Standard Nine: Financial Resources

The institution's financial resources are sufficient to sustain the <u>quality of its educational program</u> and to <u>support</u> institutional improvement now and in the foreseeable future. The institution demonstrates, through verifiable internal and external <u>evidence</u>, its financial capacity to graduate its entering class. The institution administers its financial resources with integrity.

Description

The fifth-year interim report issued in March 2009 by NEASC urged CCRI to focus attention on addressing resource challenges in the face of reductions in state funding. The Commission took a favorable note of how CCRI managed to absorb significant state budget cuts while assuring academic quality and is looking for assurance that the college can continue to do so in a planned and systematic manner.

CCRI's continued solid financial stability is reflected in the June 30, 2013, audited financial statements, prepared in accordance with GAAP (generally accepted accounting practices) and GASB (Government Accounting Standards Board) principals: www.ccri.edu/businessaffairs/businessoffice/pdfs/Financial_Statements_10-10-13.pdf

This unqualified independent audit was accepted by the Rhode Island Board of Education (RIBE) on Nov. 13, 2013. The Statement of Net Assets indicates that total assets of $101.4 million exceeded total liabilities of $21.3 million by $80 million, an increase of 11 percent over the prior fiscal year. Cash equivalents represent 16 percent of total assets providing CCRI with a stable and liquid cash reserve for operating expenses and contingencies. Many of these dollars are earmarked for capital projects that are in various stages of planning and construction; the college is carefully aligning the pace of completion with the availability of funding. The college's finances are managed in a safe and conservative manner through CDARS (Certificate of Deposit Accounting Registry Service) in concert with the college's banking partner. This relatively recent partnership also resulted in significant economies of banking fees and improved services including courier services to the college's cash locations.

O'Connor and Drew, certified public accountants, assert that they find the "Community College's financial position remained strong as of June 30, 2013. Net position increased by $7.7 million over the prior year."

Unlike many of its peers, CCRI was fortunate between FY11 and FY12 to receive a significant increase in state funding of $1.6 million or 3.7 percent. This funding level has been essentially maintained into FY14 with a current state appropriation of $44.6 million. The intent behind the FY12 increase was to assist CCRI in stemming student tuition increases and consequently there was a zero increase in tuition and fees in FY12. An 8 percent tuition increase in FY13 was

followed in FY14 with a freeze on tuition growth. The importance of this is reflected in
www.ccri.edu/businessaffairs/businessoffice/images/State_Appr_vs_TF_FY14_100813A.JPG
as students' share of their educational cost has been increasing proportionately to the decline in
state support. Compensating for the loss of state revenue is an increase in overall enrollment that
has been maintained over the last several years. There has also been a consistent shift toward
part-time study, which generates additional income for the college as depicted on this "Full-Time
and Part-Time Fall Enrollment Headcount History":
www.ccri.edu/irpl/2013/pdfs/FT_PT_Fall_Enrollment_Headcount_Chart.pdf

