

Financial Condition Analysis for Community Colleges

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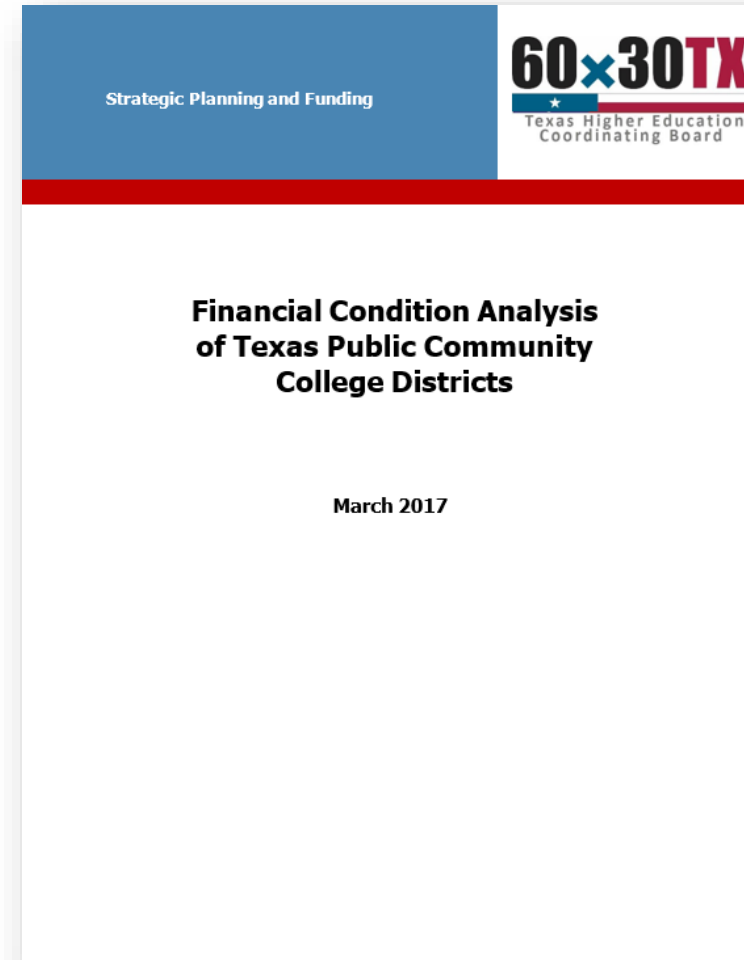
November 30, 2017



Texas Higher Education
Coordinating Board

Agenda

- Background
- Key Questions
- CARAT
- Metrics
- GASB impacts
- Analysis
- Summary
- Questions



Background

- Directed by GAA, Rider 12 (page III-216)

“Financial Information Reporting Requirement. Each community college shall provide to the Texas Higher Education Coordinating Board financial data related to the operation of each community college using the specific content and format prescribed by the Coordinating Board. Each community college shall provide the report no later than January 1st of each year.

The Coordinating Board shall provide an annual report due on May 1 to the Legislative Budget Board and Governor's Office about the financial condition of the state's community college districts.”

Key Questions

- Are resources sufficient and flexible enough to support the mission?
- Are resources, including debt, managed strategically to advance the mission?
- Does asset performance and management support the strategic direction?
- Do operating results indicate the institution is living within available resources?

Community College Annual Reporting and Analysis Tool (CARAT)

- Developed collaboratively
- Based on institutionally reported data
- Informed updates
- Creates indicators
- Creates digestible, yet detailed, information

C. A. R. A. T.
Community College Annual Reporting & Analysis Tool

Financial Ratios Report

| Institution | Year | Primary |
|----------------------------------|------|-------------------------|
| ALL | ALL | None |
| Alamo Community College District | 2014 | ALL |
| Alvin Community College | 2013 | Financial Vulnerability |
| Amarillo College | 2012 | Primary Reserve |
| Angelina College | 2011 | Viability |
| Austin Community College | 2010 | CCFC Report Viability |
| Blinn College | 2009 | Debt Burden |
| Brazosport College | 2008 | Net Operating Revenues |
| Central Texas College | 2007 | Return on Net Positions |
| Cisco Junior College | 2006 | |

Output Options

- ☒ HTML
- ☐ PDF
- ☐ Excel 2000
- ☐ Excel Formula
- ☐ Active Report

Run Request


FTSE Ratios

| Ratio |
|--|
| None |
| ALL |
| Tuition & Fees per FTE Students |
| Academic Support per FTE Students |
| Institutional Support per FTE Students |
| Instructional Expenses per FTE Students |
| State Approps per FTE Students |
| Educational Activities per FTE Students |
| FTE Students per FTE Faculty |
| Gross Assessed Tax Valuation per FTE Student |
| Net Assessed Tax Valuation per FTE Student |
| Total Tax Collected per FTE Students |

