Transition Plan for an Independent D.C. Community College

A Report by the University of the District of Columbia Community College Transition to Independence Advisory Board

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Executive Summary

<u>**The Charge**</u>

In June 2011, the DC Council passed the Community College of the District of Columbia Plan for Independence Act of 2011 (Independence Act).[1] The law established a University of the District of Columbia Community College (UDC-CC) Transition to Independence Advisory Board. The five-person Advisory Board – John Hill, Joshua Kern, Alice M. Rivlin, Walter Smith, and Carrie L. Thornhill – was appointed in December 2011.

The Advisory Board strongly endorses the objectives that motivated the Independence Act. We believe that the District needs a strong community college—in addition to a strong public university—and that a viable community college must have its own funding, governance, and accreditation in order to thrive and fulfill its mission.

A community college has a different mission from a university. It should have open admissions and offer developmental education to help students gain academic skills necessary to succeed at the college level. It should offer job skills and academic education leading to recognized certificates and associate degrees, as well as non-degree continuing education. It needs a teaching-oriented faculty, many of whom have practical job skills, and an administrative structure dedicated to helping students solve problems that threaten their success. The Board of Trustees of the University of the District of Columbia (UDC) recognized this distinct mission when it created UDC-CC. The charge of the Advisory Board was to recommend a specific series of steps to achieve independence for UDC-CC.

As we explored our task, however, the Advisory Board recognized that we could not responsibly focus on the future of UDC-CC in a vacuum because its immediate future is inextricably entwined with that of UDC. UDC-CC cannot transition to independence without the strong support of a financially and academically healthy UDC, and it would not be in the District's interest to severely weaken the university in the process of moving UDC-CC to independence. Accordingly, we broadened our focus to include recommendations for strengthening UDC, as well as achieving independence for the community college.

Pursuant to the Independence Act, this report of the Advisory Board identifies major actions that we believe the District and the UDC Board of Trustees must take in order for UDC-CC to operate independently from the UDC flagship university and to strengthen the flagship at the same time. The findings and recommendations of this report are based on meetings with UDC stakeholders, analyses by independent, external subject matter experts, and a review of existing studies and policies.

<u>**Recommendations**</u>

1. UDC-CC should pursue a path to independence in accordance with guidelines of the Middles States Commission on Higher Education (Middle States), our region's higher education accrediting body. We recommend that UDC pursue branch campus status for UDC-CC in Fiscal Year (FY) 2013 and that

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[1] Community College of the District of Columbia Plan for Independence Act of 2011. D.C. Act 19-98, Subtitle H (Enrolled July 22, 2011).

subsequent to such designation by Middle States, the District and the Board of Trustees act expeditiously to move UDC-CC from branch campus status to separate accreditation. Under optimal conditions, the process for achieving separate accreditation subsequent to designation as a branch campus could take three to four years. Once UDC-CC achieves separate accreditation, it could become a component of a university system equal with the flagship, or it could be organized as a separately governed, stand-alone institution. The UDC Board of Trustees, the Mayor, and the D.C. Council will need to decide which model of independence best suits UDC-CC and the needs of current and future students, although that decision need not be made at this time.

2. UDC must demonstrate financial stability in order to accomplish the dual goals of creating a separately accredited community college and a strong flagship university.   UDC's financial stability is essential to the success of both institutions. UDC-CC must depend on UDC's accreditation and legal status as it moves through the multi-year process to achieve its own accreditation. Just as importantly, UDC's financial stability is critical to developing and sustaining a strong flagship university. Unfortunately, UDC is facing significant financial challenges. Operating deficits, a high cost structure, recent spend-downs of reserves, and declines in student population at the flagship with limited potential for growth have together produced a challenging financial situation. The university's financial challenges have created a necessity for the UDC Board of Trustees and the District's leadership to rethink the vision and mission of the District's public higher education system and better align it with the District's needs. This re-envisioning, although crucial for long-term financial viability, must not delay other actions that can help ensure the financial sustainability of both UDC-CC and the flagship in the short term.

3. UDC's Board of Trustees, in partnership with elected officials, should develop a realistic and shared vision of public higher education for the District that is focused on and responsive to the District student population it will likely serve. While it is not our task to develop this vision, we believe it should include a separately accredited community college, a law school, and a flagship with curricular offerings, faculty, administration, and facilities appropriate to the number and type of students it can realistically attract. The Board of Trustees and the District's leadership should begin developing and implementing this vision immediately so it can drive UDC-CC's move to independence, as well as the university's efforts to remain sustainable.   To ensure that this vision is implemented, we believe that a portion of the District's future higher education subsidies should be conditioned on both the flagship and UDC-CC meeting agreed-upon performance goals that are necessary to transform the District's higher education vision into a reality.

4. UDC should move quickly to demonstrate its serious commitment to the major institutional right-sizing effort recommended by this Advisory Board in public testimony and required by the DC Council in the FY2013 Budget Support Act. A plan is urgently needed to bring UDC's costs in line with realistic projections of revenue and student enrollment, address UDC's projected FY 2013 deficit, and improve its long-term financial stability. If done thoughtfully and deliberatively, a right-sizing effort will: reform the university's programs and systems to better reflect the size and needs of its student body and the District; ensure that the institution operates within the resources it has available; and in doing so, ensure the future of UDC-CC and the flagship university. The plan should address how the university will cut costs, increase outside sources of revenue, and improve productivity, and it should provide a timetable for doing so. It should also prioritize putting UDC-CC on a path to sustainability and independence, and providing limited and "niche" programming at the flagship, driven by the District's needs to employ its residents in local and regional jobs and careers. A clear and credible right-sizing plan will be essential to the success of the branch campus application to Middle States. UDC's right-

sizing plan should be made in accordance with the vision developed for public higher education in the District; however UDC should also pursue steps that can be taken now to reduce costs while that vision is under development.

Moving Forward:

On April 23, 2012, the Advisory Board testified before the D.C. Council Committee on Housing and Workforce Development on UDC's FY 2013 budget.   The Advisory Board presented these recommendations at the hearing and they were generally well-received by the UDC Board of Trustees, the D.C. Council, and the Mayor. Since then, the UDC Board and the District's elected officials have taken critical steps to implement these recommendations:

- On June 22, 2012, legislation was enacted requiring UDC to develop a right-sizing plan in consultation with the Deputy Mayor for Education by October 1, 2012[2] and transmit to Middle States by November 1, 2012, a request for UDC-CC to be approved as a branch campus.[3]

- UDC's newly elected Board of Trustees leadership, including Chairperson Dr. Elaine Crider, the Executive Committee, and UDC-CC Committee, have all embraced the vision of an independent community college and a right-sized flagship, and created a new committee of the Board to begin the right-sizing effort immediately.

In early May, UDC-CC's CEO Jonathan Gueverra announced that he would leave UDC-CC to become the President of an established community college in Florida. In the wake of his departure, the UDC Board of Trustees conducted a search for an interim CEO to guide UDC-CC through its transition to branch campus and prepare for separate accreditation. In August, UDC hired Dr. Calvin Woodland for a one year appointment.

We are confident that the UDC Board understands the significant task ahead, and that the District's elected leadership share our desire to advance a strong, independent community college and a stronger, more sustainable flagship university. By taking the necessary steps now to achieve independent accreditation for UDC-CC while right-sizing UDC, we believe the District will make lasting improvements in its public higher education system.

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[2] See University of the District of Columbia Right-Sizing Plan Act of 2012. D.C. Act 19-0385, Title IV, Subtitle D (Enrolled June 22, 2012).
[3] See University of the District of Columbia Community College Autonomy Act of 2012. D.C. Act 19-0385, Title IV, Subtitle E (Enrolled June 22, 2012).

I. Background

A. History

UDC's history reflects the decades-long debate about the District's higher education needs. Located on a campus in the Van Ness neighborhood of Washington, D.C., UDC is the District's only public institution of higher education. It is designated as both a land grant institution and a historically black university. UDC was created in 1977 by a merger of three existing colleges: Washington Technical Institute, a two-year institution with a career and technical curriculum; Federal City College, a four-year liberal arts college; and DC Teachers College, a four-year teachers college, itself the product of a mid-1950s merger of Miner Teachers College and Wilson Teachers College.[4] In 1998, the David A. Clarke School of Law also became part of UDC.[5] Until recently, UDC was an open-admissions institution with a potpourri of two-year, four-year, and graduate programs. As such, it had the responsibility of carrying out the distinct – and sometimes conflicting – missions of a community college and a university.

The need for a D.C. community college has been discussed since the 1980s. In fact, although it was not acted upon, a 1988 education advisory commission proposed a two-year community college within UDC.[6] At that point, UDC had experienced a steady enrollment of students with an undergraduate body in the order of 10,000 students through the 1980s, a level maintained through the early 1990s.[7] When the District entered its fiscal crisis in the 1990s, however, UDC experienced major budget cuts. Its student population fell below 5,000 students by 1997 and growth in its student body has since been anemic.[8] Since 1999, UDC has had to compete for students with public universities throughout the country due to the federal D.C. Tuition Assistance Grant (D.C. TAG) program, which provides grants to help D.C. residents attend public universities, historically black colleges and universities, and community colleges nationwide.[9] Although UDC survived its budget crisis with its dual role as a community college and state university intact, the crisis rekindled public discussion about its mission. These debates were acrimonious and did not result in mission change at UDC.

