

A Pivotal Time

Measuring the Potential of Revenue-Generating Efforts for California Community Colleges

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“College leaders and boards must rethink how colleges are funded, how they can operate more efficiently and how they will thrive in the future... Colleges don’t sacrifice educational quality by becoming entrepreneurial, they ensure it.”

***-Tony Zeiss, President
Central Piedmont Community College, North Carolina***

Although it is attributed to a community college leader outside our state, the compelling statement above also rings true for the California Community Colleges (CCCs). Comprised of 112 colleges and 2.9 million students, the California Community Colleges system is the largest and most diverse higher education system in the nation. The system, like others in the community college sector, is on the cusp of significant change, spurred by the ongoing state funding challenges that are forcing colleges to think more innovatively about revenue sources, a tidal wave of new students seeking training and education at community colleges, and a growing public awareness of the value community colleges bring to the workforce, the economy and local communities.

Thanks to funding provided by The Kresge Foundation—a \$2.8 billion private, national foundation based in Troy, Michigan—a unique study, which forms the basis for this report, was conducted to assess a topic that is tied to these issues: that of the potential of community colleges to create a more sustainable funding model through increased revenue-generation and cost-savings activities. The study, commissioned and managed by the Foundation for California Community Colleges, sought to explore a snapshot of the existing structure and efforts of the California’s Community Colleges as they relate to revenue generation, as well as explore cost savings opportunities.

Given the momentum building within the California Community College system on this very topic, the timing of this study could not have been better.

A Time to Reflect:

An Overview of the Study

Over the course of nearly six months in early 2010, this study was conducted through a series of interviews, focus groups and an online survey that included numerous community college perspectives, such as college and district leadership, statewide leadership, representatives of organizations representing various community college stakeholders, funders, corporate partners and community college staff members. The majority of the study, however, focused on the perspectives and input of the leaders of community colleges' foundations or advancement efforts. Specifically, 88 foundation or advancement leaders participated in one-hour phone interviews, and 58 completed a supplemental online survey.

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The intent of the study was to analyze four integral areas of the California Community Colleges:

- the capacity of the colleges' fundraising programs;
- the social enterprise and earned income activities and opportunities;
- the existing and potential business and corporate partnerships throughout the CCCs;
- and the cost savings potential, through efforts such as centralization of services, and existing cost reduction models currently in place.

While the objective of the study was to uncover innovation and be solution-oriented, study participants consistently brought the consultants back to local fundamental challenges such as staff and infrastructure. From the outset, there were a number of assumptions and hypotheses that were tested throughout the course of the study. What was found did in fact confirm many of those assumptions, as detailed in the following pages, but also demonstrated that the data gathered thus far really represents the tip of the iceberg.

In addition, what this study has done is provide good background about the current state of California Community Colleges (CCCs) in terms of their fundraising and revenue-generating potential. This information in and of itself will prove to be a helpful tool not only for the foundations as they continue to enhance their efforts and profiles in this time of limited resources, but will be useful to statewide efforts to attract further support for the advancement of this area. The value of an assessment such as this, conducted by a third party and funded by The Kresge Foundation, a foundation of international prominence, brings a level of credibility to current and future endeavors that was never before achievable.

Summary of Key Themes

Out of hundreds of interviews and the variety of other methods used to inquire about participants' thoughts and perceptions of the California Community Colleges' revenue-generating activities and opportunities, hundreds of observations and suggestions were shared. Through these efforts, the crux of the findings is this: **the real challenge lies not in developing new and innovative advancement or revenue generating strategies, but in implementing some key fundamentals to work toward building a culture of philanthropy and creative revenue-generating thinking.** Doing so will ultimately lead to the larger goal—creating a true culture of innovation within the California Community Colleges that reflects the pioneering spirit that makes California so unique.

Additionally, some key themes emerged throughout the study:

- A general sense of untapped capacity was a consistent theme in both the interviews and online survey, with lack of staffing and resources for fundraising, along with lack of adequate tools and training being noted frequently in the interviews and discussion groups.
- There is currently a lack of integrated fund development planning into colleges' overall strategies, as well as relevant data on the topic. Many foundation leaders and advancement professionals noted that the foundations are not engaged with college leadership in achieving the strategic goals of the college. This is exacerbated by the fact that data demonstrating the value or ROI on fund development practices is lacking or poorly designed, which indicates there are limitations in the colleges' ability to effectively communicate the value of this area.
- The CCC system is a highly decentralized and complex structure that limits action in key areas, yet there are examples of best practices currently being implemented that would benefit the CCCs through further outreach and attention.

