

Factors Contributing to the Suspension of the Cosmetology Program

Northland Community and Technical College

State-wide Economic Conditions

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prepared by MnSCU Fiscal Services Division

- The February 2009 forecast projected a budget gap of \$4.570 billion for the 2010-2011 biennium. The 2009 legislative session reduced the deficit to \$2.676 billion which was then addressed through the Governor's unallotment and executive actions. With the release of the November 2009 economic forecast on December 2, the state is now projecting an additional \$1.203 billion general operating fund deficit for the current 2010-2011 biennium after the Governor's unallotment and executive actions.
- The outlook for the 2012-2013 biennium has also worsened. The revenue forecast shows a \$5.426 billion shortfall compared with \$4.431 billion projected at end-of-session, a \$995 million increase.
- The state is faced with a structural issue. Revenues are projected to grow slowly and spending pressures will be driven by issues of an aging population and health care services. As a result, state spending will likely shift from education, infrastructure and higher education to the care and support of the aging. With this shift, it is more than likely that the share of the system's budget from state resources will continue to decline.
- The Governor's unallotment has reduced fiscal year 2011 funding level from \$666 million to \$616 million, virtually the same level as fiscal year 2006.
- With the state projecting an additional \$1.203 billion general operating fund deficit for the current 2010-2011 biennium, it would be prudent for the system to plan for an additional reduction in appropriation of as much as \$10.5 million above the \$50 million unallotment.
- It would be the Chancellor's intent to distribute any reduction in state resources using the framework that was approved by the Finance and Administration Committee of the Board of Trustees several years ago (i.e. proportional to each institution's percent of the system's total enrollment, among other factors).
- The Chancellor and Vice Chancellor – Chief Financial Officer have directed the colleges and universities to reach structural balance at the beginning of fiscal year 2012. The Governor's 2011 unallotment announcement and the new 2011 state budget deficit place additional pressure on the colleges and universities to balance 2011 budgets while delivering services to record-breaking enrollment levels.
- The colleges and universities are operating within the language of the Omnibus Higher Education bill that limits tuition increases for Minnesota resident undergraduate students to five percent each year of this biennium.
- There is an expectation that each college and university as well as the Office of the Chancellor will have a fund balance which is defined as budgetary cash balance at the close of the fiscal year. Maintaining a fund balance is an indication of responsible financial management and stability. Three months' worth of operating expenses is a national standard minimum benchmark for a public college or university.
- With the state now projecting a budget shortfall of \$5.4 billion in the next biennium, the impact to the system could be from \$105 to \$210 million reduction in appropriation over the next biennium.

Impact on Northland Community and Technical College

- Northland has already reduced its budget as much as possible without reduction of programs and staff. The unallocations for FY2011 and the looming reductions for FY2012 and FY2013 will require even deeper cuts. In following its recently adopted strategic plan, Northland is dedicated to increasing levels of student success, increasing quality throughout the college, and growing the college's enrollment and resources. To achieve these goals, the college cannot make "across-the-

board” cuts that weaken everything. In fact, the college must invest more heavily in those programs and services that will yield the most positive impact for students, our communities and the region.

- In preparation for the FY2010 budget, the college reduced its budget by \$1,500,000 through class scheduling efficiencies, restrictions in travel and non-personnel budgets, and reduction in staff through attrition and lay-off. For one year, the college has suspended equipment purchases for its academic programs. This is an inadvisable practice that cannot be repeated if programs are to remain healthy.
- If all budget assumptions from FY2010 (revenue and expenditures) remained the same in FY2011, the college would have a deficit ranging from \$410,993 to \$1,239,959. Tuition increases for next year have not been determined, but are limited by the Board of Trustees and the legislature to no more than 5%. Tuition increases will reduce the level of the projected deficit. The remainder must be addressed through reductions in services, programs, or employees to achieve a balanced budget, as required by statute.
- College expenses, such as insurance benefits, debt service, salary adjustments, separation costs, and utility costs will increase in FY2011. This will increase the deficit amount.
- NCTC’s fund balance is 10%, significantly lower than that of many other MnSCU colleges.