By the mid-2000's, however, attention once again shifted to the need for a community college in D.C. for several reasons. First, although the District experienced prosperity and job growth in the first half of the decade, its poverty and unemployment rates remained persistently high. Second, the District's workforce development system lacked robust programs to provide post-secondary career credentials to residents. Third, community colleges around the country were playing a critical role in preparing workers for middle-skill jobs. Finally, UDC continued to face challenges carrying out its multiple and divergent missions. These circumstances caused many in the District –both within and outside of UDC – to conclude that the District should have a community college in addition to its baccalaureate university and law school.

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[4] History of the University of the District of Columbia available at http://www.udc.edu/welcome/history.htm
[5] School of Law History available at http://www.law.udc.edu/?page=History
[6] Lawrence Feinberg, "Proposed UDC Reorganization Would Create 2-Year College; Barry Throws Support Behind Panel's Plan" *Washington Post*, November 17, 1988, p. A1.
[7] NCES, IPEDS data center, available at http://nces.ed.gov/ipeds/datacenter/
[8] NCES, IPEDS data center, available at http://nces.ed.gov/ipeds/datacenter/
[9] DCTAG Get Funding for College available at http://osse.dc.gov/service/dctag-get-funding-college

In 2008, the DC Workforce Investment Council identified "increasing postsecondary training capacity, especially at the community college level," as essential to meeting the needs of District of Columbia residents.[10] Similarly, in 2008, both the Brookings Institution[11] and DC Appleseed[12] produced reports that identified the lack of community college capacity as a major barrier to growing the District's middle class and improving economic opportunity for the District's working poor families.   The Brookings report discussed three options for creating a community college in the District including: 1) a community college within UDC; 2) a freestanding community college developed by an incubator institution; and 3) a community college network between UDC and other regional institutions.

In June 2008, the Brookings Institution and DC Appleseed convened a meeting of stakeholders from the business, education, government, nonprofit, and philanthropic communities to discuss options for a D.C. community college. At that meeting, Mayor Gray (then Council Chairman) called for a feasibility study to determine which option would be best for starting a D.C. community college. A study was then commissioned by DC Appleseed and Brookings with financial support from the District of Columbia, the Federal City Council, the Annie E. Casey Foundation, the Consumer Health Foundation, and the Greater Washington Workforce Development Collaborative. JBL Associates, a post-secondary education consulting company with expertise in the community college sector, conducted the study.[13]

In January 2009, while the feasibility study was in process, UDC's Board of Trustees passed a series of resolutions that established UDC as a university "system" with a flagship[14] and community college as two component institutions. Resolution 2009-01[15] articulates the vision of the community college component as a "branch campus" with appropriate facilities where workforce development, technical and academic certifications, and academic associate degree programs would be offered. In other resolutions, the President of the university was directed to establish: 1) a separate identity for the community college division for the purposes of marketing and public relations[16]; 2) admission standards for the flagship to distinguish it from the open admissions community college[17]; and 3) differential tuition rates for the community college and the flagship.[18]

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[10] DC Workforce Investment Council, "Washington, DC's 2008 Strategic Plan for Workforce Development" (2008).

[11] B. DeRenzis, M. Ross, A. Rivlin, "Envisioning Opportunity: Three Options for a Community College in Washington" (Washington: Brookings Institution, 2008).

[12] DC Appleseed and DC Fiscal Policy Institute, "Hometown Prosperity: Increasing Opportunity for DC's Low-Income Working Families" (January 2008).

[13] JBL Associates, "Building a Strong, Independent DC Community College" (November 2009).

[14] The Board defines the flagship as inclusive of the David A. Clarke School of Law, as well as the College of Arts and Sciences, the School of Engineering and Applied Sciences, the School of Business and Economics, and the Department of Intercollegiate Athletics. Board of Trustees of the University of the District of Columbia, Resolution No. 2009-03.

[15] *Available at* http://www.udc.edu/president/board_trustees/docs/2009-01%20Defining%20the%20University%20System%20of%20the%20District%20of%20Columbia.pdf.

[16] UDC Board of Trustees Resolution 2009-04, *available at* http://www.udc.edu/president/board_trustees/docs/2009-04%20Structure%20of%20Community%20College%20Component%20of%20University%20System%20of%20the%20District%20of%20Columbia.pdf

[17] UDC Board of Trustees Resolution 2009-05, *available at* http://www.udc.edu/president/board_trustees/docs/2009-05%20University%20System%20of%20the%20District%20of%20Columbia%20Admissions%20Standards.pdf

[18] UDC Board of Trustees Resolution 2009-15, *available at* http://www.udc.edu/president/board_trustees/docs/2009-

An acting provost from UDC served as the director of the community college initiative during the 2008-2009 academic year and led the initial reorganization efforts, identifying programs and faculty for the new community college division and developing initial administrative procedures. A CEO for the community college division was brought on board in August 2009, and the community college division opened its doors in September of that year using designated space on the Van Ness campus. A year later, in fall 2010, the college's main administrative and academic operations moved from UDC's Van Ness campus to 801 North Capitol Street, NE.

The JBL Associates feasibility study was issued in November 2009. Though it was started before the UDC Board of Trustees created the community college division, the study took account of the changing landscape and concluded that "the District should support [the community college's] intention to separate from the flagship university, and encourage it to take the fast track to becoming an independently-accredited, autonomous community college with its own Board of Trustees and budget."[19] The study recommended that UDC-CC should quickly move to an independent status in order to disengage from UDC's high cost structure and to avoid conflicts that would arise from the need to distinguish the different missions, programs, faculty, and services, as well as competition for resources.

Upon the release of the feasibility study, the D.C. Council Committee of the Whole held a roundtable to hear testimony on the best strategy for implementing a successful community college for the District. Two issues became apparent as a result of the roundtable. First, there was widespread support among witnesses at the roundtable for an independent community college. Second, there was concern that insufficient planning had gone into the creation of the community college division and that conducting strategic planning while at the same time trying to serve a growing student body would prove detrimental to the college's future success. As a result of the roundtable, Mayor Gray (then Council Chairman) pledged resources to UDC-CC to conduct strategic implementation planning. UDC hired the College Brain Trust, which produced *Strategic Plan 2010-2015: Becoming a Comprehensive College,* which was issued in October 2010. The Strategic Plan recommends "that the development of infrastructure and capacity must be the top priority in the next five years for [the community college] if it is to become independent, comprehensive, viable, and successful."

While the general direction of UDC-CC has been toward increasingly independent operations and a separate identity as directed by the Board of Trustees' in their 2009 resolutions, it still remains an academic division of UDC. It is included in UDC's accreditation status, does not have a legal identity outside of the university, and cannot confer its own degrees. Its CEO reports to the UDC President. Though UDC-CC now occupies a separate physical location, community college students still must access the flagship campus for key services, such as cashier, admissions, and ID services. Moreover, UDC's main administration provides services to UDC-CC in key areas, such as finance, facilities, general counsel, learning resources, information technology, and direct student services including admissions, financial aid, registrar, and student accounts. As a result, UDC houses two similarly-sized academic divisions – the flagship and the community college – with increasingly divergent visions and purposes, distinct missions, programs, faculty and staff, and that are competing for resources.

15%20Tuition%20and%20Fee%20Structure%20for%20AY%202009-2010%20&%20AY%202010-2011%20-%20FINAL%20RULEMAKING.pdf

[19] JBL Associates, "Building a Strong, Independent DC Community College" (November 2009), Executive Summary, p ii.

To address these circumstances, the UDC Board of Trustees, UDC President, UDC-CC CEO, and several stakeholders have expressed support for an independent community college. However, "independence" had not been clearly defined and the path for achieving it had not been charted. A thoughtful and detailed plan for moving UDC-CC to independence is necessary to ensure that both the college and the flagship university succeed as the separation occurs. Accordingly, in 2011, the District's leaders appointed this Advisory Board and charged it with working with the UDC Board Chair, the UDC President, and the UDC-CC CEO to develop a plan for moving UDC-CC toward independence.[20]

B. Methodology

This report was developed in response to the Independence Act, which requires the creation of a transition plan for establishing an independent community college. This report focuses on the central issue required by the legislation – an identification of actions that must be taken for the community college to operate independently from the flagship university.[21] However, our research on this issue underscored UDC's current financial challenges, which must be immediately addressed in order to successfully move UDC-CC to independence. Given the priorities expressed by the District's leadership and the UDC Board of Trustees, the Advisory Board, in consultation with the Offices of the Deputy Mayor for Education and Councilmember Michael Brown, has focused this report on moving UDC-CC to independence while ensuring the stability of a strong flagship university. The report is in four parts:

- **First,** this report lays out a process for moving UDC-CC to academic, operational, and financial independence, by first establishing it as a branch campus of UDC and then achieving separate accreditation. Once it achieves separate accreditation, the community college can become an independent institution parallel to the flagship university within a university system or it can become a stand-alone institution. This decision will be for the Mayor, the D.C. Council, and the

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[20] *See* Community College of the District of Columbia Plan for Independence Act of 2011. D.C. Act 19-98, Subtitle H (Enrolled July 22, 2011) (establishing Advisory Board).

