AGENDA ITEM SUMMARY

AGENDA ITEM
Administrative Cost Work Group Reports
Coordinating Board for Higher Education
September 14, 2017

DESCRIPTION
The Commissioner of Higher Education launched two administrative cost work groups in April 2017. This agenda item presents a summary of the work groups' progress to date and includes the reports produced by the work groups.

Background
Governor Eric Greitens asked the Department of Higher Education to examine opportunities for administrative cost savings on March 7, 2017. Commissioner of Higher Education Zora Mulligan asked the Missouri Community College Association (MCCA) and Council on Public Higher Education (COPHE) to establish work groups to address the issue on March 17, 2017, outlining the following purpose, charge, and timeline:

Purpose. The Coordinating Board for Higher Education is establishing work groups to address administrative costs at Missouri's public colleges and universities. The work groups will complement individual institutions' efforts to identify cost-savings measures that will allow them to invest in core mission activities and enhance public confidence in the fiscal discipline of public higher education.

Charge

1. **Shared services and procurement.** Identify opportunities for significant cost savings that can be achieved by providing common essential services through a cross-institutional shared services model and by changing procurement practices, including:

    a. Estimated savings;

    b. Identification of the regulatory, policy, and cultural changes needed at the statewide and institutional level to achieve savings;

    c. A detailed implementation plan; and

    d. A plan for evaluating implementation of the changes.

2. **Regulatory relief**. Identify state regulatory and statutory requirements that (1) constitute a significant burden to implement at the institutional level and that are not justified by advancing a meaningful public good, and/or (2) if eliminated, would allow the institution to operate more efficiently, and make recommendations regarding changes to or rescission of those requirements. Include estimated savings associated with each recommended change.

3. **Employee benefits**. Analyze current retirement and health insurance benefits, make recommendations regarding changes that would reduce the cost of those benefits while still providing substantial and competitive benefits to employees, and estimated savings associated with the recommendations.

Timeline

- **Thursday, April 6**: CBHE approves charge and timeline.

- **TBD**. Work groups prepare for and schedule initial meetings. In preparation for initial meetings, co-chairs and commissioner decide what data need to be reviewed at initial meeting and ask institutions to provide. Initial meetings should include the commissioner, be a data-based conversation, provide an opportunity to brainstorm and identify focus areas for each prong of the charge, and conclude by identifying homework and additional data needed to finalize the work group's direction.

- **Monday, May 15**: Work groups provide commissioner with preliminary scan of *regulations/statutory requirements* to be evaluated, scope of *employee benefits* to be reviewed, and initial perspective regarding the areas of greatest opportunity for *shared services and procurement* savings and data on which that perspective is based. Follow-up conversation with association EDs to identify any issues that cut across both sectors and could potentially be addressed together.

- **Thursday, June 8**: Work groups provide Coordinating Board with detailed report of progress in each area, including (1) areas of opportunity for shared services and procurement that will be seriously pursued; (2) estimated cost savings associated with each; and (3) identification of barriers and strategies to overcome barriers.

- **Friday, July 14**: Work groups provide commissioner with detailed report of progress in each area, including updated estimated cost savings and progress on eliminating barriers, and a preliminary implementation plan.

- **Tuesday, August 15**: Work groups provide final recommendations and establish a timeline for issues that will take longer to address.

Current Status
The CBHE approved the charge and timeline at their April 6, 2017, meeting. The work groups have met regularly and have developed preliminary scans of regulations/statutory requirements to be evaluated, scope of employee benefits to be reviewed, and initial perspective regarding the areas of greatest opportunity for shared services and procurement savings and data on which that perspective is based. MCCA and COPHE provided the CBHE with detailed progress reports at the June 8, 2017, meeting, and provided final reports in advance of the September 2017 board meeting. Those reports are attached.

Next Steps
MDHE staff will work with institutions to follow through on those recommendations.

Conclusion
The process described above is clearly a major undertaking by the Coordinating Board, MDHE staff, and the higher education community in Missouri. Given the rapid changes in the higher education environment, both from a state and national perspective, it is essential that we begin this process now if we are to ensure the efficient and responsive higher education system needed to make Missouri a national leader in providing high-quality, affordable postsecondary education that will equip Missourians with the personal and professional skills to succeed in the twenty-first century.

STATUTORY REFERENCE
Section 173.020 – Responsibilities of the Coordinating Board

RECOMMENDED ACTION
This is an information item only.

ATTACHMENT(S)
Attachment A: MCCA Administrative Cost Workgroup Report
Attachment B: COPHE Administrative Cost Workgroup Report

200 E. McCarty, #100
Jefferson City, MO 65101

August 11, 2017

Ms. Zora Mulligan, Commissioner of Higher Education
Missouri Department of Higher Education
205 Jefferson Street
P.O. Box 1469
Jefferson City, MO 65102-1469

Dear Commissioner Mulligan:

On behalf of the Missouri Community College Association and all twelve of Missouri's community colleges, please accept the following final report from our Task Force on Administrative Cost Review.

In the following pages, we have provided you with a progress report from each area we identified in our initial report of May 12 and subsequent reports on June 8 and July 14. This progress report includes updates on areas of opportunity for shared services and procurement that will be seriously pursued, estimated cost savings, and identification of barriers and strategies to overcome barriers.

As with our previous report, we have organized the document below around our four working subcommittees.

