



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

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Purchasing Consortiums and Merging Community Colleges Could Save \$26.2 Million Over Seven Years

Summary

The General Assembly directed the Program Evaluation Division to study the most efficient and effective way to administer the local community college system and to consider the advisability of consolidating community college administration while ensuring access for students.

North Carolina's 58 community colleges were established to meet community needs, but their independence challenges administrative efficiency. Colleges vary widely in size (from 624 student full-time equivalents (FTE) up to 16,200) and may be located close to one another. They lack common policies, procedures, and administrative structures.

Small colleges have higher administrative costs than larger ones. Estimated administrative costs at the 58 colleges ranged from \$447 to \$1,679 per student FTE in Fiscal Year 2010-11. Analysis revealed colleges with fewer than 3,000 student FTE were significantly more costly to administer (\$983 per student FTE) than larger campuses (\$647 per student FTE).

Merging colleges could reduce costs and increase administrative efficiency. A review of community college structures in other states identified three potential models that could increase efficiency: creating multi-campus colleges by merging smaller colleges; forming regional colleges; or creating a single, centralized system.

North Carolina's community colleges have not taken full advantage of their purchasing power. Colleges are missing out on opportunities to use their combined purchasing power to get better pricing from existing vendors.

The General Assembly should direct the North Carolina Community College System to reduce the number of small colleges by merging colleges with fewer than 3,000 student FTE with another college. Assuming 15 mergers would be phased in and completed by 2018, merging could save up to \$5.1 million in administrative costs annually and up to \$3.5 million in additional savings.

In addition, the General Assembly should direct the North Carolina Community College System to establish a purchasing unit to develop purchasing consortiums for community colleges. Savings of \$1.8 million could be realized over seven years.

If the General Assembly adopts both recommendations, potential cumulative savings after seven years are estimated at \$26.2 million.