[21] In addition to identifying all actions that must be taken for the community college to operate independently from the UDC flagship, the legislation lists seven additional elements to be included in the Advisory Board's plan. As explained in this report, many of these other elements are not separately addressed due to changed circumstances and the content of recommendations made in the report. The six additional elements were: 1. account for the type and scope of programs offered and envisioned (this was not included because it was agreed to be secondary to the plan for independence); 2. an independent budget for the community college that identifies, for the first five years of operation as an independent entity the expected costs and revenues (this was provided by the Advisory Board's accounting consultants, but is based on assumptions that will likely change due to UDC's financial situation and decisions that need to be made about the model of independence and continuation of shared services); 3. the community college's application for accreditation (this was not included because the timing does not align with the model of independence being recommended); 4. draft terms of articulation between the community college and UDC (this was not included because it was agreed to be secondary to the plan for independence); 5. Workforce and Local Education Plan which identifies arrangements to provide training for public and private sector employees and strategies to increase cooperation between the community college and other District educational and administrative agencies (this was not included because it was agreed to be secondary to the plan for independence); 6. A plan detailing transfers of positions, employees, property and funds from UDC to the community college for the purposes of establishing an independent community college (this was addressed in part, to the extent that the plan identifies funding, personnel and facility needs for the community college, and the timing at which a legal transfer would need to take place, but details will depend upon many additional decisions by the District and the Board of Trustees).

UDC Board of Trustees to make, not Middle States. The report also describes the specific authorities, capacities, and resources UDC-CC will need to succeed in this process.

- **Second**, the report explains UDC's current financial challenges and why they must be addressed in order to achieve the dual goals of a separately accredited community college and a strong flagship university.

- **Third**, the report urges the District's leadership and the Board of Trustees to develop a shared vision of public higher education in the District to drive UDC-CC's move to independence, reform of the flagship, and public investment in these institutions.

- **Finally,** the report describes the major institutional right-sizing effort that the Advisory Board believes UDC should undertake in FY 2013 to address its anticipated deficit and improve its financial sustainability.

In order to develop this report, the Advisory Board took three major steps:

1) Met with UDC stakeholders. The Advisory Board conducted several meetings with key stakeholders at UDC and UDC-CC. In addition to meeting with the UDC President, the UDC Board Chair, and the former UDC-CC CEO, the Advisory Board held meetings with UDC Trustees, and UDC's Executive Officers and their staff, including the Provost and Vice President for Academic Affairs; the Managing Director of Finance; the General Counsel; the Chief Human Resources Officer; and a Senior Advisor to the President.

2) Reviewed existing studies and policies. The Advisory Board reviewed recent studies on UDC-CC and UDC, including the feasibility study conducted by JBL Associates and strategic plans developed for UDC and UDC-CC. It also reviewed resolutions and policies adopted by the UDC Board to establish and govern UDC-CC.

3) Engaged external independent consultants. The Advisory Board engaged consulting services of external, independent experts. Independent experts consulted provided expertise in the following areas:

- Accreditation: Mike Goldstein and Robin Dasher-Alston of Dow Lohnes, experts in the Middle States accreditation process, were consulted on a *pro bono* basis to provide an analysis of the best path toward independence for UDC-CC, as well as an understanding of the steps that UDC and UDC-CC will need to take to move through the accreditation process. The UDC Board of Trustees has now engaged Dow Lohnes to help them develop the university's right-sizing plan.

- Costs and Financial Implications: Ron Salluzzo and John Deeley of Attain Consulting, experts in higher education financing, were engaged by UDC to develop cost estimates for developing UDC-CC at the branch campus, separate accreditation, and full independence stages and to analyze the financial implications of this separation for the flagship university based on UDC's key cost drivers. Attain's analysis builds on an original independent financial evaluation of UDC and UDC-CC conducted *pro bono* by Navigant Consulting in October 2011.

- Labor Issues: Jonathan Fritts, a labor and employment lawyer at Morgan Lewis, was engaged *pro bono* to evaluate labor issues associated with UDC-CC's hiring authority as it moves from a division of UDC, which has pre-existing contracts with unionized employees, to independent status.

C. Recent Developments

On April 23, 2012, the Advisory Board gave testimony before the D.C. Council Committee on Housing and Workforce Development at a hearing on the FY 2013 budget for UDC. The main points in the testimony are echoed in the four key recommendations of this report.

Following the testimony, the Council took the following actions to implement the Advisory Board's recommendations:

1. Designated a line item of $14.48 million for UDC-CC in UDC's FY 2013 budget and directed UDC to transfer community college tuition revenue directly to the college.[22] This budget amount, plus anticipated tuition revenue generated by community college students (approximately $7 million based on enrollment projections), was recommended by Attain as the amount necessary for UDC-CC to fulfill its requirements for branch campus status;[23]

2. Included two subtitles to the Budget Support Act, enacted on June 22, 2012: the University of the District of Columbia Right-Sizing Plan Act of 2012[24] (UDC Right-Sizing Plan Act) and the University of the District of Columbia Community College Autonomy Act of 2012[25] (UDC-CC Autonomy Act). The first provision requires that UDC draft a right-sizing plan by October 1, 2012 that lays out the steps the university will take, beginning in FY 2013, to bring the university's costs, staff, and faculty size in line with comparable public universities. The second provision gives the UDC-CC CEO responsibility for day-to-day management of the community college, as well as independent spending authority over its line-item budget. It also requires UDC by November 1, 2012, to submit a substantive change request to Middle States for consideration of UDC-CC as a branch campus.

Three important developments recently occurred that will inform the implementation of these legislative requirements. First, UDC Board of Trustees Chairperson, Dr. Elaine Crider, took office in May. Under her leadership, the Board of Trustees appointed a committee to oversee the right-sizing effort. The Advisory Board has been working closely with Dr. Crider to support the Trustees' efforts to move forward with right-sizing.

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[22] Fiscal Year 2013 Budget Request Act of 2012, Title III Public Education (5). DC Act 19-0381 (Enrolled June 15, 2012).

[23] As will be explained more fully later in the report, the request for branch campus status must come from the leadership of UDC, but the leadership must demonstrate, among other things, that the campus has sufficient resources and financial autonomy to operate as a branch.

[24] University of the District of Columbia Right-Sizing Plan Act of 2012. D.C. Act 19-0385, Title IV, Subtitle D (Enrolled June 22, 2012)

[25] See University of the District of Columbia Community College Autonomy Act of 2012. D.C. Act 19-0385, Title IV, Subtitle E (Enrolled June 22, 2012).

Second, UDC-CC CEO Jonathan Gueverra announced his resignation, with his departure effective at the end of May. The Board of Trustees has appointed Dr. Calvin Woodland, former President of Capital Community College in Hartford, Connecticut, as interim CEO.

Third, Councilmember Kenyan McDuffie (Ward 5) started his term in May and then became the Chair of the D.C. Council's new Committee on Jobs and Workforce Development, which has oversight of UDC and the community college. The Advisory Board met with Councilmember Michael Brown (the former Chair of the committee with oversight of UDC and current member of the Committee on Jobs and Workforce Development), Councilmember McDuffie, and their staffs to discuss the Advisory Board's recommendations.

In August, the Advisory Board met with Grae Baxter, lead staff at UDC for the right-sizing effort, and the team from Dow Lohnes, retained by the Board of Trustees as consultants, to discuss their progress toward developing the right-sizing plan. The Advisory Board expressed its concern that the Board act expeditiously to demonstrate its commitment to producing a clear and credible plan by the legislative deadline of October 1, 2012. Compliance by the Board of Trustees with this timeline is essential to meeting the November 1, 2012, deadline for UDC to submit the application to Middle States for branch campus status for the community college. It would be unrealistic to assume that an application would be approved by Middle States absent a demonstration that UDC can and will address its current fiscal challenges.

II. The Path to an Independent Community College

The Advisory Board finds that the appropriate utilization of the Middle States accreditation process provides the best path to move UDC-CC from its current circumstances to independence. Middle States is the non-governmental, membership association recognized by the U.S. Department of Education to accredit degree-granting colleges and universities located in the mid-Atlantic region, including the District of Columbia. Accreditation ensures that educational institutions meet basic quality standards. It is required for students to transfer credits between educational institutions, for their degrees to be recognized by many employers, and for an institution to participate in federal student financial aid programs, as well as for the institution to be eligible for other forms of federal and private funding.

Separate accreditation will provide UDC-CC with the structure it needs to achieve academic, operational, and financial independence. In particular, separate accreditation will provide a framework for UDC-CC to carry out its specific mission, address the needs of its unique student body, and control how it allocates its resources. Once UDC-CC achieves separate accreditation, it can either operate as an independent institution, parallel to the flagship, within a university system under the leadership of the UDC Board of Trustees, or as a free-standing institution with a separate governance structure.

The Advisory Board recommends that separate accreditation be pursued for UDC-CC by first establishing it as a branch campus of UDC and then advancing it to separate accreditation. This process is described below.