- Shared Services and Procurement
- Employee Benefits
- Regulatory Relief
- Data and Benchmarks

Please do not hesitate to let us know if you would like to discuss this report in greater detail. We look forward to hearing your feedback.

Sincerely,

[Electronically Signed]

Dr. Jeff Lashley, President – Moberly Area Community College, and
Ms. Marla Moody, Vice Chancellor for Finance – Ozarks Technical Community College

– Co-Chairs, MCCA Task Force on Administrative Cost Review

Shared Services and Procurement

Policy and Governance

Procurement by the community colleges is governed by RsMO Section 34.040, which requires competitive bidding for goods and services in excess of $3,000 and award to the lowest and best bid (with the exception of those items that must be purchased as a sole source). Competition in the procurement process generally ensures the lowest possible pricing which is critical with limited resources.

As each community college has its own independently elected board of trustees, there is also local governance. Each college has its own purchasing policy in place to govern the purchasing process, generally approved by each respective board of trustees, and which may require more stringent bidding procedures, i.e. a lower required bidding threshold than those required by state statutes.

Missouri community colleges have a strong collaborative network of leaders including administrators, instruction, finance, and IT, among others. This network will facilitate the sharing of common goals and the successful completion of a shared services and cooperative purchasing model.

Additionally, MCCA colleges consistently partner to bring about innovations and effect change that results in impact that goes far beyond cost savings. The most transformative project in recent years was the U.S. Department of Labor's Trade Adjustment Assistance Community College Career Training (TAACCCT) grants. These consortium grants brought $55 million in federal funding to the state of Missouri for workforce training. Not only have more than 10,000 Missourians received workforce training as a result of TAACCCT, but MCCA colleges have collaborated in unprecedented ways to change the way we approach student success.

One of the most impactful innovations to come out of the TAACCCT grants was the introduction of guided career pathways. This concept utilizes an enhanced student support model to guide community college students into programs of study that lead to careers in high-demand fields such as Healthcare, Manufacturing, and Information Technology. These pathways feature stackable credentials and hinge on navigation support from college faculty and staff, Workforce Development Boards, Job Centers, and community resources.

Under the umbrella of TAACCCT, MCCA colleges have worked together to find solutions to issues like financial aid barriers in competency-based education and adopted a statewide Credit for Prior Learning policy. These efforts have improved retention and completion rates at MCCA colleges and grant-borne innovations will be scaled throughout the system with the newly-instituted Community College Workforce Development Network.

Task One Update:

The Procurement and Shared Services Subcommittee is utilizing the Community College Business Officer SharePoint site to collect and compare current purchasing and procurement policies. A number of opportunities have been identified for collaboration on these policies which will provide an overall strengthening of the policies. These opportunities include adding language concerning cooperative purchasing in the individual college purchasing policies if not already included, expanding language concerning construction purchasing, and adding language into individual bids and contracts allowing other institutions to piggyback on the pricing from the bid.

We will continue to explore other opportunities for collaborative language in these policies.

Task Two Update: Specific Target Areas

As noted previously, fifteen (15) items, including Learning Management Systems, have been identified for further exploration for potential cost savings. This list includes services, equipment, and supplies. The updated annual spend of these 15 items is as follows:

Item Type	Community College Combined Annual Contract Amounts
Athletic Transportation	*$847,720*
Athletic Uniforms	*$376,617*
Athletic Equipment	*$188,477*
Property/Liability Insurance	*$3,850,626*
Computer Purchases	*$9,908,384*
Printers/Copiers	*$1,783,309*
Instructional Supplies	*$3,215,916*
Phone Bill/Utility Bill Audits	*$16,948,889*
Student Accounts Default Management	*$628,242*
Bookstore Services	*$2,741,000*
Merchant Services Fees	*$2,086,320*
Custodial Services	*$1,709,669*
Landscaping Services	*$335,720*
Cafeteria Services	*$1,698,000*
Learning Management Systems	*$1,468,586*
Total	$47,787,675

The highlighted items above represent the three areas which we are recommending we proceed with initially; Phone Bill/Utility Bill Audits, Student Accounts Default Management, and Merchant Services Fees. The reasons for selecting these three areas include the following:

1. The spend on these three items of $19,663,451 represents a significant percentage, approximately 41% of the total spend on the 15 identified items.
2. Potential for savings is as follows:
    a. Based on past experience that some schools have had with phone and utility bill audits, we estimate a potential savings of 10%, or approximately $1.6Million. The amount of savings will depend upon how accurately different providers are currently billing and how well the individual schools have already managed this effort.
    b. Assuming a standard percentage of 30%, some may be paying more, some less, we are estimating that we might be able to save an additional 5% of the current annual spend on collection fees, or approximately $30,000. The savings, therefore, are not significant, but we believe this is low-hanging fruit.

c. Based on discussions with credit card processors, we believe a consortium could yield potential savings of 10% or a total of approximately $200,000.
d. In summary, we believe the total potential savings from the first round of purchase consolidations could yield savings of between $1.6Million and $1.8Million.

3. The items are minimally hindered by the previously identified barriers to success:
   a. No impact on existing jobs or employee status at the institution
   b. No long-term contracts or ability to phase in as other contracts end
   c. Little to no standardization required
   d. Little to no impact on local businesses

Task Three: Implementation Plan

Phone Bill/Utility Bill Audits
A Request for Proposal (RFP) has been drafted and reviewed by the Procurement and Shared Services Subcommittee. Our plan is to request proposals from interested parties the week of 8/7, to be received by late August. The bids would then be analyzed and presented to the subcommittee for review and recommendations would then be presented to our respective Boards of Trustees by October.