Other Ratios

| Ratio |
|--|
| None |
| ALL |
| Total Current Assets to Total Current Liabilities |
| Total Debt to Net Fixed Assets |
| O8 |
| Total Institutional Support Expenses to Total Operating Expenses |
| Total Instructional Expenses to Total Operating Expenses |
| Total Student Services Expenses to Total Operating Expenses |
| Debt Service as a % of Operating Revenues |
| State Allocations to Total Operating Expenses |
| Income Before Other Revenues to Total Operating Revenues |
| Tuition & Fee Discounts to Total Tuition & Fee Revenue |
| Instruction Salaries to Total Educational Activities |

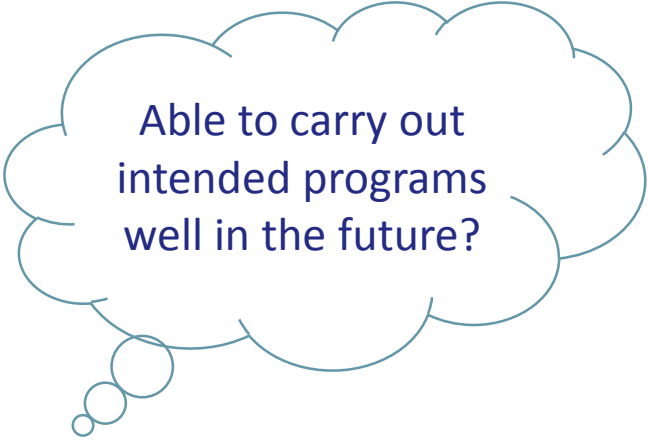
Metrics



Financially capable
of successfully
carrying out
current programs?

Is the institution...

- Composite Financial Index (CFI)
 - Primary Reserve Ratio*
 - Viability Ratio*
- Return on Net Position*
- Operating Margin*
 - Equity Ratio
 - Leverage Ratio



Able to carry out
intended programs
well in the future?

