Financial Condition Analysis for Community Colleges

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Agenda

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

Financial Condition Analysis of Texas Public Community College Districts

March 2018
Directed by GAA, Rider 12 (page III-217)

“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
Metrics

Financially capable of successfully carrying out current programs?

Able to carry out intended programs well into the future?

Is the institution...

- Composite Financial Index (CFI)
  - Primary Reserve Ratio*
    - Viability Ratio*
  - Return on Net Position*
    - Operating Margin*
      - Equity Ratio
      - Leverage Ratio
GASB 68 and 75 Impacts

• 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 for GASB 68 and likely will be for GASB 75

• Financial Condition Report indicates the financial condition of institutions if GASB 68 and 75 had not been implemented
Ratios and Trends

Statewide Primary Reserve Ratio

- FY 2013
- FY 2014
- FY 2015*
- FY 2016
- FY 2017

Primary Reserve Ratio
Standard > .14
Ratios and Trends

Statewide Viability Ratio

Fiscal Years:
- FY 2013
- FY 2014
- FY 2015*
- FY 2016
- FY 2017

Viability Ratio
Standard > .42
Ratios and Trends

Statewide Return on Net Position

<table>
<thead>
<tr>
<th>Year</th>
<th>Return on Net Position</th>
<th>Standard Positive Return</th>
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<tbody>
<tr>
<td>FY 2013</td>
<td>4.5%</td>
<td></td>
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<tr>
<td>FY 2014</td>
<td>1.2%</td>
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<tr>
<td>FY 2015*</td>
<td>-8.5%</td>
<td></td>
</tr>
<tr>
<td>FY 2016</td>
<td>6.5%</td>
<td></td>
</tr>
<tr>
<td>FY 2017</td>
<td>8.0%</td>
<td></td>
</tr>
</tbody>
</table>
Ratios and Trends

Statewide Operating Margin

- FY 2013
- FY 2014
- FY 2015
- FY 2016
- FY 2017

Operating Margin

Standard Positive Margin
Overall

Indicators met

- 6 or more
- 4-5
- 3 or fewer
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
60x30TX

Texas Higher Education Coordinating Board