Student Account Default Management
Our goal is to complete an RFP for this work to be completed by mid-December with bids due by mid-January. The bids would then be analyzed and presented to the subcommittee for review and a recommendation and would be presented to our respective Boards of Trustees by March 2018.

Merchant Services Fees
We believe an RFP for this work can be completed by March, 2018, with bids due in April, 2018. The bids would then be analyzed and presented to the subcommittee for review and a recommendation and would be presented to our respective Boards of Trustees by June. Merchant card fees will be much more complicated to complete than the first two issues due to varying fee structures that are proposed by different banks. We are also considering, as an alternative to a new bid proposal, "piggybacking" on contracts recently awarded by other schools to see if there are quick savings available through that process.

Task Four: Implementation

Beyond the specific items, efforts will be underway to advance efforts in this area to continue to identify new opportunities and to track progress.

Next areas for consideration from the above-referenced list include Computer Purchases, Printer and Copier Management, and Property/Liability Insurance. The total annual spend on these items is $17,010,905 (approximately 36% of the total annual spend). Other possible opportunities that have been proposed include the potential of a state- wide contract with a hotel chain for athletic team or employee travel. We will continue to supplement this list as opportunities present themselves.

It is much too early to identify potential savings on these items; however we will continue exploring these opportunities throughout FY18 or FY19.

Employee Benefits

The subcommittee completed an extensive review of employee benefits at each of the twelve community colleges, placing a larger focus on health insurance benefits. Because of the complexity of plan years, varying sizes of institutions, and past efforts of colleges to collaborate in this area, it was determined that combining employee benefits across all twelve colleges is not a viable solution.

The ever-changing health insurance market and annual increases to medical and pharmacy benefit costs have required institutions to continually analyze programs to seek savings or make changes to plan design to reduce or avoid annual increases in costs. Discussion of this topic has revealed that all schools have made changes in the past several years, including such options as changing health providers, joining other available consortiums, changing from fully-insured to self-insured, and plan design changes, which have included reductions to employee benefits.

Institutions have reported the effectiveness of annual reviews and changes to health insurance to be significant year-over-year as they continue to address cost factors. For example, changes to the health plan administrator at St. Louis Community College in 2017 is estimated to result in savings of nearly $985,000. Similarly, in 2017 Jefferson College reported saving nearly $300,000 in annual medical costs by changing health program administrator. In 2017, St. Charles Community College saved an estimated $260,000 by changing health insurance providers and reducing benefits to their employee groups.

Three Community Colleges (Moberly Area Community College, State Fair Community College, & Three Rivers College) have joined a fully insured consortium with K-12 schools to reduce costs. In the case of Moberly Area Community College, this will result in annual savings of approximately $750,000. Three Rivers and State Fair expect significant cost savings as well. The plan change also resulted in increased co-payments, higher deductibles, and out-of-pocket costs to health insurance plan participants.

Some schools have moved from a fully insured model to a self-insured model. One example of this change occurred at Jefferson College with estimated savings between $1.4 - $2.1 million throughout the 2012-2015 time period. St. Louis Community College also reduced its overall health insurance cost by an estimated $2.2 million in 2014-2015 moving to a self-insured program. Three other community colleges are currently using a self-insured model to reduce institutional costs.

The charge to the benefits subcommittee has resulted in fruitful conversation and review of this topic with the community colleges. The review has revealed great efforts across the sector to continue to address the challenging cost of health insurance while striving to provide a level of employee benefits that will attract and retain high quality faculty and staff. The discussion has also illustrated that changes to reduce or avoid additional costs in health insurance programs usually results in increased medical costs for employees and plan participants. The subcommittee recommends that each institution continue to analyze benefits each year to ensure we are providing this critical benefit at the lowest possible institutional cost.

Regulatory Relief

This subcommittee identified state regulatory and statutory requirements that constitute a significant burden and cost to implement at the institutional level and that are not justified by advancing a meaningful public good. Additionally, the subcommittee identified state regulatory and statutory requirements that, if eliminated, would allow institutions to operate more efficiently.

Regulatory burdens were examined in the following areas:

1. Data Collection/Surveys
    a. Performance Indicator Survey
    b. Remediation Survey
    c. Complete College America
    d. EMSAS
2. Post-Secondary Common Criteria and Quality Indicators (PSCC&QI) – DESE
3. Program Inventories – Maintenance/Updating
4. Post-Secondary/Adult Perkins Core Data (Perkins report) – DESE
5. Dual Credit
6. Governance Change from DESE to MDHE
7. Head Start – DHSS – Child Care Services

In addition to an examination of the regulatory burden, this document also provides, where it is able, estimated cost or time savings. Cost Savings with all of these initiatives all revolved around saving time and eliminating duplication rather than money. However, if time equals money, community colleges could focus on other important initiatives rather than those of a bureaucratic nature with such regulatory requirements. Finally, the report concludes with a list of recommendations for future work.