While the findings indicate challenges the CCCs currently have, they also suggest some key areas of opportunity that could increase momentum in their ability to be more sustainable. Many of them validate some of the very assumptions that led to the study in the first place—that community colleges have the potential, yet currently lack the capacity, to diversify funding sources in a truly innovative way.

A Time of Challenges:

An Overview of California Community College Foundations

This study validated what many within the California Community Colleges already know: that no two colleges or foundations are alike. In terms of the foundations or advancement offices, on the high end there are well-developed fundraising and management professionals at the helm of the foundations coupled with supporting staff; financial, strategic and leadership support from their presidents and boards; supporting resources from the college or district; and a united vision and an entrepreneurial spirit between both the foundation and its board and the college. On the low end are foundations operating without an executive director, any strategic direction, or any paid staff dedicated solely to the foundation who could provide real, dedicated leadership.

But what is perhaps a benefit to all college foundations is a growing agreement on the need to generate diversified and sustainable resources, even if there is no widespread consensus on how to do so. As state funding becomes less reliable and enrollment numbers rapidly increase, college leadership are seeing the need for their campuses to become more financially sustainable and self-reliant.

However, the specific findings suggest that the challenges are not from lack of opportunity or ideas, but rather a number of key issues facing the community college foundation and advancement leaders, and suggest that the level of involvement is growing:

- a struggle to manage current workload, with little capacity to be innovative
- severe lack of staffing capacity, or no staff working in fund development (a perception shared by most college foundations)
- a lack of integrated strategic and development plans as well as relevant data
- highly decentralized and complex structure that sometimes limits unified action
- absence of a culture of philanthropy throughout the CCCs
- mixed motivation and vision among leadership, and therefore a lack of prioritization to seek new resources

As we look ahead to how college fundraising efforts can help increase and diversify revenue sources, it is important to determine the playing field that currently exists.

- A majority (67 percent) of foundations **operate as their college's advancement office**; 20 percent operate in some way as advancement office; 14 percent operate uniquely from advancement office.
- While there was some uncertainty among foundation leaders as to whether their foundations were **auxiliary or independent**, the findings indicate foundations are broken down into the following categories: 13 percent are an auxiliary to a district, 20 percent to one college; 36 percent classify themselves as independent 501c3

“It would be hard for me to say that without the foundation we would not meet our mission. The key is that with the money from the foundation we can have a margin of excellence that we otherwise would not have.” – Anonymous California Community College President

organizations; 26 percent claim to be a mix (independent but connected); and 6 percent are unclear about the foundation's official designation.

- In terms of **reporting structure**, 35 percent of foundation leaders report to the college president, 14 percent to a district chancellor; 11 percent to the foundation board, and 40 percent report to a combination of college/district leader and foundation board.

In terms of who funds the foundation, the findings suggest that the source of funding seems to impact revenue generating activities:

- When foundation staff is **funded solely by the foundation or a combination of foundation college/district**, they seem to have more appropriate tools to use to communicate with and track major funders, donors, corporate partners, than when the positions are funded solely by the college or the district.
- Foundations whose funding comes from a **combination of the foundation/college/district** are better able to routinely measure the impact of their fundraising activities and seem to feel that they have the appropriate leadership structure to engage in their desired revenue generation/fundraising activities, than those that are solely funded by the colleges.

The findings also indicate a lack of integration of fund development strategies into overall college plans. **Thirty-nine percent of foundation executive directors said that the foundation is not engaged with college leadership in achieving its strategic goals**, and 33 percent said they are only somewhat engaged. College presidents and chancellors seemed to disagree slightly with this assessment and reported that there was consistent integration.

Overall, **capacity is lacking at all levels**, including both college/district leadership and foundation leadership.

- A majority (73 percent) of "other campus leaders" (administrators other than the college president) and 84 percent of leaders said the area most in need of improvement was staffing in the area of revenue generation, and 54 percent of leaders also cited a lack of resources.
- Lack of capacity at the local college foundation level was a constant refrain.
- External interviewees' perceptions were that foundations have never been charged with real development and that they do not have the tools/skills to be successful.
- Foundations themselves felt that they do not have a "critical mass."
- Although the foundations perceive themselves as understaffed, they are responsible for the majority of the college's traditional advancement activities, with 67 percent of the foundations operating as the college's advancement office, 20 percent operating in some way as the advancement office, and 14 percent operating uniquely from the advancement office.