Unlike many community colleges that charge tuition solely on a per-credit basis, CCRI
originated with a model that is akin to CCRI's sister four-year public institutions of higher
education. There is a full-time rate for 12 or credit hours per semester, in state, out of state and
regionally. There is a higher per-credit rate for students taking 11 or fewer credit hours per
semester. Thus, enrollment management is an increasingly important activity and resource for
CCRI. The resource shift and overall stability of resources is depicted as follows:
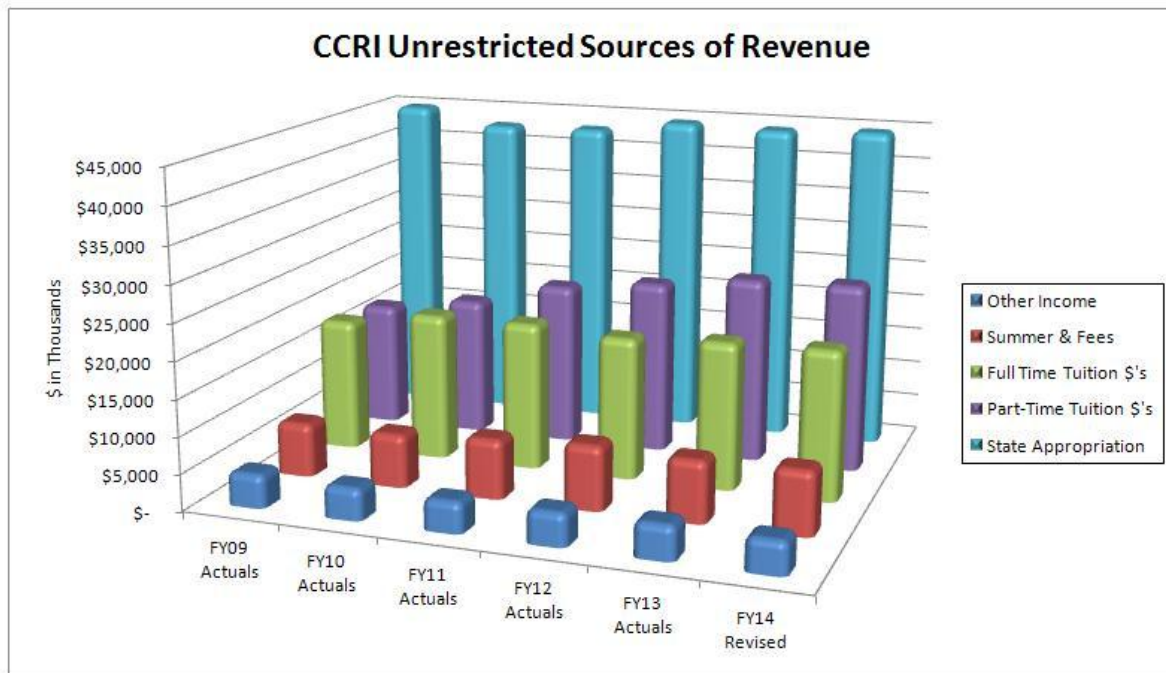
Restricted federal financial aid has increased nearly 26 percent over a four-year period. This is
due in large part to the expertise of the Financial Aid director and his staff as well as the use of
technology to streamline some of the financial aid processes, reporting and validation of data.
Increased enrollment has driven some of the increase in financial aid awards but more
importantly student access, communication and education about the availability of financial aid
has been a more significant driver of this enormous increase.

	FY2010	FY2011	FY2012	FY 2013	% change

Full-time headcount	6,231	6,094	5,857	5,459	-12%
Part-time headcount	11,544	11,799	12,027	12,240	6%
Federal/state aid	$21.8M	$27.6M	$27.4M	$27.4M	25.7%
Aid recipients	6,422	8,117	9,588	9,962	55%

Over the course of and enabled the college to bring all four campuses up to current building code for fire alarm and sprinkler systems. Rhode Island Capital Asset Protection (RICAP) restricted monies are also received in the amount of $2 million per year for facility maintenance. This is an ongoing fiscal commitment that demonstrates the state's economic interest in Rhode Island public higher education in spite of increased competition for state resources. The Rhode Island State Budget Office slated this same type of funding for major renovations at the Knight Campus beginning in FY14 with funding of $125,000 and reaching a total of more than $20 million by the conclusion of the project in FY18. (A copy of the Capital Plan will be included in Document Room).

CCRI financial services division is staffed and managed by seasoned professionals in all departments, Budget, Controllers, Human Resources, Technology and Physical Plant, who work in an integrated, cooperative and communicative manner with the academic and student divisions to ensure that the college's finances and student interests are unified in an efficient and effective manner. For example, the assistant controller, who is also a Certified Fraud Examiner (CFE), brings a sophisticated approach to CCRI's financial and operational methodologies. He works closely with the technology staff on Payment Card Industry Data Security Standards (PCI) in assessing the college's risks and compliance. Technology has been used in enrollment management tools; consistent student drop programs and notifications through the bursar's office have reduced accounts receivables; and physical and technological changes to classrooms have improved utilization. Working with enrollment reports and the academic division, the college has reduced the number of sections run by eliminating undersubscribed courses by differentiating between the numbers of paid seats versus unpaid seats as part of the course cancellation process. The weighting of this formula has been tweaked since its initiation in the spring of 2009 and it is not the only criteria used in decision-making but has been an effective starting position. Department chairs are now well versed in the theory and come to course cancellations with suggestions, alternatives and feedback. These types of activities have saved the college hundreds of thousands of dollars each semester.

In its Oct. 12, 2004, reporting, NEASC was concerned about the college's progress in ensuring that strategic planning and resource planning were linked. The Strategic Plan developed for the period 2009-12 included action steps and progress indicators for each of the strategic goals. However, the plan's objectives and the development of discernible measurements was not formalized or disseminated and therefore not been fully integrated with the resource allocation process on a point-by-point basis. Individual projects have been identified, completed and funded, but CCRI has yet to develop a rubric of data standards or reports.