1) Eliminate, Combine, or Revise Data Collection/Surveys

As surveys and data collections have continued to increase, many existing surveys and data collections have become obsolete or need revisions to avoid duplication and unnecessary work. The following collections should be considered:

- Performance Indicator Survey – much of the survey is duplicated in newer collections and has outlived its intended purpose.
- Remediation Survey – a new collection that may not be ongoing.
- Complete College America – consideration for intended use and benefit of participation
- EMSAS - requirements have increased without efforts to deprecate obsolete fields.

Performance Indicator Survey

A possible barrier would be if the MDHE has justification for using one or more aspects of the collection, though in past conversations this barrier may not exist. Each institution would have savings associated with staff time for compilation of the survey. This would vary by college. Additional savings would be for MDHE's research staff in coordinating and soliciting the input from the colleges and compiling results. The MDHE should review the survey and determine if it's needed then deprecate the survey or revise the requirements as appropriate.

Remediation Survey

One member of the committee reported that survey was not instituted as a permanent (continuing) collection required by MDHE. A barrier could be if the MDHE has requirements for the use of these data. Each institution would have savings associated with staff time for compilation of the survey. This would vary by college. Additional savings would be for the MDHE's research staff in coordinating and soliciting the input from the colleges and compiling results – unknown amount based on staff time. The MDHE should review the requirement and possible redundant collection (see CCA) and discontinue the collection or revise the requirements as appropriate.

Complete College America Survey
There would likely be extensive barriers for elimination of this survey; however, it is important that the state consider a cost-benefit analysis of continuation. Barriers would include: legislative support, MDHE efforts based on the survey, and possible public opinion/accountability/ transparency. The savings would include substantial time at the MDHE for the research staff to extract and transform data for the collection. Additional savings for each institution would be for research/IT staff to validate data produced by the MDHE and for addition of data that the MDHE is unable to supply. This savings would vary by college; however, the collection is fairly intensive. The MDHE and colleges should discuss the merits of continuation with participation in CCA to understand the return on our investment of time and effort.

EMSAS
Barrier would be staffing. The MDHE staff time to convene a group to review definitions and fields in the EMSAS collection. In the past this group was called "HEDAC" (Higher Education Data Advisory Committee) that hasn't met since 2012. Additionally, there is cost associated with revising the fields that are collected. The burden of the collection would be on MDHE. Potential savings include time associated with extract and manipulation of data for the collection and provisioning of data that could provide additional resources for the state to address research questions without setting up a separate collection/survey. The MDHE research staff should call the HEDAC group to review EMSAS and make recommendations for changes.

2) Post-Secondary Common Criteria and Quality Indicators (PSCC&QI) – DESE
Efforts to implement this proposed annual process should be stopped, as it would duplicate the CTE program review processes that all institutions have in place. A committee of CTE administrators at the post-secondary level was convened to adapt it to post-secondary standards, and it developed a 17-page document that would need to be filled out annually and documentation would need to be kept for every CTE student in the state.

One barrier is overcoming DESE's desire to collect these reports. Savings at each institution would appear to be extensive time and effort to comply with the demands. The MDHE could assist the colleges working with DESE to advocate for repealing the requirement.

Cost Savings is difficult to determine as each institution varies with the potential savings due to the number of hours required. Many colleges have moved forward with substantial hours designing and implementing their respective PSCC&QI into their respective data collection programs.

3) Program Inventories – Maintenance/Updating

There should be one academic program inventory portal that can serve the three purposes listed below. Currently, institutions must review and update four different program inventories, on different calendars, and with different implications.

- ETPS (initially for CTE programs, now for all programs with Scorecard)
- MDHE (main inventory by program and location)
- DOE (for financial aid – certificates for Gainful Employment)
- HLC inventory, although it is not public.

There may be specific data and or technical requirements that may prohibit community colleges from utilizing one inventory portal to report for ETPS, MDHE, DOE, and HLC.

Cost savings will be less time associated with the tasks especially with familiarizing and adapting to every type of system. It is difficult to determine due to the complexity and differences among the four systems.

4) Post-Secondary/Adult Perkins Core Data (Perkins report) - DESE

MDHE and DESE should consider convening a group to review the Perkins report to determine whether/how it can be simplified and still meet federal requirements.

Barrier would be the time and effort to review the requirements and work through a revision. While this would be burdensome, the return on investment of the effort to revise the requirements could be **long term gains** in staff time at colleges. The time and effort to produce the student tracking data and the 180-day follow-up is substantial. A challenge will be ensuring that colleges are able to receive an appropriate funding level from Perkins under simplified reporting requirements. A member of the subcommittee reported that the design of the collection was made to ensure that colleges had the highest representation possible of participation in CTE programming.

Additional Information Regarding Regulatory Relief Estimated Time Savings (in labor hours) for Recommendations 1-4

The CAOs of the twelve community colleges were asked to estimate the labor hours saved as a result of the implementation of cost saving items #1, #2, #3, and #4. There are two caveats with the reporting of potential labor savings:

1. The recommendations have the potential to affect change in a wide range – from minor adjustments to complete elimination of a requirement. Without knowing how the recommendation is implemented, there is very little ability to estimate the effect on labor hours. In fact, a review of any one of these areas could result in an increase in labor hours – if, for example, the review identified a deficiency in a collection of information.

2. Community Colleges all report that labor hours saved would be used to address our missions rather than as justification for elimination of jobs.

