

2019 Community College Financial Condition Report



Texas Higher Education
Coordinating Board

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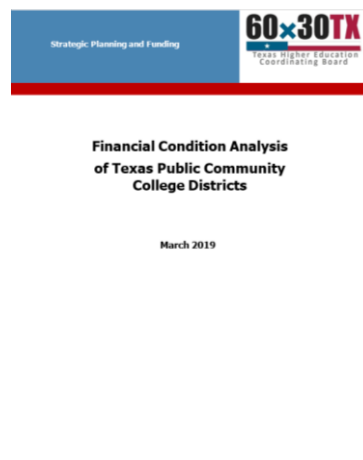
Committee on Affordability, Accountability
and Planning

March 20, 2019



Agenda

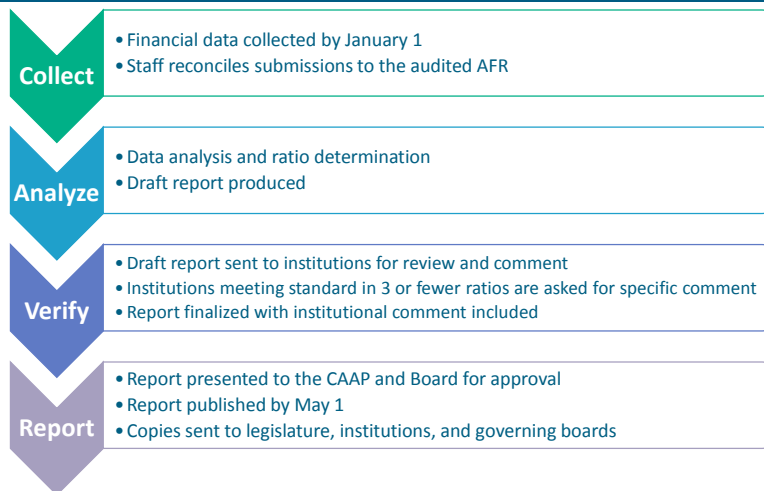
- Background
- Process
- Key Questions
- Analysis
- Summary
- Questions



Background

- Directed by GAA, Rider 12 (page III-217)
- Developed collaboratively with institutions using the KPMG ratios as a foundation
- Distills large amounts of financial data into digestible information
- Used in the community college baccalaureate approval process
- Changes in Government Accounting and Standards Board (GASB) statements 68 and 75
 - Large impact to financial metrics
 - Impacts have been mitigated to the greatest extent possible
 - As per KPMG guidance, current report does NOT show impact of GASB 68 & 75

The report is the result of a detailed and validated process



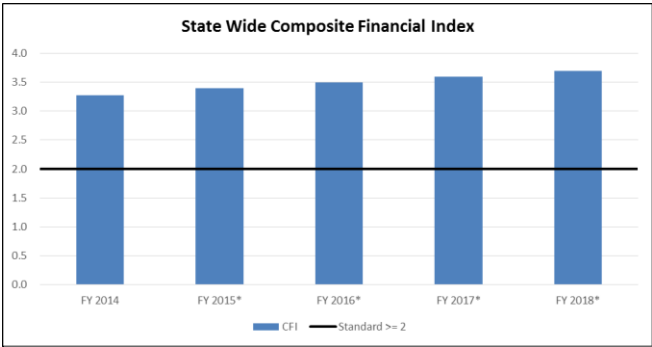
Key questions to be answered

Financially capable of successfully carrying out current programs?

Able to carry out intended programs well into the future?

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

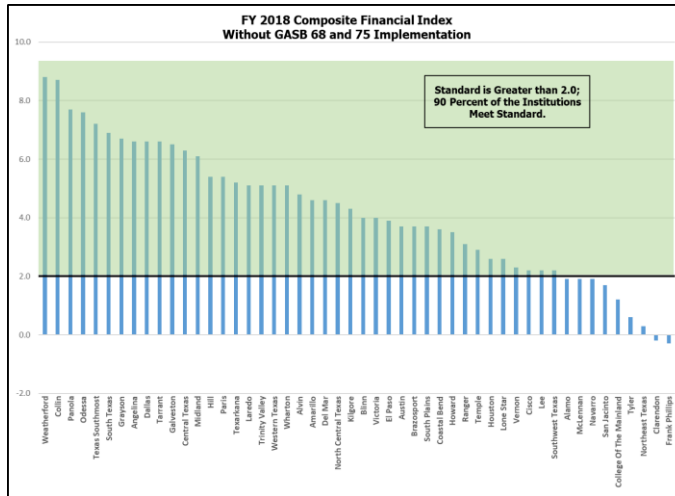
CFI is the single best measure of financial health



*Without GASB 68 and 75 implementation.

Financial Ratio	FY 2014	FY 2015*	FY 2016*	FY 2017*	FY 2018*
CFI	3.3	3.4	3.5	3.6	3.7
Standard >= 2	2.0	2.0	2.0	2.0	2.0

CFI by college support statewide assessment

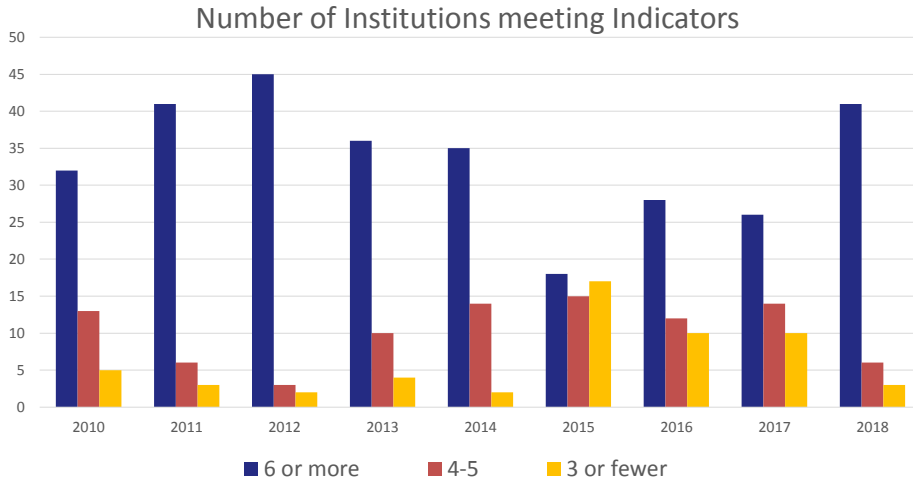


Other indicators show statewide strength as well

Indicator	Standard	Current	5-year Trend
Primary Reserve Ratio	>0.14	0.49	Upward
Viability Ratio	>0.42	1.37	Upward
Return on Net Position	>0.0%	6.3%	Upward
Operating Margin	>0.0%	4.6%	Downward, but still greatly exceeds standard
Equity Ratio	>20.0%	50.2%	Stable
Leverage Ratio	<2.0	0.24	Stable



In 2018, there was a large increase in the number of indicators met



Summary

- Statewide, the Community Colleges are in good financial health
- Strategic initiatives can create turbulence in metrics
- More widespread use of the report may be increasing visibility
 - Presented at the annual Leadership Conference
 - Sent to college trustees and presidents when their accountability report is sent
 - Used for program planning purposes
- Design helps to focus inquiry and inform decisions



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