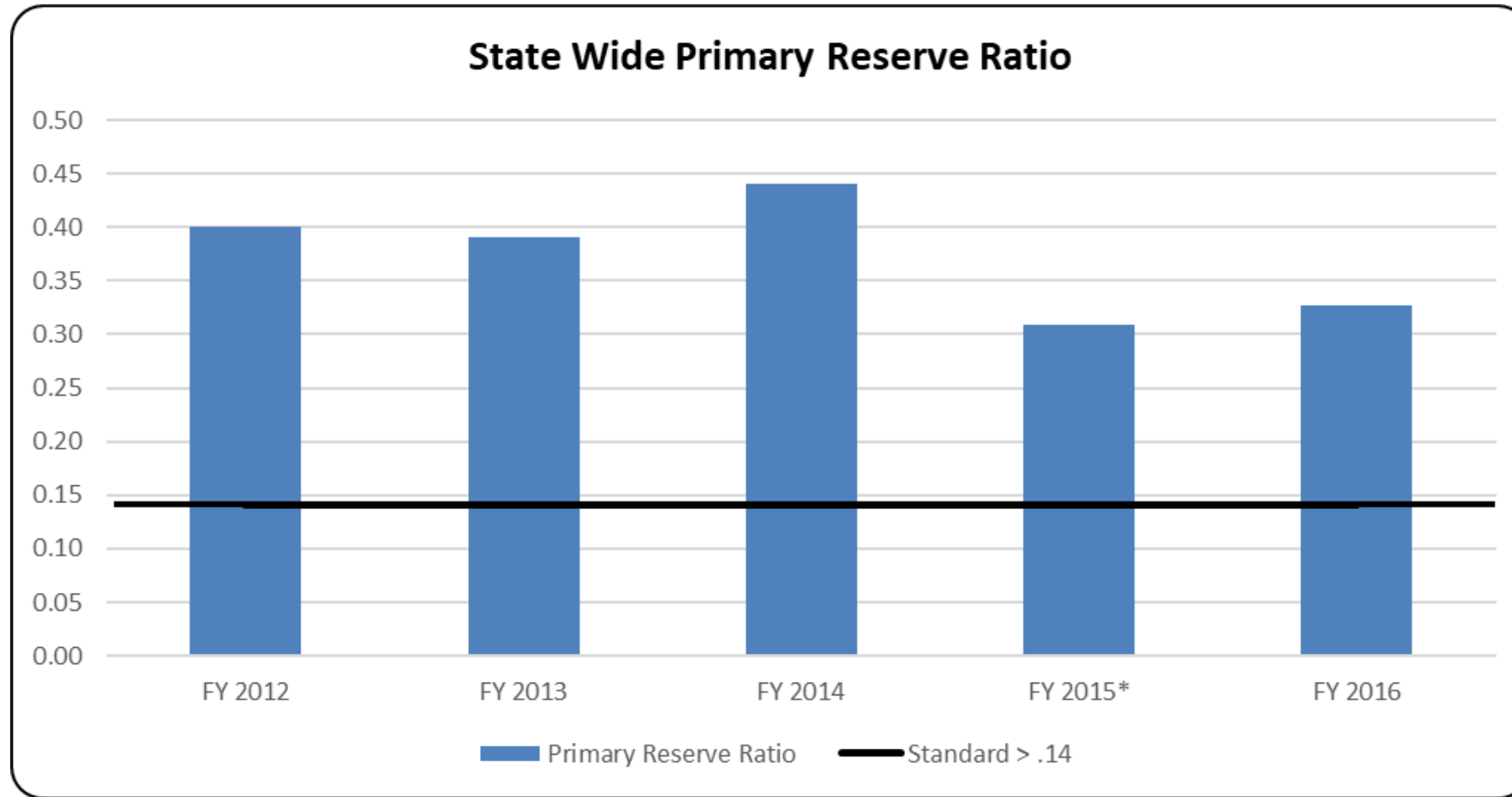
GASB 68 Impacts

- Governmental Accounting Standards Board (GASB) 68 summary:

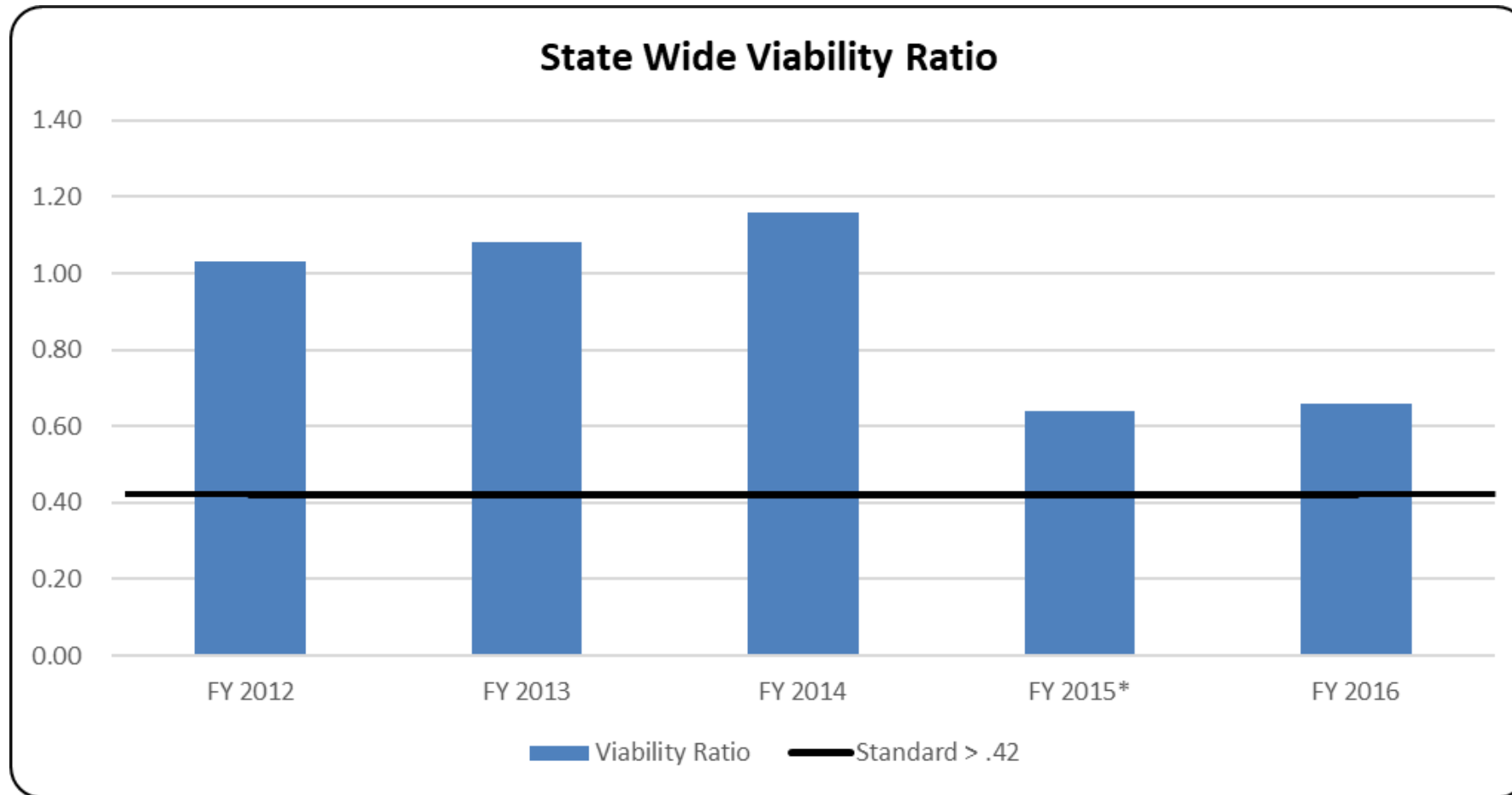
“The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.”