Each division of the college is currently developing action steps for its portion of the new strategic plan 2013-26. The vice president for Business Affairs was included in the executive committee overseeing the creation of the new strategic plan. The new plan has been distributed to the college community in Fall 2013 and questions were fielded in the fall campus-based town
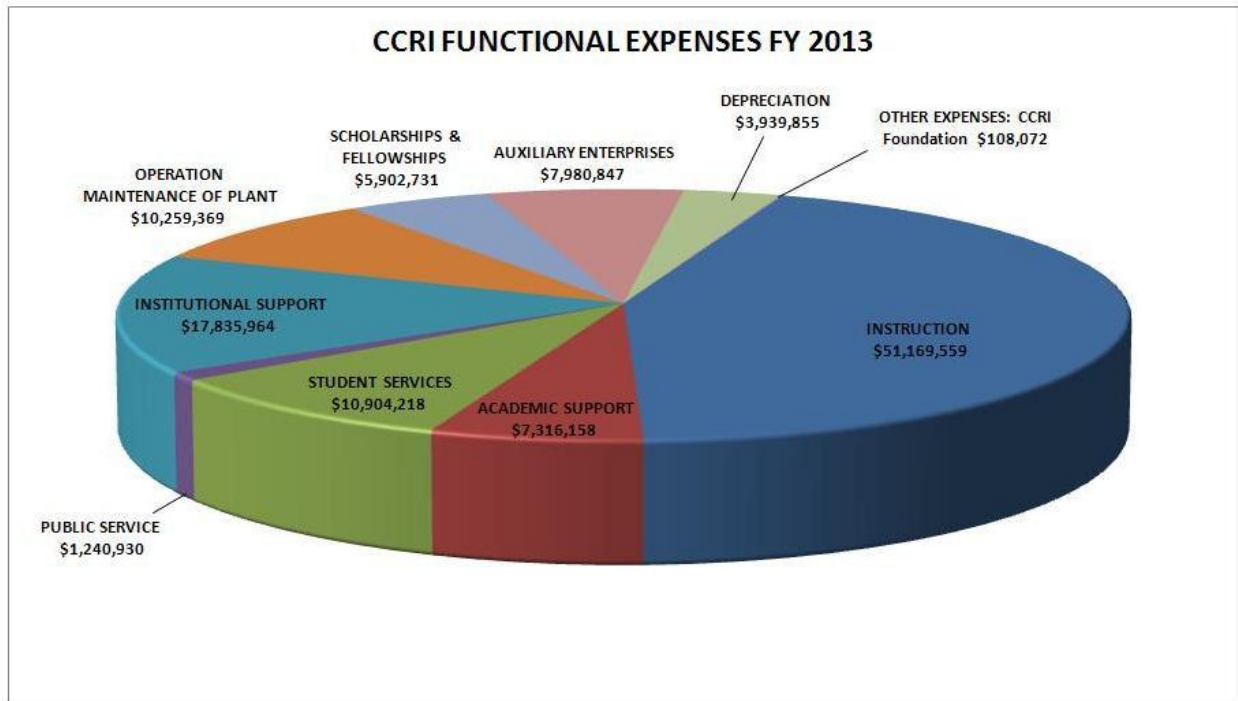
meetings with the college's president and senior administrative team. As the specific action steps for each individual goal are delineated by the affected division, and agreed to by senior management, a specific resource identification form will be attached indicating source of funding and whether funding is existing or yet to be identified.

The creation of Business Affairs Web pages to display budget and other financial data as well as the results of the last three priority request cycles for divisional budget requests and the resultant recommendations provides a platform for any college constituent to readily access financial data on the college and keep the community as up to date as possible. Responses to an internal survey conducted by the NEASC team revealed that less than 18 percent of those taking the survey use these Web pages versus 53 percent familiar with the Institutional Research Office Web data. The Business Office needs to take actions to notify the college community when updates are made to the website that are of interest to the community on financial matters. As the college develops measurable and comparable benchmarks, these would also be added to the site and perhaps generate more attention.

