November 11, 2020

VIA ELECTRONIC MAIL

Dr. Kenneth Patterson, Interim President
Luna Community College
366 Luna Drive
Las Vegas, NM 87701

Dear President Patterson:

This letter is formal notification of action taken by the Higher Learning Commission (HLC) Board of Trustees ("the Board") concerning Luna Community College ("the Institution"). This action is effective as of the date the Board acted, November 5, 2020. In taking this action, the Board considered materials from the most recent focused visit for extension of probation, including, but not limited to: the focused visit report the Institution submitted, the report from the evaluation team, and the institutional responses to these reports.

Summary of the Action: The Board determined that the Institution is no longer out of compliance with the Criteria for Accreditation and removed the Institution from Probation and assigned interim monitoring. The Institution meets Core Components 5.A, 5.C, and 5.D with concerns.¹ The Institution is required to host a focused visit, as outlined below, no later than February 2022.

Notification Program: HLC policy² states that the Institution remains ineligible for the Notification Program for Additional Locations until it has completed ten (10) years in good standing as required for access.

Board Rationale

The Board based its action on the following findings made with regard to the Institution as well as the entire record before the Board:

The Institution now meets Criterion Two, Core Component 2.A, “the institution operates with integrity in its financial, academic, personnel, and auxiliary functions; it establishes and follows

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² INST.E.20.010, Probation.
policies and processes for fair and ethical behavior on the part of its governing board, administration, faculty, and staff,” for the following reasons:

- Board integrity is demonstrated in new policies that prevent nepotism and support ethical behavior.
- The Board is receiving appropriate levels of training, which include training on the Open Meetings Act, budgeting, governance, ethical behavior, and fiduciary responsibility.
- Board interaction with staff and faculty is guided through the Institution’s President. Communication between the President and the chair of the Board takes the form of weekly written updates.
- Board agenda items are established through meetings with the President and Board chair.

The Institution now meets without concerns Criterion Two, Core Component 2.C, “the governing board of the institution is sufficiently autonomous to make decisions in the best interest of the institution and to assure its integrity,” for the following reasons:

- In response to past concerns that Board members were overstepping boundaries by directing and/or impacting the daily activities of employees beyond the President, new policies were put into effect as of the January 7, 2020 Board meeting. At this time, the entire Board has signed the Code of Ethics and Conflict of Interest Policy reaffirming that Board members will not encroach on the Institution’s day-to-day operations and that they will respect the Institution’s operational hierarchy.
- Additional education for the Board included presentations of the responsibilities of various institutional units and open conversation with internal stakeholders during which employees expressed concerns about the depth of Board engagement into operational activities.
- A subsequent Good Faith Resolution was passed by the Board in April 2020 committing that no current member of the Board of Trustees shall direct the activities of employees other than the President, nor shall the Board encroach on the day-to-day activities of the Institution.
- The Board has established annual quarterly training sessions to assist in assuring that Board members are educated about their proper role.
- A Campus Climate Survey conducted during spring 2020 indicates that a majority of employees affirm that they can perform their jobs without interference from the Board of Trustees.
- Continued training and education of the Board will help to ensure that employees continue to feel free to conduct themselves in accordance with their job descriptions without interference, and that the Board will operate appropriately.

The Institution now meets without concerns Criterion Two, Core Component 2.D, “the institution is committed to freedom of expression and the pursuit of truth in teaching and learning,” for the following reasons:

- In response to past concerns that the Institution’s Board did not support freedom of expression, Luna arranged for training for new Board members conducted by the State of New Mexico Attorney General’s office. Information contained in the training included the role of the Governing Board along with statutory and case law regarding Board
duties. Additional training included informing Board members about the Open Meetings and Inspection of Public Records Act. These trainings reinforced the importance of Board transparency as it conducts its business.

- Specifically related to concerns about freedom of expression, the Board passed a Good Faith Resolution affirming that employees of the Institution will be free to express themselves without restrictions or fear of retaliation from individual Board members or the Board as a whole.
- Luna’s spring 2020 Campus Climate Survey showed a significant increase in employees agreeing that diverse backgrounds and perspectives are valued at the Institution.
- Luna has provided for anonymous feedback and comment submission on its website to support freedom of expression.

