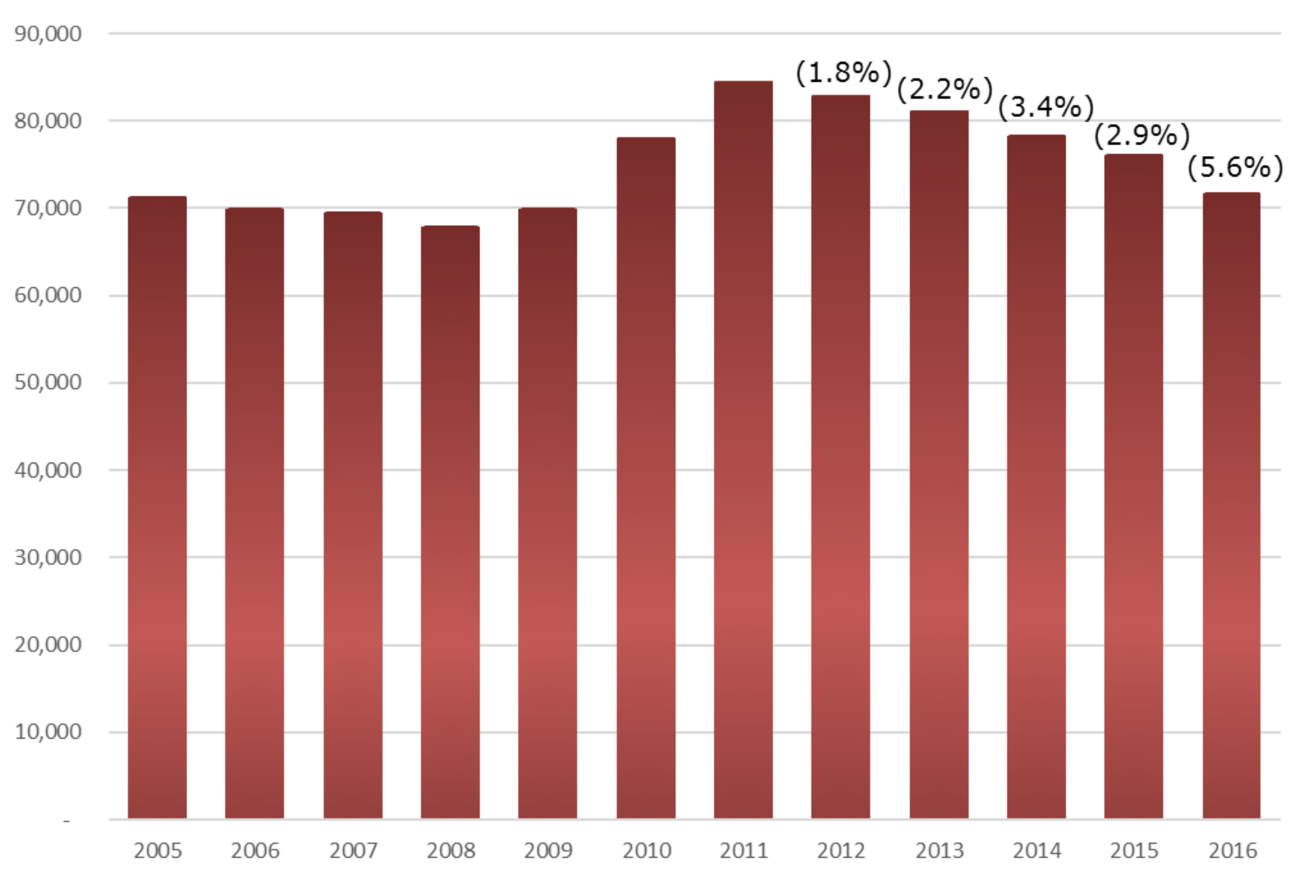
29. Offer health insurance to students similar to international students. ASU and other universities also offer low cost health insurance. An analysis showing incremental revenues and costs will likely show a cost reduction District-wide.