Each fiscal year, all college departments and major committees are emailed a link to the college's budget request forms, i.e., priority request cycle. This is the opportunity for departments to submit equipment, technology, operating staff and facility requests. The first point of prioritization is the department, followed by the respective dean and vice president. A consolidation of all requests is discussed with each of the vice presidents, the president and the business manager. Requests for technology or facility changes are funneled through those respective departments for input and recommendation. The Fall 2013 cycle represents the fourth year of this budget priority request model. The participation rate by individual departments within each division has increased each year as has the acknowledgement that this is a key method by which strategic planning and resource planning takes place. Each cycle encompasses the current and subsequent fiscal year, requests department and divisional prioritization, and decision-making at the leadership level. It is the administration's embrace of this process and the speedy communication of decision-making that has garnered its success. Previously the internal budget request cycle was a spring process, but in 2012-13 it was moved to a fall activity. This allowed departments a greater amount of time for internal discussion and gives the administration more time for consideration and prioritization for funding requests. Although participation has increased and the quality and quantity of submissions has improved, the NEASC informational survey indicated that nearly 64 percent of the respondents were not included in the process of developing their department's budget request submission. However, based on submissions, some departments appear to be very inclusive in their internal request process. The request process has not yet become a totally comprehensive method for planning especially as pertains to technology and facility improvements; however, each year has improved over the previous year and is becoming more of the norm. The Business Office, the facilities director and the chief information officer are regularly updating a multi-year focused financial plan to determine best funding alternatives, address timing and implementation issues and providing data for the setting of priorities. The resulting planning document is brought to senior administration's attention on a quarterly basis.

The Business Office is responsible for building and monitoring the college's annual budget. Projections for both revenues and expenses are conducted monthly, conveyed to the president

quarterly and resources reallocated accordingly. As related in the audit report, the college is consistent over the last three years in expending nearly 60 percent of the total $116 million in FY13 directly on instruction, academic support and Student Services operating expenses, depicted as follows:

CCRI FUNCTIONAL EXPENSES FY 2013

- DEPRECIATION $3,939,855
- OTHER EXPENSES: CCRI Foundation $108,072
- SCHOLARSHIPS & FELLOWSHIPS $5,902,731
- AUXILIARY ENTERPRISES $7,980,847
- OPERATION MAINTENANCE OF PLANT $10,259,369
- INSTITUTIONAL SUPPORT $17,835,964
- INSTRUCTION $51,169,559
- STUDENT SERVICES $10,904,218
- ACADEMIC SUPPORT $7,316,158
- PUBLIC SERVICE $1,240,930

High priority has been to fund and fill faculty vacancies and to reallocate positions to faculty slots as needed to respond to enrollment increases as well as newly emerging programs; additional funding was identified to increase adjunct faculty pay to allow the college to better recruit and retain this valuable asset; and FTEs were reallocated for several new slots in Advising and Counseling and the Access to Opportunity program. Increased emphasis has been placed on setting aside funds to address physical facility needs of academic spaces – science labs, art studios and library upgrades. Many of these spaces were in their original condition and requiring significant modification. A substantial award was recently made by the Rhode Island Foundation for science lab equipment.

The state budget cycle begins 11 months prior to a new fiscal year and is formed in accordance with guidelines and indices provided by the state Budget Office and to date, by the Board of Education. Because the fiscal year is July to June, the college is often implementing, defending and monitoring three fiscal years at the same time, requiring significant multi-year financial planning. The Board of Education transmits the higher education system budget request to the governor's Executive Office of State Budget. This is due the first of October each year. The governor's recommendations will be conveyed to the board for reaction and update before being conveyed to the Rhode Island General Assembly in January of each year. The Governor's Office is also responsible for conveying any supplemental budget requests for the active fiscal year; however, higher education has never requested a supplemental budget increase. The board and the three public higher education institutions will testify upon and defend their individual budget

requests multiple times to the House Finance and Senate Finance subcommittees of the General Assembly. The legislative budget amendment is generally available a month before the July fiscal year begins.

Appraisal

On Oct. 7, 2013, the Board of Education voted to transmit the system of higher education's FY15 Current Service Level (CSL) Budget Request to the governor. The Capital Improvement Program (CIP) had already been transmitted. The system is requesting a total of $19.5 million over the current fiscal year allocation. CCRI's portion of this request is $3.6 million. A CSL budget is a maintenance level budget – the amount needed to do tomorrow what you are doing today. However, CCRI also took the opportunity to request the funding for 10 new faculty positions and a $500,000 increase in CCRI scholarship monies. Collective bargaining is also in process and the board has endorsed its position to strongly convey its support to each of the institution's financial requests as well as the needs of their faculty and staff.