Northland’s Approach to Budget Reduction Decisions

- The work that was done by the college to develop a balanced budget for FY2010 was extensively chronicled. College employees were invited to submit suggestions for budget reductions and/or revenue enhancement strategies. A finance committee that involved all categories of employees reviewed the suggestions and made recommendations. Administration utilized college meetings to continually inform the college community about the developing budget crisis.
- This same process will be employed as the budget for FY2011 is developed.
- A Thief River Falls Community Advisory Committee with 25 members was re-established in 2007. College leaders meet with this committee at least twice a year to share challenges and opportunities within the college and to solicit advice and opinions. At its meeting on November 10, 2009, this committee was thoroughly briefed on the steps that the college needed to take to respond to the budget crisis. A discussion of the intent to suspend the Cosmetology program was included in this meeting.
- In FY2008, the college administration, working in cooperation with the local chapters of the Minnesota State College Faculty (MSCF) organization, developed a process through which all academic programs at the college are measured annually against six indicators of health. Among these indicators are enrollment, student retention, student completion, cost of the program relative to income, and cost of the program relative to similar programs throughout the MnSCU system. This analysis has allowed the college to assign programs to a “green” category if they are healthy in 5 or 6 of the measures. If they are healthy in 3 or 4 measures, they are in the “yellow” category, indicating that they are in need of improvement. If they are healthy in 2 or fewer measures, programs are assigned to the “orange” category, indicating that they are in danger of being discontinued without substantial improvement. Programs in the “yellow” and “orange” categories have worked with sustainability teams including recruitment and marketing specialists to increase awareness of and enrollment in programs. Deans have worked with program faculty to devise strategies to reduce program costs.
- Each technical program has an advisory committee that should be representative of the industry that the program serves. Faculty members within each program solicit members of the community to sit on the advisory committee and are charged with developing agendas for the meetings. There is a Cosmetology Advisory Committee. The minutes from this committee disclose that the sustainability measures and process were discussed with this committee starting in April 2008.
- The contract between MnSCU and MSCF requires that, if the college is considering suspension of a program and/or lay-off of faculty members, affected employees must be notified by November 1 of the year prior to the action. Furthermore, colleges must ensure that students who have started an academic program have the opportunity to complete it. Because of these facts, colleges must make decisions far in advance of implementation. Also, there are employee benefits associated with separation that must be considered in the budget for subsequent years.

- During times like these, when the state-wide budget picture is grim and insecure, NCTC had to create flexibility in its staffing plans for FY2011. It could only do this by giving the November 1 notice to faculty in programs that might be affected by suspension.
- The administration met with the MSCF chapters throughout September and October, 2009 leading to the announcement of the programs that were slated for suspension.
- Among other things, the administration has set a goal to increase the student-to-faculty ratio. In FY2008, NCTC had the second lowest ratio among the state colleges at 14.94 to 1. This is a level that cannot be sustained. The goal that has been set is 17 to 1 by FY2011. The administration has discussed this goal extensively with its faculty association and is proceeding along several paths:
 - Enrollment increase
 - Increase of course scheduling efficiencies
 - Reduction in faculty release credits for non-instructional assignments
 - Increase in class size limits, where appropriate
 - Reduction in part-time and adjunct faculty
 - Reduction in full-time faculty