Cost Saving Item	**#1**	**#2**	**#3**	**#4**
Statistical average	149	91	97	312
Range	14-480	0-346	30-360	0-2000
Median	119	50	73	110
Estimated total across 12 CCs	~1800	~1000	~900	~3100

5) Dual Credit

MDHE dual credit policy should be revised, including instructor credentials, due to strengthening of HLC Policy and five-year waivers for credentials.

HLC has permitted colleges and universities a five-year waiver period to allow institutions some type of flexibility as they move forward with the new standards. There are a few public two-year and four-year colleges that requested this waiver from HLC. At the conclusion of this time period, the MDHE should reassess HLC involvement with dual credit and determine if it is the State's best interest to continue monitoring (such as peer review and membership in NACEP).

Cost savings will be minimal as HLC is requiring additional requirements for dual credit. NACEP membership and indirect costs are approximately about $1,000-$1,500 per year for each community college.

6) Governance Change from DESE to MDHE

Governance of programs delivered by community colleges and universities, including post-secondary Perkins, Teacher Education and Adult Education and Literacy, should be moved from DESE to MDHE. The current, inefficient system, resulting in different, conflicting and overlapping rules, definitions, processes, and timelines between DESE and MDHE could be resolved with this consolidation.

There would be significant benefit to the state. DESE specializes in K-12 education and their systems and process are built for K-12. Their systems and processes are not designed for adult education. One suggestion is to evaluate the work from DESE for adult education delivered though K-12 districts. Though difficult to quantify, applying those systems and process to Higher Education results in significant inefficiency and waste. Perkins funded staff with DESE would have to be reassigned to DHE to administer that program.

To change the requirements from the DESE to the MDHE may overburden the MDHE office with no provision for increasing staff. This barrier may not be easily overcome; however, it may be that these issues could be resolved by increasing the collaboration of the MDHE and the DESE offices.

This governance change will require a very challenging paradigm shift. This recommendation will be most likely objected by the major supporters of the K-12 system such as MSBA, MSTA, MRTA, etc. There are parts of the state that are not entirely serviced by higher education, so there will need to be more involvement with the colleges in those areas not typically served.

Cost savings is difficult to determine due to the complexity of this issue. Savings would result from integrating systems and processes related to technical training into existing DHE processes.

7) Head Start – DHSS – Child Care Services:
Consistency is needed among licensing representatives regarding regulation interpretation and personal priorities, including fire code regulations. Unfunded mandates in these areas should be eliminated.

There is a new mandate for every individual within a program that receives Child Care Subsidy money from DSS to obtain overview training covering almost every aspect of working with young children. This mandate came down from the federal government to the states who rushed to pull training together that covered the plethora of material. Two requests: that licensed centers be exempt from this additional re-training (as licensed staff have this already) and that if you have a contract to receive Child Care Subsidy from multiple states, that the training you receive in your state (where you practice) be valid for your contract with neighboring states. The same consistency among Fire and Sanitation inspectors would also be an asset.

The cost savings vary according to how the training is delivered. There are some free training offerings, but most training ranges from $2-$25 per hour, and the state requires 12 hours per year per staff member for licensing. The staff also have to be compensated for their time or overtime, as trainings happen on the weekends or necessitate someone else to cover the classroom. This training completed averages to about $300 per year per employee per center (if local travel, not conducted outside of work hours, through a reasonable center). If outside speakers are brought in to reduce travel, the cost ranges from $200-$1000 per hour and still requires staff to be compensated for time. Sending someone to a quality national conference where all 12 hours of training can occur averages $2000.00 to $2500.00, not including the cost of time.

Recommendations

1. Require the MCCA Institutional Research Council to meet with the Missouri Department of Higher Education staff to evaluate the effectiveness of the annual required data collection activities of community colleges. The goal of the evaluation is to simplify the annual data collection process, including eliminating obsolete data surveys and streamlining activities to avoid duplication and unnecessary use of labor by the community colleges.

2. Task the Missouri Department of Elementary and Secondary Education to allow community colleges the option to substitute successful documentation of HLC required program approval

process in place for regional accreditation purposes in lieu of the Post-Secondary Common Criterion and Quality Indicators (PSCC&QI).

3. The Missouri Department of Higher Education should explore options to procure and utilize consistently one program inventory software program.

4. Require both the Missouri Department of Higher Education and Missouri Department of Elementary and Secondary Education to convene a working group to review the current annual Perkins reporting process with the goal of simplification, taking into consideration federal reporting requirements.

5. Task the MDHE Dual Credit Committee to reevaluate dual credit policy after the conclusion of the Higher Learning Commission's five-year waiver period for dual credit credentials.

6. Respectfully request the Joint Committee on Education to conduct a review of the effectiveness of vocational programs (both K-12 and community colleges), teacher education, and adult education and literacy programs with a governance recommendation as a conclusion.

7. Mandate an effectiveness report of a working group of the Head Start programs across the state with the goal of providing consistency regarding regulation interpretation and personnel priorities, including fire code regulation.

Benchmarks, Data, and Efficiency Measures

In light of budget cuts, increased workforce training demands and enrollment challenges, Missouri's 12 community college systems continually seek solutions to contain costs while not compromising the quality of academic programs or the support needed by our students to be successful. Directed by locally elected boards of trustees, community colleges have implemented multiple efficiency and cost saving measures to ensure balanced budgets while remaining the lowest cost option for students seeking workforce preparation and degree attainment.