The Institution now meets, but with concerns, Criterion Five, Core Component 5.A, “the institution’s resource base supports its current educational programs and its plans for maintaining and strengthening their quality in the future,” for the following reasons:

- The Institution is economically dependent on financial resources flowing from federal and state appropriations and local property taxes. The current economic model reflects the following primary revenue streams: state appropriations funding and local property taxes, which comprise over 80 percent of the total operating revenue. In comparison, tuition and fees account for less than 10 percent of the operating revenues. Both the state funding and tuition revenue are sensitive to enrollment, which has significantly declined, resulting in operating deficits and limited availability of resources. The Institution also stated that the population in its service area is shrinking, which could negatively affect the level of resources generated by operations.

- Enrollment reports showed a drop from 777 full-time student equivalents in the fiscal year 2014-15 to 565 full-time student equivalents in the fiscal year 2018-19. Furthermore, the Institution reported that the headcount for fall 2020 equaled 712 students, down 31.7 percent from the fall 2019 headcount of 1,042 students. Since student enrollment has been declining, the fallout indicates there is more capacity than student demand. Although the results were not available, the administration believes a portion of the tuition revenue loss may be offset by the newly developed workforce training programs, dual credit offerings, and implementation of 8-week sessions.

- Although enrollment is expected to remain flat, the administration recommended, and the Board approved, a 6 percent per year tuition rate increase, including in-district and out-of-district and -state for fiscal years 2021 through 2024. Additionally, the Board approved revising the fee structure for credit and non-credit students. The five-year forecast model indicates an infusion of $147,000 from the increase in tuition and fees starting in fiscal year 2021. The action may be justified but is counter to the deflationary tuition market that postsecondary education is experiencing.

- The Long-Term Sustainability Planning Guide focuses on three principles: institutional plans, program review, and annual department plans. The Planning Guide mentions the establishment of key financial indicators that will assist in guiding the Institution to
financial solvency, which includes financial indicators, scoreboard indicators, and academic program efficiency reviews. The Planning Guide also discloses retention and graduation rates for fiscal years 2014-15 through fiscal years 2018-19 and indicates "the need to review and revise strategies thereof." However, no situational assessments or improvement strategies are offered to improve student outcomes. The Planning Guide’s forecast based on the performance indicators used projected operating deficits through fiscal year 2022-23.

- Luna’s Institutional Focused Visit Report stated that the "Board of Trustees has been tasked with adopting a series of financial policies that provide the guiding framework for the college’s financial practices and desired financial outcomes." However, HLC’s Board did not find specific evidence that would support recommended best practices.

- The Institution undergoes an annual financial audit, which includes a review of the system of internal controls. The fiscal year 2019-20 annual audited financial report received an unmodified opinion from the auditors indicating a fair presentation of the financial statements in all material respects.

- The fiscal year 2019-20 audited financial report reported operating revenue of $4.0 million, operating expenses of $18.2 million, and non-operating revenue of $10.0 million for a financial imbalance or change in net position of $4.2 million. Additionally, the Institution’s total net position of $1.0 million is separated as net investment in capital assets of $22.5 million and unrestricted equity of minus $21.5 million, resulting from several years of deficit results. The operations provided a net increase in cash and cash equivalents of $375,000. This was primarily the result of noncapital financing activities (state appropriations and local property taxes) of $9.8 million, exceeding the amount of net cash used by the operations of $9.2 million.

- Luna has deferred specific building maintenance and related systems upkeep from a normal operating budget cycle due to the lack of funds. The Facilities Master Plan for the fiscal year 2019-20 reported that deferred maintenance was estimated to be $10.2 million.