Data Related to Cosmetology Program

- Program enrollment has declined from 53.17 FYE (full year equivalent students at 30 cr/year) in FY 2005 to 33.20 in FY 2009. There has been a small increase in FY2010.
- There were 3.25 full-time equivalent faculty members in FY 2009. Comparing student FYE to faculty FTE, there was a ratio of 10.22 students per faculty member in FY2009.
- It is difficult to reduce the faculty in this program, because state licensing standards require two licensed instructors be in the lab with students at all times.
- From FY2005 – FY2009, between 3.69 and 4.24 students graduated per each faculty FTE. This compares unfavorably to other NCTC technical programs.
- The cost ratio for the program is low. In FY2009, the ratio was 0.55. A program that generates revenue sufficient to cover expenditures has a ratio of 1.0.
- The costs of operating the NCTC Cosmetology program compared with other similar programs in the MnSCU system shows an indicator of 1.12. The average cost within the system has an indicator of 1.0; therefore, the NCTC program is more expensive than the MnSCU average for cosmetology programs.
- The average class section size in Cosmetology has averaged seven (7) students over the past five years. Most classes in this program have a maximum capacity of 20 students. The fill rate for cosmetology sections was 40.30% in FY2009, compared with an average of 64% for all college course sections.
- Tuition generated from students in FY2009 was \$146,500; Instructional costs were \$282,892. The gap between expenditures and revenue was \$136,392. The program has cost more than its revenue for several years: in FY2003, the gap was \$16,908, in FY2006, it was \$78,957, in FY2007 it was \$135,344, and in FY2008, it was \$121,689. The cumulative loss due to this program over these five years was \$489,290 – almost a half million dollars.
- The three year review of the program was accompanied by enhanced efforts to market and recruit for the program. There have not been sufficient changes in enrollment or reductions in cost to make the program more viable.

Myths – Reaction to the college’s intent to suspend the Cosmetology Program have generated some rumors about the college that should be dispelled:

- The college intends to move all its programs to the East Grand Forks Campus There is **NO** intent to do this by the Chancellor of the system, the MnSCU Board of Trustees, or the NCTC Administration.
- President Temte was hired to close the Thief River Falls Campus Again, this has no basis in fact or in intent. President Temte was hired to bring the two campuses together as one college. This is proving to be a very difficult charge.
- The Fitness Specialist program was discontinued in Thief River Falls and is now being moved to East Grand Forks This program had fewer than five students when it was discontinued at the Thief River Falls Campus. It is being revived as an online program. There has been no determination of who will teach this program.
- The merger with the East Grand Forks campus has diminished the Thief River Falls campus In fact, the merger of the two campuses has created a stronger regional college. Had it not merged with Thief River Falls, the East Grand Forks campus would have been allied with Minnesota State Community and Technical College. Then, the EGF campus would have been a rival to the TRF campus, rather than an ally. One trend that is occurring throughout the state’s technical colleges is mission expansion to include liberal arts. With or without the merger with the Thief River Falls campus, the East Grand Forks campus would have begun to offer the Associate of Arts degree. Again, it is beneficial for the Thief River Falls campus to have the East Grand Forks campus as an ally rather than a competitor.
- The Thief River Falls campus is losing programs The aviation maintenance program was identified for suspension two years ago. With infusion of initiative funding from the Office of the Chancellor, the program is resurging, though not yet at the enrollment level that is desired. The opportunities this program is bringing to the Thief River Falls area through possible linkage with the unmanned aerial vehicle technologies are very important to continued economic development. The radio broadcasting program was discontinued when there were only six students. In the fall of 2010, this program will return as a diploma option within a new, more diversified program called “New Media.” As mentioned previously, the Fitness Specialist program will be reintroduced online, where it can reach a broader audience and, hopefully, have sustainable enrollment.

The administration has shared with the Community Advisory Committee and with the college its intent to move forward with the development of several other certificate, diploma, and degree programs for the Thief River Falls campus, the East Grand Forks campus, and the online offerings. Among those being considered for Thief River Falls are education (pre-transfer), advanced manufacturing, avionics, non-destructive testing, web analytics, wind turbine technology, and small engine repair. Prior to implementation, each of these program proposals must undergo scrutiny to determine market demand, wage potential, community support, and cost/benefit analysis. Of course, the state budget situation may delay implementation of these programs.