A. General Overview of the Accreditation Process

The normal route to accreditation by the Middle States Commission on Higher Education involves an extensive application process that typically takes several years to complete. It generally requires: 1) implementing a process, which could take up to a year, that each applicant must undergo before submitting an Accreditation Readiness Report to demonstrate compliance with the Middle States accreditation criteria; 2) visits by Middle States representatives over the course of an additional period of time (often several months to a year); 3) designation as a "candidate," during which additional reviews are performed and visits are conducted (another 18 to 24 months); and 4) achievement of "accredited" status.

An alternate route is available in situations where an already accredited institution seeks to have one of its divisions become separately accredited. In the situation at hand, UDC – the accredited institution – would first seek "branch campus" status for the community college. Then, once UDC-CC branch campus develops enough capacity to be operationally autonomous, it can be – and indeed is required to be – recognized by Middle States as separately accreditable. At that point, UDC would develop a plan in cooperation with Middle States to pursue separate accreditation for UDC-CC.

If done efficiently and expeditiously in consultation with Middle States, the full process of this "branch campus" route can take as little as 3-4 years; however, it could take more time based on a number of contingencies. The timeline depends on the level of preparation and capacity building that UDC and UDC-CC can achieve at each stage of the accreditation process, as well as the pace by which they can secure required regulatory approvals from local and federal agencies. UDC-CC will not be able to proceed from one step to the next until it satisfies Middle States that it is ready to do so.

Table 1. Summary Timeline of Accreditation Steps Under Branch Campus Route

Task/Milestone	Approximate Time Required
1. Apply for "branch campus" status for UDC-CC by submitting a substantive change request to Middle States	4-6 months
2. Apply to the Department of Education for "branch campus" status pursuant to 34 C.F.R. § 600.2	2-3 months
3. Seek acknowledgement from Middle States for UDC-CC as a "separately accreditable institution"	Possibly 12-18 months, but highly dependent on Middle States
4. Achieve separate accreditation by demonstrating satisfaction of formal accreditation requirements. At Middle States'[26] discretion, UDC-CC may have to seek candidacy before consideration for initial accreditation.	Elements of the process toward initial accreditation can be addressed concurrently with the process for seeking separately accreditable status and the process may be accelerated at Middle States' discretion. The timeline for this stage is highly dependent on Middle States. This process could take 3-5 years or longer if Middle States determines that UDC-CC should first seek candidacy before consideration for initial accreditation.

This alternative "branch campus" route is preferable for three reasons. First and most importantly, this route ensures that there is no gap in accreditation status or financial aid eligibility for students. Second, UDC-CC may be able to achieve separate accreditation on an expedited basis. Under optimal conditions, separate accreditation under the "branch campus" route could take 3 to 4 years compared to at least 4 to 5 years under the normal route. Branch status itself, the first step in this process, could be accomplished within a relatively short timeframe, providing some degree of operational independence. Third, the application process under the branch campus route can be less burdensome than the normal route.

Achieving separate accreditation through the "branch campus" route, however, will require extensive coordination between UDC and the community college. In fact, it is UDC as the accredited institution – not UDC-CC – that must lead the process. It should be noted that at the time this report was written, Middle States was undertaking a review of its policies, which could impact the procedures and timeline set out in this report. It is therefore critical for UDC to confer with Middle States before starting this process.

Middle States will also likely require assurance that there is sufficient leadership at UDC-CC to operate the branch campus with the intention of preparing it for separate accreditation. Since UDC-CC's current

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[26] Dow Lohnes has indicated that while Middle States' acknowledgement that the community college is a separately accreditable unit should generally be an indication that it will not be treated as a new candidate for accreditation, (requiring an additional 2-3 years), the final determination will depend to a great extent on how well the community college develops as a branch campus.

CEO is interim, it is imperative that UDC begin quickly to plan for the installation of a permanent CEO, experienced in running an accredited community college, and capable of working with UDC's Board of Trustees, its President, and with Middle States, to lead this effort.

B. Achieving Branch Campus Status in FY 2013

The Advisory Board recommends that UDC pursue branch campus status for UDC-CC in FY 2013. The District's leaders have adopted this recommendation. On June 22, 2012, legislation was enacted requiring UDC to submit a substantive change request to Middle States by November 1, 2012, in order to reclassify UDC-CC as a branch campus.[27] UDC's ability to meet this deadline will depend upon successful completion of the right-sizing plan, since Middle States will need to see evidence that UDC is addressing its financial challenges before it approves a substantive change. As a branch campus of UDC, UDC-CC will have a greater degree of independence than it currently does.   However, it is important to note that even as a branch campus, it will continue to be part of UDC and, as such, will remain accountable to the UDC President and Board of Trustees.

Requirements for Achieving Branch Campus Status:

In order to qualify as a branch campus in accordance with Middle States policy, UDC-CC must be geographically separate from the main campus and must have the following three characteristics[28]:

   1. It must offer courses in educational programs leading to a complete degree, certificate, or other recognized educational credential

   2. It must have its own faculty and administrative organization

   3. It must have its own budgetary and hiring authority

As it currently stands, UDC-CC is close to satisfying these requirements, and in fact has probably met requirements 1 and 2. It offers courses that lead to certificates and associate degrees, as well as a workforce development program, and it has a separate faculty designated to educate community college students. In addition, UDC-CC has its own faculty and administrative organization, and the CEO of UDC-CC has some hiring authority. UDC-CC also has its own locations separate from UDC's Van Ness campus, in the former Bertie Backus Middle School, 801 North Capitol, and the Patricia Roberts Harris Building.

To fully satisfy the branch campus requirements, however, UDC-CC will need its own budget authority. The UDC-CC Autonomy Act of 2012, which was enacted on June 22, 2012, accomplishes this requirement by giving the community college CEO direct spending authority over the UDC-CC budget, which is a line item in UDC's operating budget.

UDC will also need to demonstrate that the funding appropriated for UDC-CC is sufficient for its needs, and that any cuts made as part of the right-sizing effort will not negatively impact the services it

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[27] See University of the District of Columbia Community College Autonomy Act of 2012. D.C. Act 19-0385, Title IV, Subtitle E (Enrolled June 22, 2012).

[28] Middle States Commission on Higher Education Policy Statement on Substantive Change, Effective November 18, 2010. Available at http://www.msche.org/documents/updated-Substantive-Change-policy-11-18-10.pdf

provides to UDC-CC. In particular, UDC must demonstrate: sufficiency and appropriateness of faculty and administrative personnel to instruct and support UDC-CC's programs; sufficiency of resources allocated to UDC-CC; and availability and sufficiency of student services available to UDC-CC students. While Middle States does not have prescriptive standards in this regard, it does expect UDC to make the case that staffing, resources, facilities, and services are appropriate and sufficient to accomplish UDC-CC's mission and goals, as UDC defines them.

Attain, the independent financial experts advising UDC and the Advisory Board, concluded that UDC-CC will need the following additional capacity in order to achieve branch campus status: four department heads; additional adjunct faculty; additional staff in student success, admissions, learning resources, and human resources; and facilities operations support. Attain estimates that this additional capacity will require $2.7 million to be added to UDC-CC's existing direct operating costs of $18.7 million for a total budget of $21.48 million in FY 2013 (see Tables 2 and 3). Accordingly, in testimony before the D.C. Council on UDC's FY 2013 budget, we recommended that UDC-CC be given a budget of $14.48 million in FY 2013 within UDC's operating budget, in addition to revenue raised by UDC-CC tuition. Such an allocation will demonstrate that UDC-CC has sufficient resources – a requirement of achieving branch campus status. The FY 2013 Budget Request Act[29] provides this amount to UDC-CC, both through the line-item appropriation within the UDC budget of $14.48 million and the directive that UDC allocate tuition revenue from UDC-CC, anticipated to be approximately $7 million, to the college's use.

Table 2. Recommended FY 2013 Budget for UDC-CC by Baseline Budget and Additional Resources Needed to Acquire Branch Campus Status

Cost Category	Baseline Budget for the CC in FY 2013[1]	Attain's Recommendation of Additional $2.7M for Branch Campus	Total Recommended Budget for FY 2013
Academic Affairs	6,153,955	1,668,000	7,821,955
Administration	1,824,116	964,000	2,788,116
Facility Cost for 801 & Hangar	4,224,224	100,000	4,324,224
Facility Cost for PRH& Backus	1,280,993	-	1,280,993
Office of Student Achievement	140,000	-	140,000
Workforce Dev. & Lifelong Learning	5,125,823	-	5,125,823
TOTAL	**18,749,111**	**2,732,000**	**21,481,111**

Note: 1.This baseline budget is an aggregate of UDC's FY 2013 "MARC" budget for UDC-CC ($16.0M) and supplemental costs not included in the MARC budget.

Source: Advisory Board's summary of findings and recommendations from Attain Consulting. The baseline budget for the CC in FY 2013 was not reviewed in detail by Attain

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[29] Fiscal Year 2013 Budget Request Act of 2012, Title III Public Education (5). DC Act 19-0381 (Enrolled June 15, 2012).