- Transferred pension liability from the state-level financial statements of the Teachers Retirement System (TRS) to the individual financial statements of the institutions
- Effect to statewide financial ratios and financial condition of community college districts was substantial
- Report attempts to indicate the financial condition of institutions if GASB 68 had not been implemented

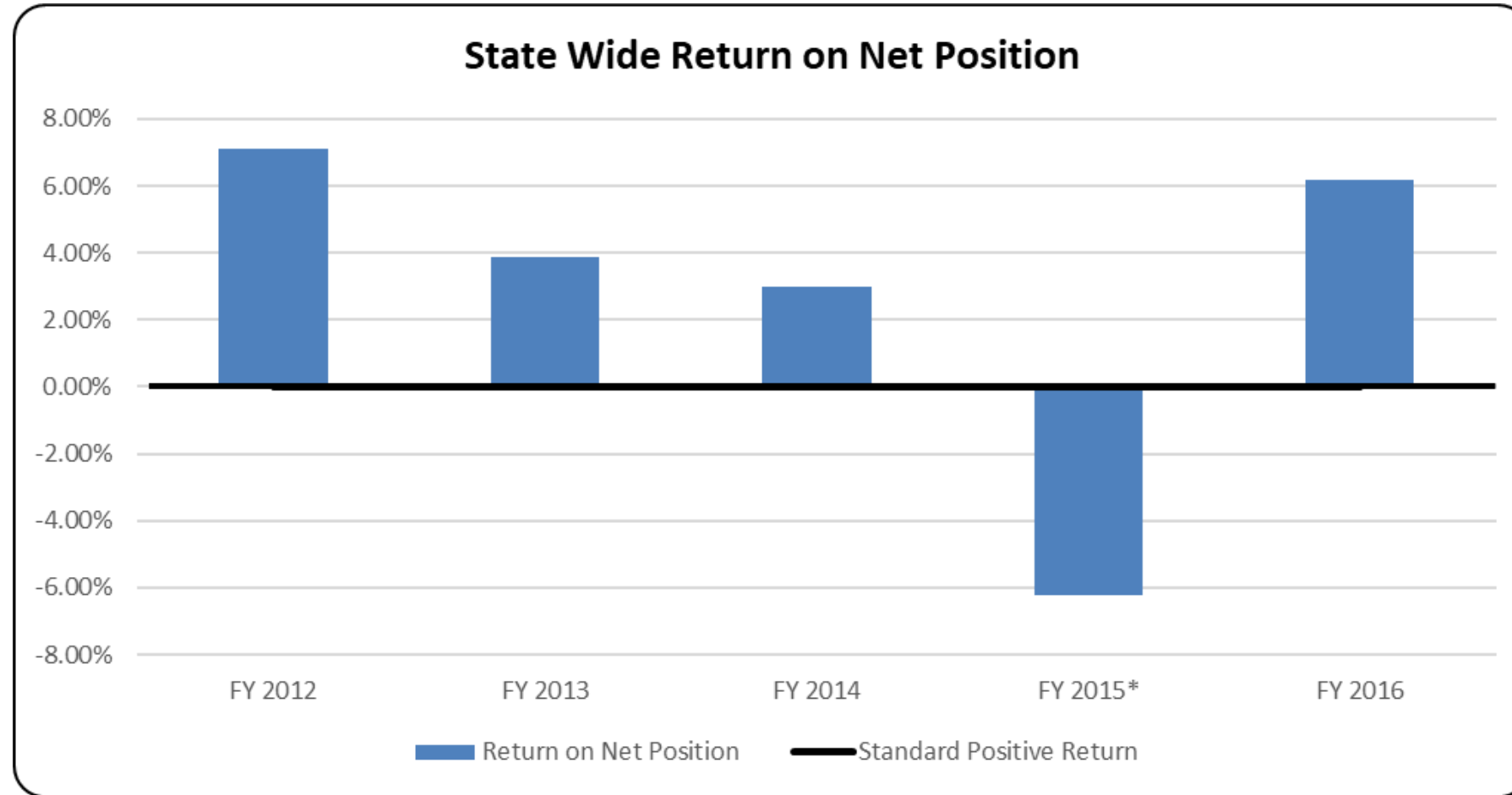
Analysis



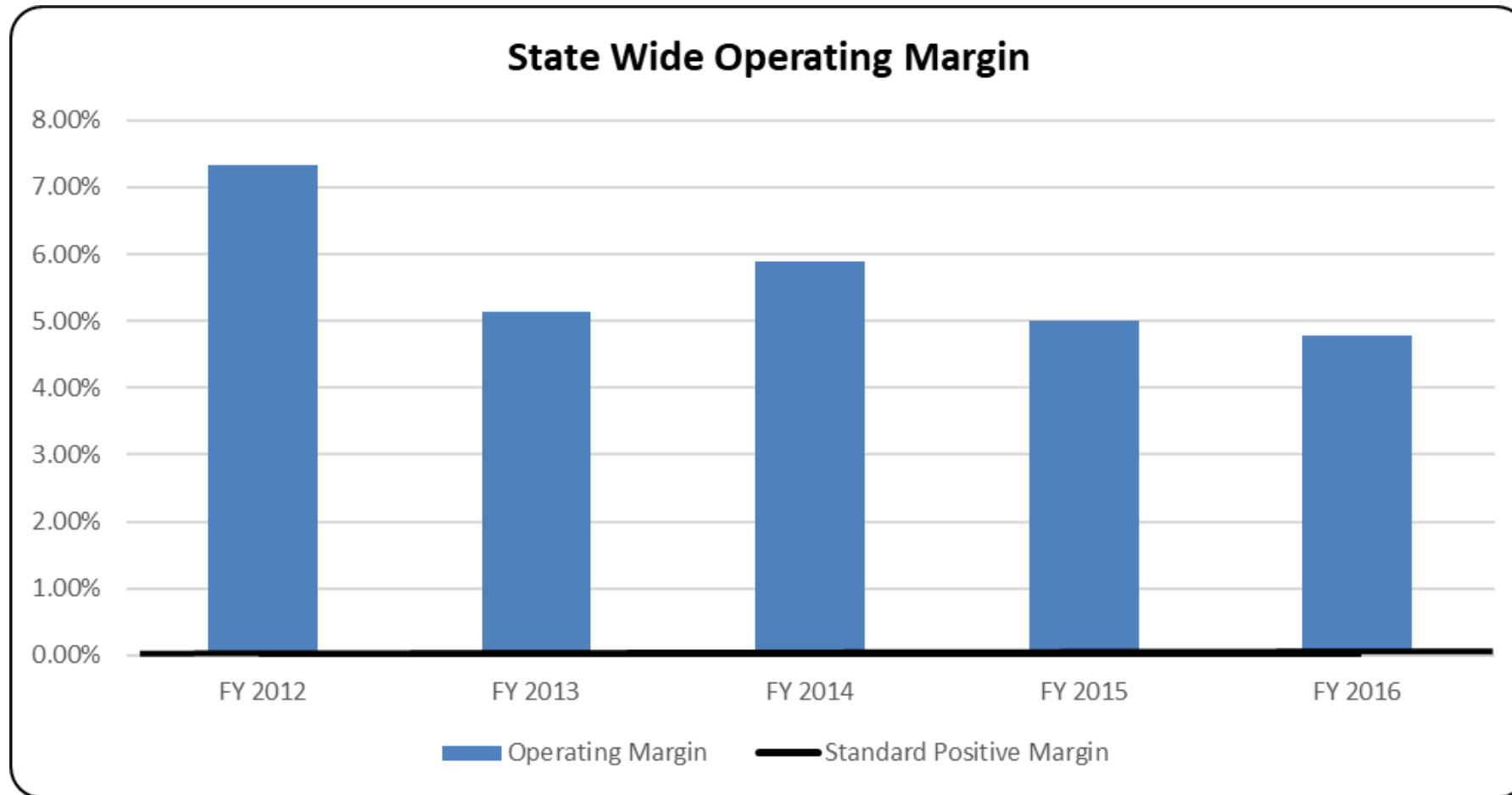