Frequently heard echoed in concerns of community college foundation executive directors was the level of support and collaboration they receive from college and district leadership – or lack thereof. Anecdotally:

- Instability of leadership due to high turnover creates lack of continuity.
- Foundation EDs and external respondents perceived that fund development was not “mission critical” for college presidents and district chancellors, but there are signs that this is changing.

The specific findings show a promising reflection of the college leaderships’ involvement in advancement effort:

- Approximately 60 percent of foundation or advancement leaders felt their **college presidents are “very” involved** and supportive in advancement efforts, and 24 percent stated “somewhat” involved and supportive.
- A smaller fraction, 11 percent, stated presidents are not involved but at least supportive, and a still smaller fraction – 4 percent – suggested they are neither involved nor supportive.
- Similarly, 73 percent of respondents claimed their **presidents are “very” willing to engage in advancement**, 24 percent stated they are “somewhat” willing, and just 2 percent indicated that college presidents are not willing at all to engage in advancement or fundraising activities.

Another key issue that was consistently communicated by participants as an area of need for colleges and their foundations was that of alumni cultivation. This is a recognized missed opportunity, but without the appropriate database technology or staff support, foundations do not feel that they are able to undertake this activity. Assistance in this area was in high demand by foundation staff.

Specifically, the findings suggest:

- The majority of CCCs either do not engage in alumni cultivation or do so in limited ways.
- Eighty percent of alumni live within an hour of their alma mater CCC and 90 percent live within an hour of some community college.
- From most reports, CCCs have never actively asked alumni to donate or volunteer.
- Eighty percent of Foundation executive directors said that less than 10 percent of their alumni records were active.
- Funders expressed frustration that what should be the most obvious audience to reach (alumni) were not being cultivated.

Pockets of Innovation

Although the recommendations identified in this study indicate a need for overall improvement in some key areas, some community colleges throughout the state are doing truly innovative things to bring in additional resources, thereby enhancing their sustainability through other earned income activities. While “pockets of innovation” do exist throughout the system, best practices are not currently shared or communicated, the understanding of ROI on these activities is fairly limited, and community college foundations are commonly uninvolved in innovative earned income activities.

Given the current state of the CCCs and economy, it is not surprising that many colleges are being reactive and experience difficulty in taking big risks, particularly in the area of revenue generation. However, given the findings and some of the examples brought to the surface throughout this study, the opportunity exists to educate college leaders about these pockets of innovation, as well as identify the very factors that make them a success.

Examples of Current Successes

What is needed to make a difference in a college's ability to undertake a wide range of innovative revenue-generating activities?

- A **proactive approach** to building relationships with surrounding businesses and community resources.
- An **entrepreneurial spirit** among college and foundation leaders and “willingness to ask”
- A **budget and number of skilled staff** members in revenue generation that provide enough stability to take risks and seek out “high-stakes” fundraising activities.

What are examples of effective business and corporation partnerships?

68 percent of respondents currently partner with local businesses and corporations. Specific examples include:

- Partnerships with local hospitals to provide workforce development training of nurses and emergency response personnel in exchange for labs, equipment, and instructors.
- Partnership with local coffee shop owned by a community college alumnus, who sells coffee for a limited time with the college's logo and sends proceeds directly to the college.
- Partnership with industry giants, such as Toyota and Amgen, for donation of equipment for the labs and workshops.
- Collaboration with energy providers, providing land for solar panels in exchange for cost savings, workforce training or other incentives.
- Alliances between local business and industry, K-12 district and community colleges in the region to tie local education to needs of local workforce.

What earned income or social enterprise activities are you engaged in?

(Percentages represent frequencies, as respondents could indicate more than one response.)

- Business ventures (i.e., flea markets, farmers markets, book stores) – 22 percent
- Vending or ATM contracts – 20 percent
- Contract education – 12 percent
- Operation of cafeteria/catering program – 9 percent
- Facility rental (particularly athletic and performing arts facilities) – 9 percent
- Grants run by college foundation for indirect costs – 8 percent
- Government programs – 4 percent
- Other specific examples:
 - Day care operated by early childhood development program on campus
 - Summer camps held by college athletic teams
 - Business technology incubators
 - Selling advertising space (electronic signage on campus)
 - Online silent auctions

What are considered your most effective advancement strategies?

(Percentages represent frequencies, as respondents could indicate more than one response.)