Over the last three years, community colleges in Missouri have saved nearly $33 million by making tough decisions while being responsive to community and service region needs. Major savings and efficiencies have been achieved through: personnel cuts, hiring and salary freezes, budget reductions to all departments, outreach center closings, consolidation of athletics, delayed technology implementations, deferred maintenance, outsourced services, energy efficiency installations of LED lighting and/or solar panels, health care savings through consortiums or plan reductions, and cutbacks to travel and professional development.

These savings are outlined in Attachment 1, Administrative Cost Review Taskforce – Recent Efficiencies/Savings Completed. This data is evidence of community colleges' commitment to seeking out cost savings and finding ways to serve our students and communities in the most efficient manner possible.

Next Steps

This task force will continue to pursue administrative cost reduction at individual institutions, as well as collectively as a consortium. Over the coming months, the group will jointly procure services for Phone Bill/Utility Bill Audits, Student Accounts Default Management, and Merchant Services Fees. This pilot venture will then be evaluated to determine true cost savings and administrative reductions. From there, the group will decide on the next round of consolidated purchases and will develop appropriate requests for proposals.

Attachment 1 - Administrative Cost Review Taskforce - Recent Efficiencies/Savings Completed

Community College	Facility/Site/Campus Closures	Academic Program Reductions	Payroll/Personnel Reductions	Benefit Savings (health ins. chgs.)	Equipment	Other OR (Non-Payroll)	TOTAL
Crowder College	$110,000	$80,000	$864,000	$107,520		$295,700	$1,457,220
East Central College	$190,734		$382,857	$98,206			$671,797
Jefferson College			$594,000			$437,000	$1,031,000
Metropolitan Community College	$200,000		$3,200,000			$8,000,000	$11,400,000
Mineral Area College			$796,000			$275,000	$1,071,000
Moberly Area Community College	$50,000		$606,500	$220,000			$876,500
North Central Missouri College		$50,000	$410,000			$40,000	$500,000
Ozarks Technical Community College	$15,000		$1,066,690	$100,000	$387,700	$123,000	$1,692,390
St. Charles Community College			$477,424	$83,281		$526,099	$1,086,804
St. Louis Community College			$5,669,189	$2,408,581	$266,500	$3,598,231	$11,942,501
State Fair Community College				$113,810	$300,000	$96,339	$510,149
Three Rivers Community College	$50,000		$512,000	$100,000	$10,000	$22,250	$694,250
TOTAL							**$32,933,611**

Council on Public Higher Education in the State of Missouri

September 11, 2017

Commissioner Zora Mulligan
Department of Higher Education
205 Jefferson Street
Jefferson City, MO 65101-1469

Dear Commissioner Mulligan:

Attached you will find a report from the COPHE work group that was established to examine administrative costs at Missouri's public universities with the goal of identifying areas of potential cost-savings.

The report has five areas of focus – administrative effectiveness; procurement – including cooperative purchasing, statutory restrictions, and MissouriBUYS; health care; prevailing wage; and libraries.

As you know, the work represented in this report is just one aspect of the information gathering and analysis that has taken place over the past few months. There have also been information requests from the governor's office, legislative committees, and other agencies that are both substantive in nature and related in content to the items discussed in this report. This has been a very valuable exercise for COPHE institutions and we are eager to continue pushing forward on these and related issues.

We are very thankful for your leadership and the leadership of the Coordinating Board as we confront the many challenges and opportunities in public higher education.

Sincerely,

Paul Wagner, Executive Director

REPORT OF THE COPHE WORK GROUP ON ADMINISTRATIVE COSTS

ADMINISTRATIVE EFFECTIVENESS

Spans and Layers

Every COPHE institution has conducted a spans and layers exercise to analyze their administrative structure and function. According to Bain and Company, there are four main purposes to conducting this exercise:

Cost cutting: The exercise can be used to focus attention on inefficiencies that have grown (spans that have narrowed and layers that have built up) within an organization with the goal of trimming payroll costs.

Organizational effectiveness: Spans and layers exercises can be conducive with efforts to eliminate low-value-added or duplicative activities such as excessive data tracking, frequent re-forecasting and ad hoc reporting.

Decision effectiveness: Spans and layers can be an important part of addressing slow and inefficient decision making by streamlining management ranks and clarifying accountability.

Holistic organization simplification: When organizations become complex over time, a more comprehensive approach is needed to design leaner functions and prioritize key areas.

Each institution has conducted their analysis and presented that information to the Commissioner of Higher Education. Each institution is now analyzing the data and will develop actions plan to become more efficient and effective.

PROCUREMENT

Cooperative purchasing through existing contracts

COPHE institutions leverage a wide variety of state, national, regional, and local contracts and collective purchasing arrangements and consortia to reduce administrative costs. The search for opportunities to further leverage purchasing power is constant and has been ongoing for many years. Indeed, there are few, if any, areas where a university spends money that has not been scrutinized with the purpose of seeking out a group purchasing contract (given statutory limitations – see below).