Appendix A: Financial Summary of Initiatives

Iniative Number	Initiative Description	Operating Budget	Capital Budget	Student Costs
	FY2016/2017 Budget	$ 733,700,000	$ -	-
1	Eliminate non mission critical programs	(5,000,000)		
8	Eliminate all Athletic programs	(12,500,000)	(5,000,000)	-
8	Sell athletic land & buildings	-	(75,000,000)	-
9	Convert Rio Salado to Canvas LMS	(8,000,000)	-	-
10	Restructure academic affairs department	-	-	-
11	Convert academic department chairs from part-time faculty to full-time Classified Staff	-	-	-
12	reduce the amount or faculty reassigned time	(7,500,000)	-	-
13	Increase the compensation for adjunct faculty	40,000,000	-	-
14	Set salary ranges based on market rates	(60,000,000)	-	-
15	Consolidate duplicate programs	(10,000,000)		
15	Adopt single HLC accreditation	(3,000,000)	-	-
16	Revise long-range financial plan	-	-	-
17	Improve Annual Budgeting Process	(5,000,000)	-	-
18	Adopt outsourcing strategy	(40,000,000)	-	-
19	Create capital plans and reallocate unused capital funds	-	(80,000,000)	-
20	Create a curriculum process that is led by management	(15,000,000)	-	-
21	Sell underutilized buildings and campuses	(30,000,000)	-	-
22	Eliminate costly provisions of the Residential Faculty Policy (RFP)	(15,000,000)	-	-
23	Make Staff Policy Manual Revisions	(6,000,000)	-	-
24	Implementing Maricopa Priorities recommendations	(3,000,000)	-	-
25	Improve effectiveness of developmental education	(5,000,000)	-	-
26	Reduce course fees	-	-	(5,000,000)
27	Require use Canvas LMS by all faculty	-	-	-
28	Reduce the cost of books for students	-	-	(50,000,000)
	Total	(185,000,000)	(160,000,000)	(55,000,000)
	Pro Forma Budget	$ 548,700,000	$ (160,000,000)	$ (55,000,000)
	Estimated FTSE	68,000		
	Cost per FTSE	$ 8,069		

Appendix B: Enrollment Trends

Full-Time Equivalent Students (FTSE)



Appendix C: FTSE Projections Used for Expenditure Limitation Calculation

Budget Year	FISCAL 2008-09	FISCAL 2009-10	FISCAL 2010-11	FISCAL 2011-12	FISCAL 2012-13	FISCAL 2013-14	FISCAL 2014-15	FISCAL 2015-16	FISCAL 2016-17
2016-17	70,099	78,149	84,544	83,024	81,218	78,454	76,150	71,889	**80,678**
2015-16	70,099	78,149	84,544	83,024	81,218	78,454	76,150	**81,000**	
2014-15	70,099	78,149	84,544	83,024	81,218	78,454	**88,500**		
2013-14	70,099	78,149	84,544	83,024	81,218	**94,350**			
2012-13	70,099	78,149	84,544	83,024	**94,350**				
2011-12	70,099	78,149	84,544	**92,850**					
2010-11	70,099	78,149	**85,000**						

FY2016/2017 FTSE is estimated to decline to 68,000 creating a projection overstatement of almost 13,000. Each 1,000 of FTSE creates about $5.0 million of funding, and accordingly the inflated projection increases the limitation by $65.0 million.

In Legislature approved a change in FTSE definition that allows certain Career & Technical Education (CTE) course to be counted as 1.5 FTSE. This change will close the gap between projection and actuals.

Notes

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[i] Expenditure Limitation Report, dated June 30, 2013. The Annual Budgeted Expenditure Limitation Report (ABELR) is presented as prescribed by the Uniform Expenditure Reporting System (UERS), as required by Arizona Revised Statutes (A.R.S.) §41-1279.07. The ABELR excludes expenditures of certain revenues specified in the Arizona Constitution, Article IX, §21, from the total budgeted expenditures.

The information reported in both the ABELR and the financial statements is derived from the same underlying accounting data. However, the formats of the ABELR and the financial statements differ. The ABELR presents budgeted expenditures, exclusions, and amounts subject to the limitation by fund type as required by A.R.S. §41-1279.07. The financial statements present the net position, changes in net position, and cash flows in accordance with U.S. generally accepted accounting principles.

In accordance with the UERS requirements, a note to the ABELR is presented below for any exclusion reported in the Total column on Part II that cannot be traced directly to an amount reported in the annual financial statements.