- Events (golf tournaments, galas) – 51 percent
- Major gifts – 42 percent
- Annual fund giving – 36 percent
- Planned giving – 33 percent
- Endowment campaigns – 19 percent
- Corporate grants – 14 percent
- Government grants (i.e., Title V grants) – 12 percent
- Board giving, capital campaigns, and earned income (all at 12 percent)
- Foundation grants and faculty giving (both at 9 percent)
- Alumni associations and social media campaigns (both at 8 percent)
- Bond campaigns – 5 percent

A Time of Opportunity:

An Overview of Recommendations

California has always been looked at as a model state and a leader in education. What we do has a ripple effect on community colleges nationwide, as well as other educational institutions throughout the world. To set the standard as an innovative higher education system in this time of economic uncertainty requires new thinking and new approaches. Community colleges can serve as a central hub for providing resources and working with private partners to make a local and global impact on education and the people who depend upon it.

There is a clear need for California Community Colleges to diversify revenue sources. As state funding becomes less reliable and enrollment numbers rapidly increase, college presidents and trustees need to turn increasingly to college foundations to play a larger role in revenue generation. Conversely, as has been indicated in the study, California Community Colleges and their foundations lack some of the most basic tools and best practices that are fundamental to successful revenue generation such as: at least one full-time staff member dedicated to fundraising; education on fundraising ethics, cultivation, solicitation and stewardship; alumni outreach tools and resources; prospect research and management capabilities; and communications and marketing tools.

In addition to confirming and validating a number of long-held assumptions, the study was useful in identifying those areas that community college leaders felt change and impact need to be made. The question becomes how to identify and incentivize colleges and partners to act.

Several key recommendations emerged as steps that should be taken to ensure a broader culture of philanthropy and maximize the community colleges' potential in areas of resource development:

- **Develop a culture in which presidents and district chancellors are held accountable** to concrete fundraising goals.
- **Elevate discussion around revenue generation to a system priority** and an issue of self-interest for those who are in leadership positions.
- **Lobby to have college foundations be an integral part of the colleges' advancement strategy.**
- **Invest in fundraising capacity** at college and district levels, focused on 1) recruiting experienced fundraising professionals who report directly to the college presidents or chancellors; 2) building fundraising skills throughout the system.
- **Disseminate income generating activities and fund basic studies on ROI.** There is a need to educate about the possibilities and potential for income generating activities as well as demonstrate the return on investment for successfully implementing such strategies.
- Articulate strong value proposition for the system backed by data, possibly by **mounting a statewide campaign**, which has been suggested by separate studies in

the past. Funders and community colleges alike see the need for clear messaging around the success and benefits of the colleges. Done in a strategic, inclusive manner, the process of this campaign could be as beneficial as the product.

- **Reposition the Foundation for California Community Colleges (FCCC) as facilitator** of major fundraising efforts and broker for building system capacity, which was suggested by numerous respondents. The roles of facilitator and capacity builder are two high-impact roles that FCCC can play for the system as a whole.

A Time to Act:

Where do we go from here?

What if California's Community Colleges had the ability to replicate a model that could increase potential and effectiveness everywhere? What if an opportunity existing to leverage resources in a more effective way to foster more activity and revenue generation for colleges? This study represents a first step toward getting to that point.

In a sense, this study was the first phase of broader effort to increase support. The next phase comes with engaging those who might provide support in moving the needle on the recommendations suggested by this study. Armed with this information, the California Community Colleges and their foundations are better positioned to discuss the realm of possibilities with national funders.

Fortunately, both the momentum and infrastructure exist to ensure moving forward is both feasible and supported by both statewide leaders and potential funders.

In recent months, community colleges have clearly benefitted from an increase awareness that has been partly spurred by the Obama Administration's focus on this sector of higher education. President Obama's clear support for community colleges was most recently demonstrated at the first-ever White House Summit on Community Colleges on October 5, 2010, which helped shed new light on the issues facing America's largest higher education sector. In addition, an October 2010 poll by the Associated Press and Stanford University found that nearly 70 percent of Americans feel the quality of education at community colleges is excellent or good.

This growing national support is also beginning to translate to additional investment. In conjunction with the White House Summit, the Gates Foundation launched a new \$35 million initiative targeting community colleges. Further, the importance of public-private partnerships was a key theme of the summit, underscoring the need for the business community to work hand-in-hand with community colleges to prepare tomorrow's workforce.

Next steps:

- *Continue to engage national funders in discussion*
- *Communicate need and value of investment in community college foundations*
- *Share best practices and information through existing training opportunities*
- *Work toward ultimate goal of securing funding for investment in tools and resources for community college revenue generation capacity*

What can colleges and their foundations do now?