Table 3. Detail on Attain's Recommendation of Additional $2.7 Million for Branch Campus Status

Category	Cost	Explanation
Personnel Costs		
Department Heads (4 FTE)	300,000	Four department heads are needed to organize the CC's academic programs. These new positions would also spend 20-30% of their time teaching.
Adjunct Faculty (36 FTE)	1,200,000	An additional 36 FTE adjunct faculty are needed in order to deliver courses planned for 2013.
Student Success (2 FTE)	100,000	Each Student Success Specialist is advising roughly 250 students at the CC, which is a large counseling load for community colleges focused on student success. An additional 2 FTE student success specialists are needed to carry out UDC-CC's efforts to retain students and help them succeed. More staff will need to be added in this area in out-years as the CC's enrollment increases.
Admissions (1 FTE)	62,500	Currently CC students seeking admissions assistance are re-directed to the flagship university's campus, which is not a customer-friendly strategy. An additional 1 FTE in admissions staff is needed at the CC's main location to help students with applications and questions and to market the CC to the community.
Learning Resource Center (1.5 FTE)	100,000	Library support is an important component of accreditation. Currently, the Learning Resource Center at the CC's main location is only open until 7pm due to staffing limitations. An additional 1.5 FTEs are needed at the CC's main location to provide adequate support for students there.
CEO Office Staff (1 FTE)	50,000	1 FTE is necessary to provide coverage after normal business hours when CC classes are in session and to provide additional administrative support to the CEO.
HR Staff (1 FTE)	50,000	1 FTE is necessary at the CC's main location to process a significant amount of documents for the hiring of adjuncts and other staff on a regular schedule.
Subtotal	*1,862,500*	
Fringes	*269,500*	Fringes are counted at 28% and 7% for Adjuncts
Total Personnel Costs	**2,132,000**	
Non-Personnel Costs	**500,000**	These funds should be set aside to support growth initiatives planned at the CC in FY 2013
Facilities	**100,000**	There is overcrowding at the CC's main location and in particular in the learning resource center (student computer and study space). This additional 100,000 in operating costs will proceed help the CC proceed with expansion.
TOTAL	**2,732,000**	

Note: Attain's recommendations for branch campus are based on its assessment of the former community college CEO's requests.
Source: Advisory Board's summary of findings and recommendations from Attain Consulting.

Process and Timeline

"Branch campus" status must be sought pursuant to a substantive change request submitted by UDC. These requests are typically brief and do not exceed 25 pages. In the request, UDC would provide the following information in addition to supporting documentation:[30]

- One-page executive summary of the substantive change proposal

- Statement of the nature and purposes of the activities, including relevance to current institutional mission and evidence of need for the activities

- Tentative or final plans in other areas, e.g., expansion, merger, and/or change of size, locations, enrollment, etc.

- Financial impact analysis of the proposed change

- Analysis of the impact of the proposed change on the rest of the system

- Legal authorization to conduct the program(s) or activity if required

Branch campus requests in particular should also include "… a description of the educational program(s) to be offered at the branch; the projected revenues and expenditures and cash flow at the branch; and the operation, management, and physical resources at the branch campus."[31]

Generally, the Committee on Substantive Change will review such requests and forward its recommendation to the Executive Committee of Middle States. The Executive Committee, in turn, may act on behalf of Middle States in meetings that are held every other month (February, April, June, August, October and December of each year). The request for substantive change should be submitted at least one month in advance of the meeting at which it would be considered.

On occasion, Middle States staff or the Committee on Substantive Change may determine that the substantive change should be considered by the full Commission, which meets three times each year in February/March, June, and November. Upon receipt of a substantive change request, Middle States should communicate its decision within six to eight weeks; the only exceptions are if Middle States identifies areas of concern and requests additional information or if the Committee on Substantive Change or Middle States staff determine that the full Commission should review the request. After approval for the substantive change is granted, Middle States will conduct a site visit.

Once UDC-CC receives "branch campus" status from Middle States, UDC would need to apply to the U.S. Department of Education for recognition as a "branch campus" pursuant to the definition under federal regulations. The U.S. Department of Education's requirements are substantially identical to the Middle State's description of a branch.

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[30] MSCHE Substantive Change Processes, available at http://www.msche.org/documents/Substantive-Change-Processes-New-Version-January-2011.pdf (Jan. 2011).
[31] MSCHE Substantive Change Processes, available at http://www.msche.org/documents/Substantive-Change-Processes-New-Version-January-2011.pdf (Jan. 2011).

C. Moving Expeditiously to Separate Accreditation

Once branch campus status is achieved, there is a two-step process to achieve separate accreditation for the college. First, the college must develop the capacity to be recognized by Middle States as "separately accreditable." This recognition will demonstrate that UDC-CC is ready to apply for separate accreditation. Then, once the college is deemed separately accreditable, it can apply for its own separate accreditation. It should be noted that UDC-CC will continue to be a component of UDC, sharing its accreditation, until it actually receives its own accreditation.

Becoming Separately Accreditable:

In order to be recognized as separately accreditable by Middle States, UDC-CC branch campus must demonstrate that it:

- Has, under governing body policy, substantial financial and administrative independence from the home institution, including matters related to personnel

- Has a full-time chief administrative officer

- Is empowered, under governing body policy, to initiate and sustain its own academic programs

- Has degree-granting authority in the state or jurisdiction where it is located.[32]

UDC-CC does not currently fulfill any of these requirements except for having a full-time chief administrative officer.

We believe it is important for UDC-CC to move as quickly as possible to achieve separate accreditation in order to provide it with the greatest opportunity to succeed. Separate accreditation of UDC-CC will increase the confidence of students and potential funders that the college is on a secure path and has the ability to achieve its mission and goals, which will help ensure its financial stability. In addition, diverging missions and different operating needs between the flagship and UDC-CC have led to competition for limited resources. Moving quickly toward separate accreditation will help to distinguish the role of each institution and alleviate some of that tension and competition.

As soon as UDC-CC receives branch campus status, we recommend that the Board of Trustees work with the President, the UDC-CC CEO and accreditation experts to: 1) identify additional capacity needed at UDC-CC to demonstrate substantial financial and administrative independence from the flagship; 2) estimate additional costs associated with building this capacity and develop a funding plan; and 3) develop and implement governing policies to ensure that capacity. At a minimum, we believe that developing such capacity would require the Board of Trustees to provide UDC-CC with the following elements:

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[32] Middle States Commission on Higher Education, Policy Statement: Separately Accreditable Institutions, Version: 0904, *available* at http://www.msche.org/?Nav1=POLICIES&Nav2=INDEX

- Regular reporting of the UDC-CC CEO to the Board of Trustees regarding the affairs of UDC-CC to ensure that the Trustees have direct communication with UDC-CC and its leadership. Until it achieves separate accreditation, UDC-CC's CEO should continue to report to the UDC President, who in turn continues to report to the Board of Trustees.[33] However, periodic reporting by the UDC-CC CEO to the Board will allow the Board to better fulfill its oversight of the development of the community college.

- Independent procurement authority for UDC-CC to contract with external vendors for key services that it currently receives from UDC, but that don't meet the needs of the community college. Since the additional cost of procuring such services is not included in UDC-CC's direct budget, the Board must determine how such services for the college would be funded and how UDC would realize cost savings associated with no longer providing certain services to the college.

- A mechanism to formally recognize community college faculty and staff as a separate classification of employees within the UDC system so that workloads and pay scales appropriate to a community college can be established and necessary modifications to the UDC labor agreements can be negotiated.

- A process for establishing a community college foundation so that it can expand its independent fundraising capacity.

We also recommend that the Board of Trustees adopt a resolution to empower UDC-CC to initiate and sustain its own academic programs. Finally, we recommend that the Board of Trustees work with the District's Education Licensure Commission to enable UDC-CC to obtain degree-granting authority at the appropriate time.

Achievement of recognition as a "separately accreditable" entity entails a "readiness" process, during which UDC and UDC-CC would establish the needed processes, policies and institutional structures to demonstrate that UDC-CC is organized to begin the process for separate accreditation. In order to make such a showing, UDC and UDC-CC also would need to produce the necessary evidence and documentation. Dow Lohnes estimates that this "readiness" process could take 12 to 18 months, but note that the timeline depends on how long it takes UDC-CC to prepare the necessary documentation to Middle States' satisfaction.

Achieving Separate Accreditation:

Once UDC-CC is deemed separately accreditable, it can apply to Middle States for separate accreditation. During this application process, Middle States will review every aspect of institutional operations. It will also require UDC-CC to provide sufficient and appropriate evidence that it is effectively fulfilling its mission and serving its students in a manner consistent with Middle States' 10 requirements of affiliation and 14 accreditation standards. Separately accreditable status does not

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[33] Until separate accreditation of UDC-CC is achieved, it is necessary to preserve the lines of authority through the UDC President as long as the Board of Trustees has delegated to the President full "authority and responsibility for the academic and administrative affairs and operations of the University and the components thereof." DCMR 8-B.202.1

guarantee separate accreditation if the requirements and standards are not met. The Middle States' requirements and standards are described in Table 4.