In June 2012, the Rhode Island General Assembly approved a reorganization affecting all public education in Rhode Island. The current Board of Governors for Higher Education was merged with the Board for Elementary Secondary into a combined Board of Education effective Jan. 1, 2013. The duties and responsibilities of the former board have been conveyed to the new Board of Education, which has also assumed similar responsibility for the elementary and secondary system of education. An authorized officer of the Rhode Island Board of Education has been appointed. He and the chairwoman of the board are working closely with an external consultant, the Governor's Office and the General Assembly to refine this new governance structure in a manner that is most beneficial to both levels of Rhode Island public education. The administrative structure, fiscal policies and procedures previously endowed to RIBGHE and the Office of Higher Education are yet to be determined.

The Facilities and Finance Committee of the RIBGHE was responsible for reviewing the college's formal mid-year financial review in February of each year. This function still exists with the new board in the form of a work group prior to adoption by the full board. In FY2006, the Rhode Island General Assembly passed an appropriations bill that eliminated the board's authority to allocate or reallocate state appropriations between the three public higher education institutions; however, the board maintained control over the setting of tuition and fee rates. State funds are now legislatively appropriated specifically to each institution. A position FTE cap limit is also set by the General Assembly in each fiscal year's appropriations act for both unrestricted FTEs as well as a separate cap for FTEs funded by external third parties such as federal or state grants. Approximately two years ago, the college was successful in requesting an increase in the FTE cap and a more flexible interpretation of third-party FTEs, giving the college more management latitude in filling positions. Those positions needed for day-to-day college operations are therefore not forced to be held open in order to satisfy the needs of a new grant program nor does the college need to refrain from pursuing such new opportunities. The FY15 CSL Budget Request includes the addition of 10 new faculty FTEs to CCRI's FTE cap as well as the necessary budgetary support.

The leadership of the Community College and the Board of Education must continue to stay on message with the General Assembly on maintaining CCRI's mission of public fiscal access to higher education to emphasize the importance that state funding must not fall below the present 42.7 percent level of unrestricted funding as reflected in the FY14 budget request, which also omits any increase in student tuition and fees: The FY15 CSL request would increase state appropriated funding to nearly 45 percent of the college's unrestricted budget. The FY15 budget transmitted to the governor also freezes tuition at the current rates, thus requiring any additional funding to come from the state.
www.ccri.edu/businessaffairs/businessoffice/images/Comparative_Funding_Chart_FY14_100813.JPG

In turn, the college will continue to economize, find efficiencies and external revenue sources to supplement state funding. The college's first ever capital campaign, led by the president, successfully raised over $5 million to support the renovation of the Warwick library, the Lincoln Dental Assisting lab, funds toward the renovation of the Warwick theater as well as scholarship monies for CCRI students. A new interim associate vice president for Institutional Advancement was hired by the college in the fall of 2013 and was charged with a new capital campaign as well as streamlining the grant process. The college will continue to leverage these types of alternate types of funding opportunities as well as grants, Pell student awards, and savings from the Energy Service Company (ESCO) selected by CCRI, AMERESCO. In order to allow the Office of Institutional Advancement to focus on fundraising, the Grants Office has been assigned to the new vice president for Academic Affairs. This will also allow the college to better focus on soliciting grants that are core to the college's primary objectives in academics and student success while allowing Institutional Advancement to focus on capital and alumni fundraising activities. A new director of grants position has been posted and will be filled as a direct report to Academic Affairs.

CCRI has been the recipient of a substantial federal grant for establishing an Energy Training certificate program in the department of engineering as well as a 36-month career readiness federal grant (TAACCCT-I). The latter of these two grants was awarded under the college's new federally approved indirect cost rate, bringing significant new revenues to CCRI. The college is waiting to hear if the third round of the TAACCCT funding also will be awarded to CCRI.

The membership of the Standard Nine subcommittee was derived from the Budget Resource Committee with strong interdivisional representation. This group identified that best practice divisional investment in the college's new reporting software as well as the core data and identifying data custodians must be a priority and approached in a centralized manner.