To illustrate the thoroughness with which universities have leveraged purchasing contracts, below is a list of the primary goods and services that are purchased through leveraged buying off of collaborative contracts:

Athletic equipment
Audio/Visual services and equipment
Background investigation services
Chiller maintenance
Computer hardware/software
Computer server support
Computer user support
Copiers and copier maintenance
Custodial services
Data services - MORENET
Dining, catering, other food services
Elevator maintenance
Emergency dispatch services
Emergency telephones
Financial services
Furniture
Hazardous waste disposal
Insurance – vehicles, property, physical damage
Long distance telephone services
Networking services
Mechanical services
Medical/nursing supplies
Mental health services
Motor fuel
Moving services
Office supplies
Paper and paper shredding
Procurement cards
Publications, library materials - MOBIUS
Rental cars/fleet management
Scientific services
Security cameras

Software licenses
Student health services
Telecommunications equipment
Temporary employment services
Trash hauling/recycling

<u>Statutory restrictions on efficient and competitive purchasing</u>

While all public universities can and do utilize State of Missouri contracts as part of their contract purchasing, the greater opportunity for efficiency is further contract consolidation among universities because they purchase like items. State contracts already provide opportunities for purchasing power for items such as paper products and janitorial supplies, items that many state agencies utilize. Universities, unlike many other state agencies, purchase large quantities of equipment or consumable supplies needed for academic instruction or research like microscopes and chemistry kits.

Yet out of the thirteen COPHE institutions, five remain subject to regulatory restrictions under Chapter 34 of the Missouri Revised Statutes for purchasing authority. These institutions are Harris Stowe State University, Missouri Southern State University, Missouri Western University, Northwest Missouri State University and Southeast Missouri State University.

Over time, as other institutions have had legislative action for name change, mission change, etc., that legislative action has included a transition of purchasing authority from Chapter 34 compliance to that of the purchasing authority of the University of Missouri System. This allows for the establishment of different dollar thresholds for requiring quotes and sealed bids and allows for negotiation with bidders, which Chapter 34 does not.

These more restrictive bid requirements of Chapter 34 put an unnecessary administrative burden on these five institutions. For example, under the University of Missouri System, bids are not required for purchases less than $5,000 and may not be required for purchases between $5,000 and $10,000 if it is determined that no additional savings or benefit would result from a solicitation of bid. Chapter 34 requires at least three bids be obtained for any purchase over $3,000. In addition to the increased administrative burden that comes with having to obtain multiple bids on a much larger range of purchases, this inconsistency of bid thresholds, as mandated by state statute, is a significant factor that limits the ability of all the higher education institutions to share contracts and fully capitalize on their purchasing power.

In addition, Chapter 34 also restricts these five institutions from seeking competitive bids on furniture, which is frequently purchased and sometimes expensive. Chapter 34 requires that these five institutions purchase furniture from Missouri Vocational Enterprises (MVE), unless the type of furniture needed is not available through MVE. Even this requires a waiver process, which is long and cumbersome. Each of these institutions believe that they would realize savings if they had the same freedom to purchase furniture from MVE as well as a wide range of other vendors like the other institutions do.

To realize the true purchasing power of all thirteen public four-year universities and see the full potential reduction in costs by contracting together for commonly purchased items, COPHE recommends that legislative action be taken to place all public four-year institutions under the same purchasing authority.

MissouriBUYS

The State of Missouri is in the process of launching a new statewide eProcurement system that will be called MissouriBUYS.

There is a provision with the statewide eProcurement system contractor that will allow Missouri universities and local governments/political subdivisions to be able to use MissouriBUYS and its functionality at no cost. They anticipate beginning the rollout of MissouriBUYS to universities and local governments and political subdivisions as soon as the state's implementation is complete (toward the end of calendar 2018).

One of the benefits of MissouriBUYS is for purchasing entities to post bids electronically and receive vendor responses electronically. It is anticipated that many vendors will take advantage of the online bidding functionality, which could reduce costs.

In addition to online bidding, following are other benefits for universities and local governments/political subdivisions in using MissouriBUYS:

- Post bid opportunities on the public Bid Board in MissouriBUYS.
- Notify vendors of bid opportunities through automatic email notices for the commodity/service codes for which they register.
- Increased visibility and potential competition for local government's/political subdivision's bids to the State of Missouri's registered vendors who may not have previously sought out those entity's bids.
- Allow vendors to submit online bid responses to the local entity (paper bids also allowed).

· Easily access/view statewide contract catalogs and place online orders similar to retail environment.

· Local governments and universities can use eProcurement functionality in a variety of valuable ways without having to invest in additional eProcurement technology.

In the short term, COPHE has met with the MissouriBUYS team to discuss all of our contracts and our current utilization of a number of the state purchasing contracts. We also worked to identify any current areas that we could improve upon. Other than reexamining some contracts for office supplies, there was nothing that was identified.

On a long term basis, will be working with the state procurement office on the feasibility of participating in the MissouriBUYS program, the integration into universities' ERP software systems, as well as assisting the Office of Procurement in establishing a cost effective eProcurement system as the state expands the capability of the system.

**As with existing state contracts, in order to realize the full potential of an eProcurement system, the public universities need to be under the same purchasing authority so all institutions can participate in the same contracts.

HEALTH CARE

Employee health care costs are always a significant cost driver in personnel-heavy organizations like universities. As such, COPHE institutions have given serious consideration of joining the Missouri Consolidated Health Care Plan (MCHCP) in order to reduce costs for employee health insurance programs.

Missouri Western State University and Lincoln University took the lead in exploring alternatives in this area. Attachment 1 is a comparison spreadsheet that shows what Missouri Western's costs would have been per member under the MCHCP and under their current plans. It also includes a brief outline of pertinent benefits – deductible, out of pocket maximum, co-insurance rates, and co-pays for the three plans that are comparable to Missouri Western's.