While the study helped identify a number of long-term measures that should be acted upon to build system-wide fund development ability, it also validates a number of key actions and infrastructure that must be in place now to ensure long-term success.

Based on the feedback provided throughout the course of this study, and the additional benchmarking and literature review conducted, the check list on the following page identifies a number of key measures that seem to impact the effectiveness of a foundation's ability to generate revenue.

“If you look at community college foundations that are doing well, you will see leadership. The more successful ones have:

- ***Visible leadership in the community.***
- ***Access to a president who is aware of the importance of fund development and is actively involved with the foundation.***
- ***Been able to successfully establish the college’s presence in the community, including building a strong connection with the business and philanthropic entities in the community.”***

-Anonymous CCC Foundation leader

Check-list for a Successful Foundation

<p>Ensure the basics</p>	<ul style="list-style-type: none"> ✓ Right staff: an advancement professional at the helm who can focus on fund development and is not overburdened with multiple priorities/functions. ✓ Donor and alumni tracking system: many colleges indicate they rely on basic tools such as Excel to track donor records. Simple upgrades can provide a more sophisticated process. ✓ Stewardship process: engaged and communicating with donors regularly. ✓ Right board members: supportive, connected, not afraid to ask. ✓ A president who actively engages in, and supports, the work: college leaders must participate in fund development. Presidents and district Chancellors must be held accountable to concrete fund development goals. Lip service alone is not enough; there needs to be real commitment, action, and resources given to advancement efforts. ✓ Enhanced training: take advantage of tools, resources that are readily available.
<p>Develop a shared college-foundation strategy and vision</p>	<ul style="list-style-type: none"> ✓ Shared vision: College president and foundation leadership need to share a vision of what the foundation can and should accomplish on behalf of the college and how this plan will be accomplished. ✓ Alumni connections: Growing connections with, and being more savvy about, building connections with alumni is imperative. ✓ Workforce development: Systematically link workforce development to community. ✓ Understand and adapt to the desires of donors and needs of students, employers and the community.
<p>Find power in communications and data</p>	<ul style="list-style-type: none"> ✓ Promote a consistent message of impact and demonstration of value ✓ Provide fact-based information on how the education their institution provides “move(s) the needle”; understanding what funders’ investments are achieving. ✓ Track outcomes. The proper tools for effectively measuring success are necessary for communicating impact and ROI.

What is being done on a statewide level?

The information gathered as part of this study provides a valuable tool in taking immediate action on a few priorities, with the ultimate goal being to attract the support needed for further development of some of the needs and resources identified. Throughout the study, participants – especially those representing community college foundations – stated the need for a statewide entity to “make the case” for the importance and value of resource development in community colleges. This study represents a first step toward doing so.

Additionally, momentum is building in a few key areas in which progress will be made in the near future. Specifically:

- As the campaign for the Osher Initiative for California Community Colleges – a key philanthropic effort identified throughout the study as a significant opportunity to leverage a unique match to raise additional dollars -- approaches its sunset, the initiative will continue to be used to open doors with potential partners and funders.
- National and statewide funders are eager to help support efforts to move forward with making a broader impact on the effectiveness of community colleges, and revenue generation and the ability to diversify resources is a fundamental part of that. The fact that such funders are already at the table and eager to determine how the discussion evolves is a key factor in driving the momentum of this effort.
- Speaking opportunities at statewide and national gatherings of community college leaders to share insight about this study are taking place throughout fall 2010 and spring 2011, all in an effort to shed light on what is truly needed to ensure an effective community college foundation.
- The Foundation for California Community Colleges will continue to advocate for and support statewide training opportunities and gatherings, including the Network of California Community College Foundations Symposium, which was identified as a useful resource in the training of both foundation and college leadership. Additionally, the FCCC will continue to work hand-in-hand with the Network, which is already a key player in providing the tools and resources so widely suggested throughout the study.
- The development of a statewide “Social Enterprise Academy” is already being explored in an effort to provide community colleges with access to training and resources in the area of earned income and social venture activities. Given the diversity of responses from the study in this area and the barriers that exist for implementing innovating ideas, it is a priority that the colleges are given the tools and resources they need to understand and recognize both internal and external models for success.

Without additional resources and investment in the system, it is difficult to move forward on the recommendations identified as part of this study. Through the efforts listed above, however, the intent will be to continue moving the conversation forward and raise awareness about the need for this additional support.

For more information about this study, such as supplemental data used to support the findings, a synopsis of the benchmarking study, and other background information, visit www.foundationccc.org/capacity.