Projection

The community college must stay aware and current with federal and state laws as well as accounting standards that impact internal controls and financial policies. A recent development that all of higher education is now struggling with is the Patient Protection and Affordable Care

Act (ACA) becoming effective Jan. 1, 2014. This act requires that health insurance coverage be made available to all employees working 30 hours per week or more. As a result, adjunct faculty weekly hours are more broadly defined by rulings from the Internal Revenue Service to include prep hours outside of classroom time in addition to actual classroom hours. Academic Affairs has implemented a policy of a one-to-one ratio of classroom hours to external hours and adopted course workload accordingly for the Fall 2013 semester. Rhode Island public institutions are unique in that they need to comply with state guidelines of 20 hours per week in six-month or greater appointments for benefit eligibility. Some new permanent faculty slots have been created for departments with unusual workload requirements whereby sufficient adjuncts cannot be located or the hours for classroom requirements are in excess of college and state policy. This will have to be further studied as the college becomes better informed about the legal specifics of this new federal legislation. This act could have serious policy and financial implications for CCRI and all of higher education if compliance standards were not to be adhered to. Many of these standards and related financial penalties are still evolving. Actions the college will continue to pursue include:

- The Office of Higher Education and the three public higher ed institutions have hired an external vendor to assist in taxation and legal interpretations, establishing look-back period, employee communications, as well as future reporting and data collection issues.
- Staying abreast of determinations made by the Internal Revenue Service.
- Using resources such as the College and University Professional Association for Human Resources (CUPA) and the National Association of College and University Business Officers (NACUBO) for best practice interpretations, implementation methods and employee communications.
- Following the development of Rhode Island's Health Care Exchange program development.
- Developing a cohesive college action plan for meeting classroom and other personnel needs within prescribed health care guidelines that were essentially put in place as of July 1, 2013. Adjustments will be made as needed as legal and tax consequences are assessed. The Payroll and Human Resource departments, in concert with the IT Department, are actively improving the frequency and reporting of internal payrolls to ensure legal compliance

The college will also continue to address control and policy issues raised by external auditors with the higher education system as a whole to be consistent with Federal tax form 990:
- Recommend that CCRI develop a conflict of interest policy.
- Recommend that CCRI develop a whistleblower policy.
- Recommend that CCRI develop a records retention policy.

Although these policies are not a requirement, it is always a good policy to use "best practices" for any entity. A conflict of interest policy could be co-mingled with a code of ethics policy under the college's vision and values statement. These are essential building blocks for internal controls that will decrease the college's compliance and legal liabilities.

The following are major initiatives that are projected to affect the financial administrative future of CCRI and will result in definable action steps as each initiative evolves:

- The college's Strategic Planning Executive Committee distributed the 2013-16 strategic plan in Fall 2013 to the college community for feedback and discussion. As currently written, nearly every strategic effort is certain to include a resource requirement of "personnel" but little in the way of specifics that must be clearly defined in order to attach resources or plan for resource needs. Data will be used for measuring progress and for developing a data-driven budget process that conforms to the college's mission and strategic priorities. Toward that end, the college should:
  - Charge a committee with the task of developing reasonable and effective data measurements and determining peer and national benchmark equivalents.
  - Determine a primary data custodian and common reporting data standards.
  - Develop clear reports for use in resource allocation and other performance measurements.
  - Develop Web-based dashboards for communicating results to college at large.
  - These decision points will be addressed by Spring 2014 and woven into the governance and committee process.

The NEASC survey indicated that a minority of faculty and staff are aware of or use the Business Division website for up-to-date information on the college's financial condition. The most significant communications are made at Opening Day in September and Professional Development Day each spring. These are times of the year when the message may be accurate for the moment but out of context for portraying a positive fiscal condition. The Business Office has assisted by:

- Using Crier to provide monthly or quarterly updates on the college's financial status even if it is just a notice to an updated link on the financial Web page. Notices continue to be forwarded of financial and operational updates.
- Improvements in grant funding and expenditure reporting status have been initiated by the Controller's Office. The grant accounting personnel in this office have also initiated "brown bag" lunch seminars several times each semester aimed at the grant audience but also applicable to the college at large. These sessions have been well attended and earned recognition from a federal grant representative conducting an on-site monitoring visit on the TAACCCT grant. She specifically cited that the Grant Accounting Office was fostering an environment for positive networking and collaboration and confirmed knowledge of rules and topics affecting grant administration.
- CCRI has engaged a firm, Symmes Maini & McKee Associates (SMMA), to complete a 10-year Master Plan for college consideration that will include identifying locations of future site development, building and space utilization, parking facilities, roads and athletic facilities. Campus meetings with individual groups and committees were conducted, as well as vendor analysis of classroom capacity and utilization, current and project building usage, building systems, code compliance and traffic circulation. The resultant product will assist the college in identifying and planning for the fiscal resources required to address anticipated recommendations as well as the funding alternatives such as state bonding requests for consideration. The initial plan was provided by the planner in June 2013 and is currently being analyzed by the college.