- The Institution is well aware of the trends and challenges it faces. The relatively new administration has aggressively assessed the Institution’s present situation and is applying an integrated approach to develop several new or revised plans for a sustainable economic model that will balance the operations for financial viability. Also, the Board’s oversight is apparent. However, the demonstration of progress will be time-sensitive. The Institution is in the midst of various planning and implementation stages, and it is too early to assess the results. During the transformation, Luna will also need to bridge the resource gap, which is the difference between its current financial position and a prosperous future (also see comments under Criterion 5, Core Component 5.C.).

The Institution is now in conformity with Assumed Practice D.3, “the institution has future financial projections addressing its long-term financial sustainability,” for reasons cited above under Criterion Five, Core Component 5.A.
The Institution now meets Criterion Five, Core Component 5.B, “the institution’s governance and administrative structures promote effective leadership and support collaborative processes that enable the institution to fulfill its mission,” for the following reasons:

- The Institution’s establishment of policies and procedures provides a sustainable framework for assuring shared governance. Specifically, Board Policy 1520 as amended clarifies the relationship between the Board of Trustees and the Institution’s shared governance structure. It also creates clear expectations of the roles of the Board of Trustees, the Institution’s President, the faculty and staff shared governance structure, and other institutional constituents.
- During a six-week time period, twenty different institutional issues, practices, procedures, and policies were documented and discussed, resulting in what is expected to be a highly productive shared governance system.

The Institution continues to meet with concerns Criterion Five, Core Component 5.C, “the institution engages in systematic and integrated planning,” for the following reasons:

- Luna’s 2019-2021 Strategic Plan, which was approved in December 2018, continues to be a two-page plan that identifies nine strategic goals without identifying steps to achieve these goals. Despite the limitations of the published plan, the Institution has developed a number of other plans, especially in light of its declining enrollments, that they suggest link back to the Strategic Plan.
- Luna references a Strategic Planning Budgeting Tool that requires all budget requests to be tied to one or more of the nine strategic goals in the Strategic Plan. The FY2022 budget was reportedly built using this more integrated process to ensure that budgets aligned with strategy. While the published Strategic Plan itself is limited, the Budgeting Tool fills in gaps by providing the following elements: Unit/Department Objectives, Link with Strategic Plan, Department Action/Strategies, Measurable Outcomes, Objective Baseline, Objective Target, and Estimated Objective Cost. Thus, the tool begins to provide integration of the planning in a more systematic way.
- Luna reports that its Board has been tasked with adopting financial policies that provide a guiding framework for the Institution’s financial practices and desired financial outcomes. It is not clear from the evidence presented, however, whether such policies have been adopted.
- Luna presented additional plans, including a Long-Term Sustainability Plan, a Facilities Master Plan, a Technology 3 Plan, and a Retention and Completion Master Plan. What is less clear, however, is how plans such as the Facilities and Technology plans link to other initiatives and how the identified initiatives will be funded. Luna lists what needs to be done in these plans with little information about how it will be accomplished.
- While Luna is clearly engaged in necessary planning in a number of areas, the Institution needs to continue to integrate its plans so as not to continue supporting planning siloes. This is particularly true as many of the plans are new and have not been fully implemented. Such integration will be critical to sustaining financial viability into the future.
The Institution continues to meet with concerns Criterion Five, Core Component 5.D, “the institution works systematically to improve its performance,” for the following reasons:

- In response to past concerns about the infancy of Luna’s use of performance and evaluation plans, the Institution has adopted a number of data-informed decision-making processes, including an annual department self-assessment of all academic programs and budgeting for both academic and administrative units using the long-term sustainability plan. Academic programs also use the College Scorecard to inform their annual assessments.

- A readily available Institutional Assessment Calendar has been established to remind all staff of the importance of ongoing assessment and evaluation. This calendar includes a listing of the purpose of the assessments along with responsible parties, processes and timeline for data collection, and storage of information.

- Luna described a number of other key areas to be assessed and evaluated, including alumni surveys to gauge levels of program satisfaction, a campus climate survey, and course evaluations.

- While it is clear that Luna continues to make progress in the area of institutional effectiveness, the use of evidence to inform performance is still relatively new to the Institution. The use of such evidence will be critical to achieving stated outcomes, especially in terms of informing the planning process and enrollment and financial stability into the future.