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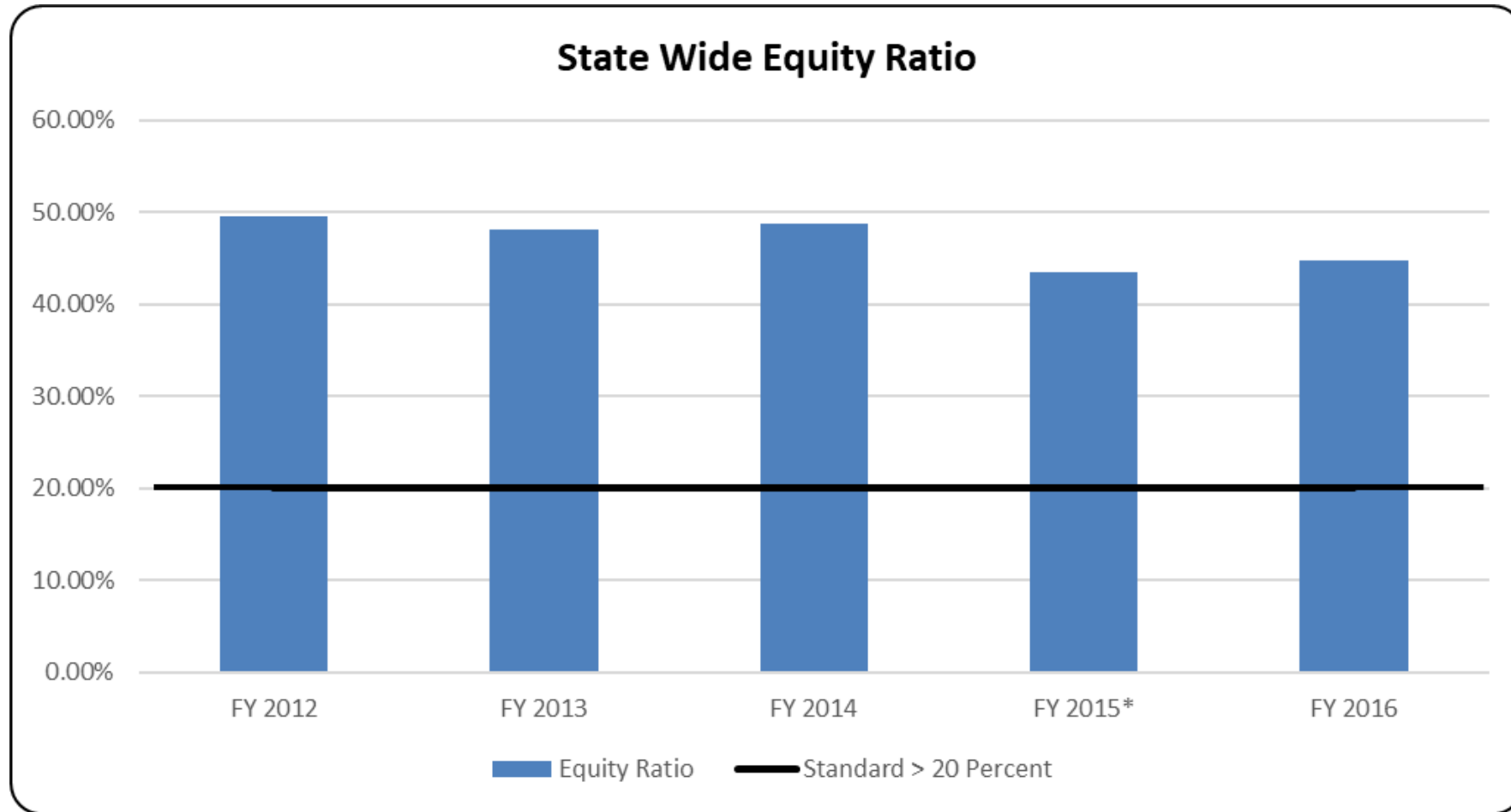
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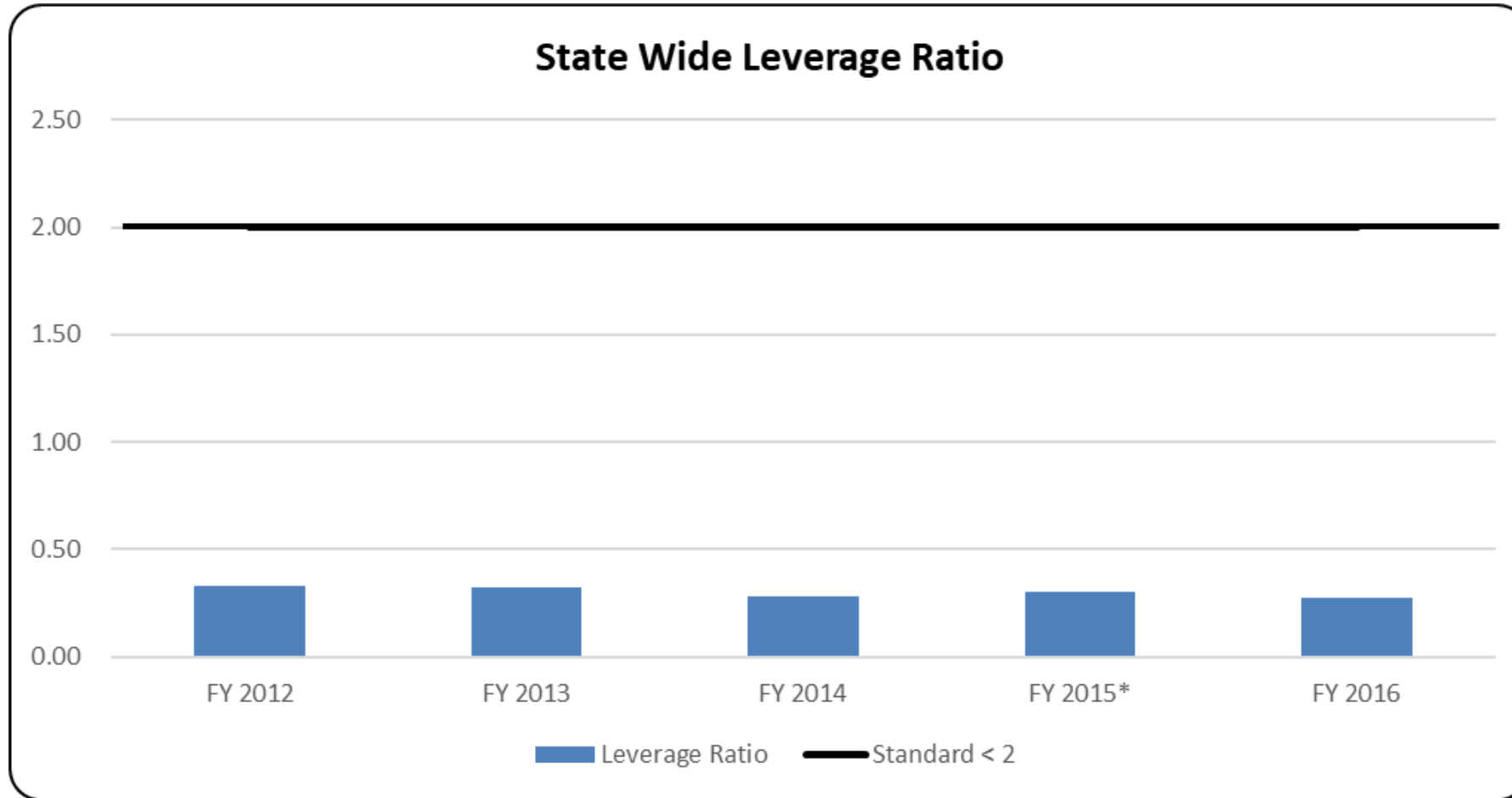
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