- The first meeting of the new Board of Education took place March 11, 2013 and gave the college its first glimpse into the potential structure of the new board. The systems' mid-year financial review for 2013 focused on the agenda of the second board meeting and provided a sense into how the financials of the institution will be reviewed, monitored and fiscal recommendations made under this revised state structure. With a work group session taking the place of the former Finance Subcommittee, the process mirrors that of the former board. Refinements of this new governance system will be emerging in the coming months as the Office of Higher Education ceases to exist June 30, 2014.

Standard 9 - Plan of Action Milestones					
Goal	Appraisal/ Priority	Projected Action	Due Date	Responsible Person	Deliverable Outcomes
9.1	Strategic Plan resource requirements	Plan being vetted to community; react to specific changes and defined objectives	Spring 2014	Executive Committee to the Strategic Planning Process	Prioritization of Resources identified to meet specific objectives defined in strategic initiative
9.2	Data driven decision making process	Increase use of data for making resource and strategic decisions Create a committee to determine effective data measures	Spring 2014	Request that Standard Nine subcommittee could start this process or assign to a committee established under the revised Governance model	Reasonable and effective benchmarks that can be measured against peer and national data consistent with the college's defined objectives
9.2	Data-driven decision-making process	Determine primary data custodians	Spring 2014	IT, IR, User departments, colleges senior administrative team	Common data sets employed universally in a collegial manner
9.2	Data-driven decision-making process	College wide reporting	Will evolve over Calendar 2014	IT, IR, User departments	Resource allocation tools, report tools, aspirational goals and performance measures; dashboards for communicating college wide info
9.3	Improve Financial literacy and transparency	Use Crier to provide budgetary updates and alerts to new information on CCRI Business website Continued Brown Bag lunches for grant and other finance topics	Continuous	Business Office; Controller's Office, Purchasing, Grants Office	Accurate information available to college community; educated grant and program administrators

9.4	Improved grant resource utilization	Better reporting and support of grants that directly support and supplement the college mission	Continuous	Grant Accounting office	Streamlined grant processes and deliverables
9.5	College master plan	Use 10-year plan to drive resource planning and allocation	Fall 2014	Director of administration, Executive Committee for Master Planning	A vision and options of how college can plan for space utilization and resource allocation across multiple fiscal years
9.6	Patient Protection & Affordable Care Act	Evolving strategy manage part-time employees to avoid federal health care penalties while ensuring college efficiency and effectiveness	Fall 2014	HR, Controller's Office, Business Office, CWCE, Academic Affairs	Plan for the fall 2013 semester to meet classroom and program needs as well as part-time staffing needs throughout the college
9.7	Best Practice Operational Policies	Recommend college develop policies that will reduce legal liabilities	Fall 2014	Controller's Office in concert with President's Council	Conflict of Interest Policy; Whistleblower Policy, Records Retention Policy
9.8	Operational relationship with new Board of Education	Continue to liaison, inform and react to board recommendations	Ongoing	Entire CCRI community	Positive and effective policies and financial stability for CCRI

Institutional effectiveness

The college's excellent track record of solid fiscal management – particularly in challenging fiscal climates – demonstrates its careful attention and planning , leading to its effectiveness in managing financial resources. CCRI has in place appropriate internal and external mechanisms to evaluate its fiscal condition and financial management, and to maintain its integrity. The college will continue to utilize external agencies to conduct its yearly audit; it has a long-standing history of clean audits.

Examples of recent improvements from the college's thoughtful fiscal management include aligning the budget approval process with the fiscal year and the strategic initiatives, including starting the planning for the next budget cycle earlier in each academic year to allow more time for department input and feedback. Updated financial aid application processes have resulted in a significant increase in the amount of aid available to students to help offset the costs of going to college. In spite of declining state funding and the lengthy recession, the college has demonstrated strong fiscal health through careful management of its resources and by generating

other sources of funding. The college is in the process of hiring a grants officer to assist with securing more external funding.