The Institution now meets the Federal Compliance Requirement related to Review of Student Outcome Data for the following reasons:

- While acknowledging that its use of the U.S. Department of Education (USDE) College Scorecard is still in its infancy, Luna has oriented faculty and staff to the Scorecard and its uses and the Scorecard is readily available on the Luna website.

- Luna uses the information contained in the Scorecard in various ways, including, but not limited to, affordability comparisons within New Mexico and competitive tuition analyses.

- Academic departments are beginning to use Scorecard information in annual and strategic budgeting exercises. Specifically, Luna now requires that all academic departments submit Scorecard information not only when developing budgets but also in Academic Department Annual Reports.

- The Institution has also made Scorecard information readily available to students to assist in making comparisons among Luna and other institutions.

- Luna is participating more fully in the USDE College Scorecard program and is meeting its obligations.

The Board of Trustees of the Higher Learning Commission has determined based on the preceding findings and evidence in the record that the Institution has demonstrated that it is otherwise in compliance with the Criteria for Accreditation, Assumed Practices and Federal Compliance requirements.
Next Steps in the HLC Review Process

Focused Visit: The Board required that the Institution host a Focused Visit regarding Core Components 5.A, 5.C, and 5.D\(^3\) no later than February 2022, with specific focus on the following:

- With regard to finances:
  - The Institution must demonstrate its use of evidence to verify that the new economic model is leading toward long-term financial sustainability. Evidence is needed of robust assessments of progress that will allow for continuous improvement and lead to reinvestment in student success, new and existing program development, technology, marketing, and employee professional development.

- With regard to planning:
  - The Institution must demonstrate sustained attention to planning and the integration of its planning activities in support of achieving its outcomes, particularly in support of its enrollment and financial sustainability goals.

- With regard to institutional effectiveness:
  - The Institution must demonstrate that its use of evidence to inform performance has remained consistent and is maturing to support its planning activities and financial performance.

Comprehensive Evaluation: The Institution has been placed on the Standard Pathway with its next comprehensive evaluation for reaffirmation of accreditation in 2024-25.

HLC Disclosure Obligations

The Board action resulted in changes that will be reflected in the institution’s Statement of Accreditation Status as well as the Institutional Status and Requirements Report. The Statement of Accreditation Status, including the dates of the last and next comprehensive evaluation visits, will be posted to the HLC website.

In accordance with HLC policy\(^4\), information about this action is provided to members of the public and to other constituents in several ways. This Action Letter and the enclosed Public Disclosure Notice will be posted to HLC’s website not more than one business day after this letter is sent to the institution. Additionally, a summary of Board actions will be sent to appropriate state and federal

\(^3\) These Core Components refer to HLC policy effective at the time of the institution’s initial placement on Probation. HLC’s Revised Criteria for Accreditation became effective on September 1, 2020. Since the Institution’s next review will take place after this date, the Institution must ensure that it appropriately addresses the underlying concerns cited in this Action Letter in the context of the Revised Criteria for Accreditation. HLC has published a Criteria for Accreditation Crosswalk, which is available on the HLC website, to assist institutions.

\(^4\) INST.G.10.010, Management of Commission Information; COMM.A.10.010, Commission Public Notices and Statements
agencies and accrediting associations. This summary also will be published on HLC’s website. The summary will include this HLC action regarding the Institution.

On behalf of the Board of Trustees, thank you in advance for your cooperation. If you have questions about any of the information in this letter, please contact your HLC Staff Liaison, Dr. Stephanie Brzuzy.

Sincerely,

Barbara Gellman-Danley
President

Enc: Public Disclosure Notice

Cc: Chair of the Board of Trustees, Luna Community College
    Maxine Hughes, Interim Vice President of Instruction and Student Services, Luna Community College
    Evaluation Team Chair
    IAC Hearing Committee Chair
    Stephanie Brzuzy, Vice President of Accreditation Relations, Higher Learning Commission
    Anthea Sweeney, Vice President of Legal and Regulatory Affairs, Higher Learning Commission
    New Mexico Higher Education Department