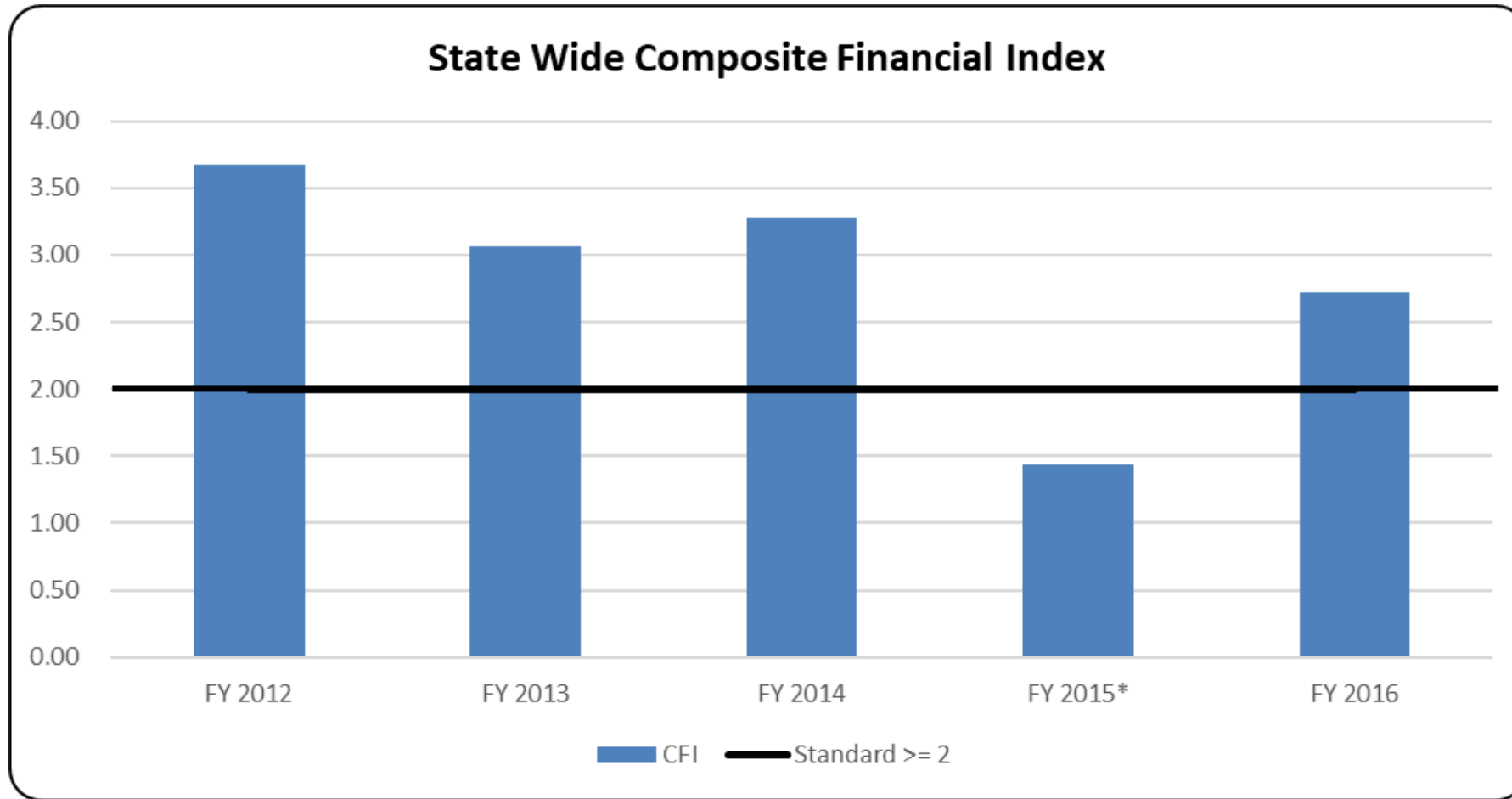
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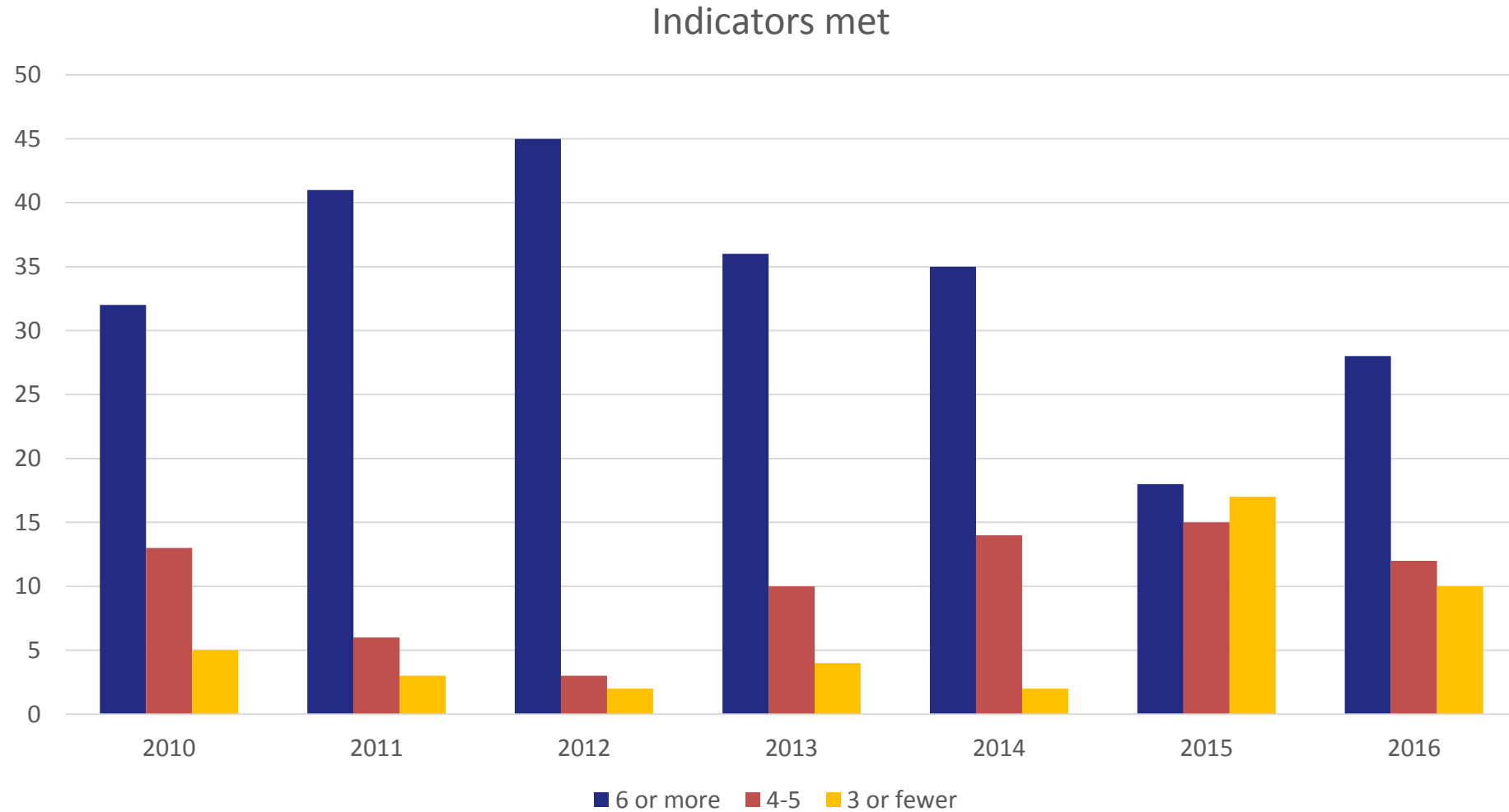
Analysis



Analysis



Overall Analysis



Summary

- Robust system
- Digests complicated financial data into usable information
- Allows broad or detailed analysis
- Very high level of transparency
- Stimulates questions and focuses inquiry
- Formative assessment, not summative



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