Table 4. Summary of Middle States Requirements of Affiliation and Standards for Accreditation

Requirements of Affiliation	
Requirement 1	• The institution awards postsecondary degrees.
Requirement 2	• The institution is able to provide written documentation that it is authorized to operate as an educational institution and award postsecondary degrees by an appropriate governmental organization within the Middle States' region.
Requirement 3	• The institution is operational, with students actively pursuing degree programs.
Requirement 4	• The institution's representatives are able to communicate with the Commission in English, orally and in writing.
Requirement 5	• The institution complies with all applicable government policies, regulations and requirements.
Requirement 6	• The institution complies with applicable Commission interregional and inter-institutional policies.
Requirement 7	• Institutional planning integrates plans for academic, personnel, information resources and technology, learning resources and financial development.
Requirement 8	• The institution has documented financial resources, funding base, and plans for financial development adequate to support its educational purposes and programs and to assure financial stability. The institution devotes a sufficient portion of its income to the support of its educational purposes and programs.
Requirement 9	• The institution's governing body is responsible for the quality and integrity of the institution and for ensuring that the institution's mission is being carried out.
Requirement 10	• The institution has a core of faculty with sufficient responsibility to the institution to assure the continuity and coherence of the institution's programs.
Standards for Accreditation	
Standard 1: Mission and Goals	• The institution's mission must clearly define its purpose within the context of higher education, indicate the institution's constituency and explain what the institution intends to accomplish. • Its goals must be consistent with the aspirations and expectations of higher education and clearly specify how the institution will fulfill its mission.
Standard 2: Planning, Resource Allocation and Institutional Renewal	• The institution must conduct ongoing planning and resource allocation based on its mission and goals; develop objectives to achieve them and use the results of assessment activities for institutional renewal.
Standard 3: Institutional Resources	• The institution must have available and accessible all resources—human, financial, technical, facilities, etc.—to achieve the institution's mission and goals. • The institution must effectively and efficiently use its resources.
Standard 4: Leadership and Governance	• The institution's system of governance must have clearly defined roles for institutional constituencies in policy development and decision-making. • The institution's governance structure should include an active governing body with sufficient autonomy to assure institutional integrity and fulfill its responsibilities of policy and resource development.

Standards for Accreditation (Continued from Previous Page)	
Standard 5: Administration	• The institution's administrative structure and services should facilitate learning and research/scholarship, foster quality improvement and support the institution's organization and governance.
Standard 6: Integrity	• The institution must demonstrate adherence to ethical standards and its own stated policies. • The institution must provide support for academic and intellectual freedom.
Standard 7: Institutional Assessment	• The institution must develop and implement an assessment process that evaluates its overall effectiveness in achieving its mission and goals and compliance with the accreditation standards
Standard 8: Student Admissions and Retention	• The institution should seek to admit students whose interests, goals, and abilities are congruent with its mission. • The institution must seek to retain its admitted students through the pursuit of the students' educational goals.
Standard 9: Student Support Services	• The institution should provide student support services as reasonably necessary to enable each student to achieve the institution's goals for its students.
Standard 10: Faculty	• The institution's instructional, research, and service programs should be devised, developed, monitored and supported by qualified professionals.
Standard 11: Educational Offerings	• The institution's educational offerings should display academic content, rigor, and coherence appropriate to its mission. • The institution should identify student learning goals and objectives, including knowledge and skills, in determining its offerings.
Standard 12: General Education	• The institution's curricula must be designed so that students acquire and demonstrate college-level proficiency in general education and essential skills. • Such skills include oral and written communication, scientific and quantitative reasoning, critical analysis and reasoning, and technological competency.
Standard 13: Related Educational Activities	• The institution's programs or activities that are characterized by specific content, focus, location, mode of delivery or sponsorship should meet appropriate standards.
Standard 14: Assessment of Student Learning	• At graduation or other appropriate points, the institution's students must have knowledge, skills and competencies consistent with institutional and appropriate higher education goals

Note: This is a summary only, and detailed requirements are provided in the MSCHE's published guidance documents available at the source listed below.

Source: Middle States Commission on Higher Education, *Characteristics of Excellence in Higher Education: Requirements of Affiliation and Standards for Accreditation*, available at http://www.msche.org/publications/CHX-2011-WEB.pdf (Mar. 2011).

The process for moving from separately accreditable to separate accreditation can vary and is determined by Middle States. As described earlier, one of the main differences between the path recommended by this report and the traditional accreditation process is the lengthy "candidacy" phase. If UDC-CC demonstrates strong compliance with Middle States standards during the separately accreditable phase, Middle States may determine that UDC-CC does not need to seek candidacy status in order to pursue initial accreditation—a decision that would expedite the timeline for achieving separate accreditation.

In order to move directly from separately accreditable status to separate accreditation, UDC-CC will need to undergo a self-study and Middle States evaluation process through which it will demonstrate its capacity to meet and sustain Middle States' accreditation standards. UDC-CC can, and should, organize itself for self-study during the process of becoming separately accreditable by conducting an internal audit of its processes, structures, and policies with regard to the Middle States standards.

It is possible that Middle States could determine that UDC-CC is not ready to move right to separate accreditation and must first become a candidate. In this case, UDC-CC would be required to develop and submit an Accreditation Readiness Report and host Middle States staff and assessment team visits after being deemed separately accreditable. Once candidate status is granted, UDC-CC would then spend a period of time as a candidate, demonstrating compliance with Middle States' standards and making improvements. The new candidate process could add two to three years to the pursuit of separate accreditation, which would involve the establishment of a self-study process and hosting an evaluation team visit. For this reason, we strongly recommend that the staff and leadership of UDC, the community college, and the Board of Trustees work very closely with Middle States both prior to and following the submission of any formal applications to ensure the most expeditious progress toward separate accreditation.

C. An Independent Community College

Upon achievement of its own separate accreditation, UDC-CC can become an independent institution, operating either parallel to the UDC flagship within a university system or as a completely free-standing institution. The decision about whether to position the flagship and an independent community college within a university system or operate UDC-CC under completely separate governance is at the discretion of the UDC Board of Trustees, and ultimately the Mayor and Council.

Under a "system" model, UDC and UDC-CC would be parallel independent institutions, and each institution's CEO would report directly to the system's board or to a system chief executive (as is the case with many state university systems).[34]   As is common in university systems, the component institutions could share centralized "back office" resources provided by the system to achieve economies of scale, as long as it could be demonstrated that such resources were sufficient and appropriate to meet the needs of both institutions.

Alternatively, UDC-CC could become a stand-alone institution not operating under the rubric of a university system. In this case, UDC-CC would be legally separated from UDC through legislation that would transfer assets, liabilities, rights, and privileges of the existing branch community college to the new, independent institution. UDC-CC would have its own board of trustees that would be the ultimate governing body.

Attain developed cost projections for an independent stand-alone community college and a separately accredited community college that exists within a university system. Attain estimated the total budget for a stand-alone community college in FY 2016 at $46.6 million — $4.4 million more than the estimated total budget of $42.2 million for a system-based community college. It is important to note that the

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[34] For example, in Maryland, the University System of Maryland is headed by a Chancellor who reports to the Board of Trustees. Each component institution, such as the University of Maryland-College Park, is led by a President, who in turn reports to the system Chancellor.

estimate for a system-based community college assigns thirty-three percent of UDC's back-room "shared service" costs to UDC-CC from FY 2013-FY 2015, and 25 percent in 2016 (in the cost model, 2016 is the assumed year of separate accreditation); Attain's analysis also assumes that UDC's total shared service costs are reduced by $6 million annually by FY 2016. If the proportion of shared service costs allocated to UDC-CC increases, for example because the college's student body outpaces the flagship's, or if the assumed cost-savings do not occur, the total budget for a system-based community college would be higher. By contrast, if UDC substantially re-engineers the delivery and cost structure of these shared services, the total budget for a system-based community college could be lower.

The net cost to the District of Columbia of a community college under either model depends on the community college's enrollment growth, tuition levels, fees charged for workforce development programs, and the college's ability to attract funding from sources other than students and local funds. As UDC-CC's student enrollment grows, it should achieve economies of scale and reduce its per student costs. Total budget estimates for an independent community college under the two models, as well as net cost estimates, should be revisited once a UDC right-sizing plan is developed, as explained in Section V of this report.

Regardless of the final model of independence chosen for UDC-CC, we believe one thing is certain. Choices made regarding the college – and the flagship – should be made as part of a shared vision and overall plan for the type of public higher education system that will meet the current and future needs of the District and its residents. The need to develop such a vision and plan is addressed in part IV of this report.

III. The Need for Fiscal Stability at UDC

UDC's financial stability is essential to the success of both UDC-CC and the flagship. UDC-CC must depend on UDC's accreditation and legal status as it moves through the multi-year process described in the previous section. Indeed, Middle States will almost certainly not approve branch campus status and separate accreditation for UDC-CC if it finds that UDC cannot afford those changes or if it views those changes as a threat to UDC's own financial viability. Just as importantly, UDC's financial stability is critical to developing and sustaining strong four-year and graduate degree programs at the flagship and providing a clear pathway to a four-year degree for community college students who want to continue their education at UDC.

A. UDC's Financial Challenges

Unfortunately, UDC already has significant financial challenges that could become more acute with the separation of UDC-CC unless properly managed. UDC is relatively well-funded with a large public subsidy compared to peer universities. In the 2009-2010 school year, UDC's appropriation of $16,785 per full-time equivalent (FTE) student was the highest in a group of 17 peer institutions analyzed by Attain and was more than double the group's median of $7,500 per FTE.[35] At the same time, UDC's costs per FTE student are higher than its peers in nearly every category. At $34,684 in 2009-2010, UDC's total expenditures per FTE student were approximately 60 percent higher than the median expenditures of its peers.[36] If UDC's costs per FTE were the same as the median of its peers, its total expenditures would be $101.3 million, over $51 million lower than its 2011 expenditure level of $152.6 million. We understand that UDC has conducted an analysis based on a different set of peer institutions that it believes better reflects its vision, and that UDC's costs per FTE student are closer to 25 percent higher than the median of that peer group. We believe this figure still demonstrates that UDC's per student costs are too high.