The key finding of this effort was that if participation levels by Western's plans remained stable and they moved from their plans to the MCHCP they would be facing an annual cost increase of over $1.69 million.

In addition, the employee costs for dependent coverage (spouse, children, and family) are considerably lower under MCHCP than what Western's employees currently pay and are also drastically higher than what Western contributes currently for those same plans. Therefore, it is highly likely that there would also be an influx of additional dependent coverage given the low-cost to employees and the institution would anticipate their costs going up even more.

The investigation by Lincoln produced very similar results.

In summary, COPHE institutions are realizing savings well into the millions of dollars by negotiating with providers and developing health insurance options for their employees on the open market based upon their geography markets. They will continue with this strategy.

PREVAILING WAGE ON SMALL PROJECTS

The Missouri prevailing wage statute focuses on large public projects such as roads and bridges, buildings, and similarly high-dollar projects expending public funds. Descriptions of prevailing wage regulations on the Department of Labor website refer to "construction work" and "public construction projects". However, prevailing wage has been applied to work including maintenance work on existing facilities such as painting, replacing or repairing roofs, replacing carpet, replacing a furnace, installing fiber optic line, repairing an air conditioner, etc. The current interpretation is that if the repair means that equipment will work again, it is "construction".

There are specific procedures utilized for collecting prevailing wage data, and detailed records must be submitted by the contractor for each employee with the public entity also maintaining a copy of these records. As a result, many smaller companies refuse to give bids or quote prices on publicly funded work. This coupled with the application of the statute to smaller and smaller projects has driven costs for some universities much higher for regular maintenance and small repair projects.

COPHE suggests that in order to more effectively utilize public funds, the Department of Labor consider interpreting the statute to exclude smaller projects that are largely routine maintenance and upkeep of existing public buildings and facilities.

LIBRARIES

COPHE institutions have convened a working group of head librarians to discuss and explore new ways to reduce current expenditures on library materials. It is being led by Tom Peters at Missouri State, and Barbara Glackin at Southeast Missouri State. In the coming weeks they will report back to COPHE on their recommendations in this area.

MWSU vs. MCHP

HIGH DEDUCTIBLE HSA PLAN						
	MCHP High Ded Plan		MWSU High Ded Plan		Cost Savings for	**MWSU Additional**
	EE cost/mo	MWSU cost/mo	EE cost/mo	MWSU cost/mo	Employee/Mo	**Cost/Participant/Mo**
EE	$25.00	$517.00	$0.00	$576.77	$25.00	**($59.77)**
EE+SP	$98.00	$1,219.00	$468.76	$576.77	($370.76)	**$642.23**
EE+CH	$48.00	$1,088.00	$326.10	$576.77	($278.10)	**$511.23**
EE+FAM	$121.00	$1,765.00	$743.90	$576.77	($622.90)	**$1,188.23**
	Benefits		Benefits			
DED	$1,650		$2,600			
OOP	$3,300		$3,500			
Co-Ins	80/20		80/20			
Office CP	Deductible		Deductible			
RX	after ded: 10%/20%		after ded: $10/$50/$70		Generic/Brand/Specialty	
H.S.A	No MWSU Contribution		$67.24/mo incl in premium			

BASE PLAN						
	MCHP PPO 600 Plan		MWSU Base Plan		Cost Savings for	**MWSU Additional**
	EE cost/mo	MWSU cost/mo	EE cost/mo	MWSU cost/mo	Employee/Mo	**Cost/Participant/Mo**
EE	$66.00	$600.00	$0.00	$576.77	$66.00	**$23.23**
EE+SP	$266.00	$1,432.00	$530.64	$576.77	($264.64)	**$855.23**
EE+CH	$134.00	$1,243.00	$369.14	$576.77	($235.14)	**$666.23**
EE+FAM	$334.00	$2,075.00	$842.09	$576.77	($508.09)	**$1,498.23**
	Benefits		Benefits			
DED	$600		$2,000			
OOP	$1,500		$5,400			
Co-Ins	90/10		80/20			
Office CP	Deductibe		Deductible			
RX	$8/$35/$100		$10/$50/$70		Generic/Brand/Specialty	

BUY-UP PLAN						
	MCHP PPO 300 Plan		MWSU Buy-Up Plan		Cost Savings for	**MWSU Additional**
	EE cost/mo	MWSU cost/mo	EE cost/mo	MWSU cost/mo	Employee/Mo	**Cost/Participant/Mo**
EE	$95.00	$627.00	$98.98	$576.77	($3.98)	**$50.23**
EE+SP	$339.00	$1,498.00	$720.67	$576.77	($381.67)	**$921.23**
EE+CH	$197.00	$1,301.00	$531.47	$576.77	($334.47)	**$724.23**
EE+FAM	$441.00	$2,172.00	$1,085.47	$576.77	($644.47)	**$1,595.23**
	Benefits		Benefits			
DED	$300		$1,500			
OOP	$1,500		$4,200			
Co-Ins	90/10		85/15			
Office CP	$25/$40/$50		$30/$60/$60		Primary/Specialist/Urgent Care	
RX CP	$8/$35/$100		$10/$50/$70		Generic/Brand/Specialty	