UDC has also experienced operating deficits over the past three years, which were funded through a spend-down of its reserves. UDC's unrestricted net asset reserves are now less than $12.8 million, $4.8 million of which is restricted to support the new student center.[37] By contrast, a financially healthy institution of UDC's size would typically have more than $50 million in reserves.[38] The university no longer has enough reserve funds to continue covering operating deficits as it has done in the past. Without substantially changing its cost structure or increasing its revenues, UDC runs the risk of having insufficient funds to cover its operating costs in FY 2013.

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[35] Attain Consulting's analysis of data from NCES, IPEDS 2009-2010 GASB Finance File, 2009-2010 Instructional Activity File. Attain retained the National Center for Education Statistics (NCES) to develop a comparison peer group for UDC. The peer selection used a criteria of public masters institutions of similar size plus a set of institutions with which UDC competes for students. Peer universities include Delaware State University, Alabama A&M University, Southern University and A&M College, University of Maryland Eastern Shore, Virginia State University, Coppin State University, Fort Valley State University, Lincoln University, University of Arkansas at Pine Bluff, Fayetteville State University, Mansfield University of Pennsylvania, Eastern New Mexico University-Main Campus, Francis Marion University, and University of Houston-Victoria.

[36] Attain Consulting's analysis of data from NCES, IPEDS 2009-2010 GASB Finance File, 2009-2010 Instructional Activity File.

[37] Attain Consulting's analysis of UDC 2011/2012 financial data.

[38] Attain Consulting's analysis of UDC 2011/2012 financial data.

While the drawdown of reserves in FY 2011 and FY 2012 was accelerated by the creation of UDC-CC, UDC's high operating costs and low and declining enrollment at the flagship mean that its present financial structure is unsustainable with or without UDC-CC. Creation of UDC-CC has underscored the underlying financial weakness of the university's current financial structure and the need to bring costs in line with reasonable expectations of enrollment.

B. UDC's Cost Drivers:

UDC's high cost structure results in large part from complicated historical factors. First, the university's degree programs, faculty and staff, administrative systems and facilities are all too large for the size of its current student body. As explained in the background section of this report, UDC's student body declined significantly during the District's financial crisis in the mid-1990s, from roughly 10,000 undergraduates in fall 1994 to its lowest enrollment level of under 4,500 undergraduates in fall 1997.[39] Although UDC's total undergraduate enrollment (community college and flagship) has increased since then, it has never surpassed 5,400 students.[40] The creation of UDC-CC has also impacted the flagship's undergraduate enrollment. Since its establishment, the community college's student body has grown while the flagship's declined. In fall 2011, UDC-CC had 2,529 students in academic programs compared to 2,129 in the flagship's undergraduate program.[41] Additionally, over 2,600 individuals were enrolled in a course or program for general employment assistance, basic skills, or occupational skills training at the community college's Workforce Development and Lifelong Learning program during the 2010-2011 program year.[42]

Second, UDC has high personnel costs. According to analysis by Attain, it has a professionally mature faculty with a high salary level relative to peer institutions. Nearly three-quarters of UDC's faculty are full or associate professors as compared with a 40 percent average for peer institutions. Salaries for all faculty are 33 percent above the median salary at peer institutions.[43] Pay scales for administrative functions also appear to be high relative to compensation in the broader market. Moreover, some administrative areas seem to be overstaffed, in part because new employees with proficiency in new technologies have been hired while existing employees have been retained. UDC's ability to adjust personnel costs is in part complicated by existing contracts with faculty and staff unions, which have not changed for years due to protracted collective bargaining. Existing contracts, although expired, continue to govern, and UDC and its unions have been unable to reach agreement on the terms of new contracts.

In addition to these legacy costs, recent efforts to transform UDC into a "university system" with a competitive, research-oriented flagship university and a community college are impacting UDC's cost

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[39] NCES, IPEDS data center, available on the web at http://nces.ed.gov/ipeds/datacenter/

[40] NCES, IPEDS data center, available on the web at http://nces.ed.gov/ipeds/datacenter/

[41] Presentation on UDC Budget Overview, Prepared for CC Transition Committee. Delivered by Steven Graubert, Managing Director for Finance, UDC, January 23, 2012.

[42] Presentation on Workforce Development and Lifelong Learning Student Data: Program Year (PY) 2011 and PY 2012 YTD. Prepared by Kairos Management, January 27, 2011. PY 2011 is from September 1, 2010 through August 31, 2011

[43] Attain Consulting's analysis of data from NCES, IPEDS 2010-2011 Instructional Staff Salary File. While it is reasonable to assume that some of the high salary costs are due to the high cost of living in the DC metropolitan area, there does not seem to be a consistent pattern among peer schools that aligns higher salaries with high expense locations.

structure. In FY 2010, the community college's net direct cost was $3.1 million.[44] However, most of the costs experienced that year were already part of UDC's overall cost structure and were associated with re-assignments of programs, faculty, and staff from university to the community college. In FY 2011 and FY 2012, the incremental net direct costs of operating UDC-CC were $6.5 million and $7.8 million respectively. These are additional annual costs associated with starting up UDC-CC. A large portion of these costs are operating costs associated with leases and operations and maintenance of the community college's facilities; UDC used reserve funds to help cover these new operating costs. New investments to transform the flagship, such as enhancements to the athletics program, and the development of a new student center and dormitories that are planned will further increase UDC's operating costs.

We are told these new investments are aimed at growing the student body in order to match the university's large programmatic, administrative and facilities structure. Growth at UDC-CC has occurred and appears likely to continue. But aggressive growth of the flagship in the near-term, especially among traditional students who attend college full-time directly after high school, will be challenging for several reasons. First, UDC's enrollment trends over the past 15 years, and in particular declining enrollment at the flagship, does not set a strong precedent for growth. Second, while the District's total population grew by 5 percent from 2000 to 2010, the number of residents under 18 actually declined over this period, from 114,992 in 2000 to 100,815 in 2010[45]—an indication that UDC's potential resident student population is shrinking. Third, UDC must compete for students with several universities in the Washington region, as well as with public universities across the country, which D.C. residents can attend at in-state tuition rates due to the federal D.C. TAG program. Finally, UDC's current portfolio of academic programs does not reflect demand in the student market, which will make recruiting new students challenging. Nearly two-thirds of its program portfolio is in medium or low-demand degree programs.[46] Among its 18 programs that are in high-demand degree areas, UDC does not have a high market share.[47] We understand that UDC is reviewing its programs in order to address this problem, but changes must be significant if the university is to find a competitive advantage in the marketplace.

In summary, UDC's operating deficits, high cost structure, spend-down of its reserves, and unlikely potential for growth in student population at the flagship have together produced serious financial challenges. And this situation has occurred at a moment when it is critical for UDC to demonstrate financial stability in FY 2013 in order to move UDC-CC to branch campus status and sustain the flagship. However, we believe UDC's financial condition offers an opportunity for the Board of Trustees and the District's leadership to rethink the mission of the District's public higher education system and better align it with the District's needs. This re-visioning can help ensure the sustainability of both UDC-CC and the flagship.

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[44] All figures related to baseline and incremental costs associated with UDC-CC are based on Attain Consulting's analysis of UDC budget figures. In FY 2010, it cost a total of roughly $9.9 million in direct costs. However, $6.8 million in revenue from UDC-CC and workforce development programs was also raised that fiscal year, leaving the net direct cost of $3.1 million.

[45] U.S. Census Bureau, 2010 and 2000 Censuses. The District's total population was 601,723 in 2010 and 572,059 in 2000.

[46] Attain Consulting's review of UDC study completed by Noel Levitz and supplemented by UDC.

[47] Attain Consulting's review of UDC study completed by Noel Levitz and supplemented by UDC.

IV. Setting a Vision of Public Higher Education in the District

In order to move UDC-CC toward independence while strengthening the flagship, UDC's Board of Trustees must partner with the District's elected officials to create a shared vision for public higher education that is focused, realistic and responsive to the student population it will serve. UDC has suffered from mission confusion since its inception in the 1970s when it was established as a consolidation of three different schools with three different missions. This problem was exacerbated in the mid-1990s when UDC, under financial duress, was forced to make major cuts even though a guiding plan for the cuts had not been developed.

Both the movement of UDC-CC toward independence and UDC's right-sizing should be done in accordance with a thoughtful vision for a public education system that meets the current and future needs of the District and its residents. While it is not our task to develop this vision, we believe it should start with two priorities: putting the community college on the path to sustainability and independence, and providing limited programming at the flagship, driven by the District's need to employ its residents in local and regional jobs and careers. We recommend that the vision include a separately accredited community college, a law school and a flagship with the curricular offerings, faculty, administration, and facilities appropriate to the number and types of students it can realistically attract. On June 22, 2012, legislation was enacted that requires the UDC Board of Trustees, in consultation with the Deputy Mayor for Education, to develop a vision for the UDC system that explains the mission, roles, responsibilities and scope of the flagship university, the community college, and the law school and how they relate to each other.[48]

The District's leadership and the Board of Trustees may want to consider the following questions as they create a vision for higher education:

- What is the role of the District's public higher education system in addressing the city's major goals and challenges, such as reducing poverty and unemployment, growing and serving the business community, increasing the tax base, improving quality of life in the District, increasing sustainability, and improving early and K-12 education?

- If the District's economic development goals are to be reached, in what fields does the District most need graduates and how many graduates should it produce? Is that need being met by other area institutions? Or do UDC and the community college need to contribute?

- What are the priority populations to be served by public higher education in the District?

- How will we know our higher education system is working?

With guidance coming from answers to these and similar questions, the Board of Trustees will be in a better position to make difficult decisions about how to position and grow both UDC-CC and the flagship. Once the District and the Board of Trustees have a vision for how these institutions can meet

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[48] See Community College of the District of Columbia Plan for Independence Act of 2011. D.C. Act 19-98, Subtitle H (Enrolled July 22, 2011).

the District's current and future needs, they can develop a governance model, programs, financial aid systems, and financing and accountability strategies to support that vision.

We recommend that the Board of Trustees and the District's elected officials begin setting this vision immediately; however, UDC must also take actions now to right size the flagship in accordance with the indicated priorities and to move UDC-CC toward independence. As it develops additional priorities with District officials, UDC can adjust its vision.

We believe that a portion of the District's future higher education subsidies should be conditioned on both UDC's flagship and community college meeting agreed-upon performance goals that are necessary to transform the District's public higher education vision into a reality. Many states have higher education performance-based funding strategies that the District can look to, but it must first set priorities for what it wants its higher education system to accomplish.[49]

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[49] See, for example, John Quintano, "Making Performance Funding Work for All, Working Poor Families Project Policy Brief" (Spring 2012), available at http://www.workingpoorfamilies.org/wp-content/uploads/2012/05/policybrief-spring2012.pdf

V. Right-sizing UDC

The UDC Board of Trustees and executive leadership must immediately develop a plan to right-size the institution so that it:
- Better reflects the size and needs of its student body and the District of Columbia
- Puts the institution on sound financial footing
- Ensures the future of UDC-CC and the flagship university

This plan should ultimately reflect the vision developed for public higher education in the District. In fact, it should serve as the blueprint for achieving that vision.

In testimony given at the D.C. Council Committee on Housing and Workforce Development's April 23, 2012 hearing on UDC's FY 2013 budget, we called for such a plan to address how the university will cut costs to live within its means and a timetable for doing so. We recommended that it be based on a thorough review of the following elements:

- Academic programs at the flagship relative to market demand to determine how to adjust such programs

- Administrative areas to determine whether the staff is the right size, has the right skills, and are paid appropriate wages

- Existing facilities to determine options for cost savings and evaluate whether existing facilities and planned capital projects are appropriate for a right-sized UDC and in keeping with the District's priorities for its higher education system

- Information technology (IT) services to evaluate whether it would be more efficient for a host to provide infrastructure and core services

We also explained that the plan must address personnel issues at both the flagship and UDC-CC, since personnel costs account for about 70 percent of UDC's total costs. Finally, we recommended that full funding for UDC in FY 2013 be conditioned upon satisfactory completion of the plan.

The UDC Right-Sizing Plan Act, enacted on June 22, 2012,[50] will require UDC to develop such a plan in consultation with the Deputy Mayor for Education and transmit it to the Council by October 1, 2012. This is an ambitious but necessary timeline to enable UDC to meet both its fiscal obligations in FY 2013 and the statutory requirement of applying for branch campus status for the community college by November 1, 2012. The legislation calls for the plan to include elements similar to the first three on the list above. In addition, it requires the following components:

- "A vision for the University of the District of Columbia system that explains the roles, responsibilities, and scope of the flagship university, the community college and the law school and how they relate to each other"

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[50] See above n. 2.

- "An enrollment plan that sets forth reasonable enrollment projections for the next 5 years based on recent enrollment trends and includes an analysis of potential student demand for the flagship university and community college"

- "A tuition analysis and timeline to bring tuition more in line with actual costs associated with a student's education, with particular emphasis on the non-District resident tuition rates, including the metro-area resident rate"

- "A staff and faculty reduction strategy and timeline, including an assessment of the initial and subsequent budgetary impacts of implementing this strategy"

Developing a staff and faculty reduction strategy and timeline will require the UDC Board, administration, staff, and labor unions to work in partnership. The parties may be able to implement a right-sizing plan under the existing terms of their labor agreements, but ultimately the parties should negotiate new labor agreements that support the new vision for UDC, as well as the needs of its current and future students. There may be a role for the District's leadership to play in helping UDC and its unions resolve key issues.

To make such a partnership between the UDC Board, administration, staff, and labor unions practical and viable, the UDC Board must first develop a plan that reflects a clear vision of an attainable future for the university and that identifies the roles that various members of the UDC community will play in executing that plan. The UDC Board, administration, staff, and labor representatives should then make it a priority to determine how UDC's labor force would most effectively be employed and incentivized to function efficiently, consistent with UDC's vision for its future. If initial consensus cannot be reached within a reasonable time frame, District leadership may be able to facilitate discussions—possibly by offering informal mediation or by providing a more formal procedure for resolving negotiations within a timeframe that is consistent with the plan for achieving separate accreditation for the community college.

UDC's right-sizing activities should not be limited to the flagship. While the community college, still in a start-up phase, needs resources and support to grow, it also could benefit from a rigorous review of academic programs. UDC-CC inherited some of its academic programs directly from UDC without an analysis of market demand or potential for cost savings. For example, some programs appear to have low enrollment and some courses are taught by UDC faculty that have workloads and pay scales more appropriate to a university than a community college. Others are programs in name-only because UDC-CC lacks adequate facilities to render them functional. We therefore believe it would be appropriate for a new community college CEO, in partnership with the Board of Trustees, to conduct a thorough review of its academic programs in FY 2013 in order to identify opportunities for adjustments.

Likewise, the community college's workforce development and lifelong learning programs are expected to account for approximately $5 million of the community college's direct costs in FY 2013. The cost of these programs, however, has exceeded the revenue they raise (by about $4 million in FY 2012) because programs are mostly provided to residents for free or at a highly subsidized rate. As Attain notes, other institutions operate workforce development programs that result in net revenue, thereby supporting affordable degree programs. The District government, in concert with the Board of Trustees and UDC-

CC's CEO, should decide what role it wants UDC-CC to play in providing workforce development to enhance the employability of D.C. residents and the level at which it wants to subsidize those services.

We recommend that UDC also develop new cost projections for the flagship university and UDC-CC, aligned with the changes called for in the right-sizing plan. Due to the timing of their work, Attain's five-year cost projections relied on the following assumptions, which are likely to differ substantially from the right-sizing plan: 1) an $85 million appropriation from the District government to UDC; 2) nine percent annual enrollment increases at the flagship from 2014-2017 and 3) modest cost reductions of $6 million annually in shared service functions over four years. Indeed, Attain's analysis clearly states that the operating model on which its projections are based is unsustainable because the institution has low retained wealth, requires a subsidy of $20 million more than what it is scheduled to receive from the District, and has enrollment forecasts that appear optimistic and inconsistent with recent trends.

New projections will be necessary to demonstrate that the vision and right-sizing plan developed by the Board of Trustees is financially sustainable. They will also be needed, as explained earlier in the report, to demonstrate to Middle States that UDC is addressing its fiscal constraints and is able to support programs and services at both the flagship and the community college. Indeed, such a demonstration is necessary to achieve branch campus status for UDC-CC.

It is possible that some of the changes identified in the right-sizing plan may require short-term investments in FY 2013 in order to achieve long-term cost savings.   However, there are also areas where UDC can reduce costs and improve efficiencies now, and cost savings from those efforts may help fund other necessary short-term investments. We recommend that UDC first identify the long-term cost savings that it can achieve through right-sizing and then determine the immediate one-time costs associated with making those changes. The District may have to decide whether it wants to support those additional investments in order to achieve its vision for the District's public higher education system.

VI. Conclusion

The Advisory Board accepted the assignment of assisting UDC and the District of Columbia forge a path to independence for the nascent community college because each member of the Advisory Board believes that a strong, effective community college is essential to increasing economic and educational opportunity for District residents. The Advisory Board recognized, however, that UDC-CC can only be as strong as its host institution, and that UDC's current financial health is under serious strain. In this report, the Advisory Board has detailed a path to independence for UDC-CC that not only preserves UDC but strengthens it, so that in the end, the District will have not one but two public higher education institutions that better serve the needs of its residents. We believe there is much hard work ahead and that time is of the essence. The issues that have created UDC's financial challenges are not new; however, with limited reserves to fall back on and a projected deficit for FY 2013, there is great urgency to address these issues now in order to achieve the goal of a fiscally viable and programmatically effective flagship and an independent community college. The Advisory Board looks forward to supporting UDC's Board of Trustees as it undertakes the difficult challenges ahead: producing a clear and credible plan for meeting UDC's FY 2013 spending pressures, redefining UDC for the future, and growing a strong, independent community college.