Minutes of the Finance and Facilities Committee of the Council on Postsecondary Education Meeting

Wednesday, October 11, 2017 5:00 p.m.
McKenna Conference Room
Office of the Postsecondary Commissioner
560 Jefferson Boulevard
Warwick, RI 02886

The Finance/Facilities Committee of the Council on Postsecondary Education met on Wednesday, October 11, 2017, at the Office of the Postsecondary Commissioner at 560 Jefferson Boulevard, Warwick.

At 5:02 p.m., Committee member, Tim DelGiudice who sat in for Chair Heather Crosby, welcomed the Committee members and thanked everyone for their flexibility with the earlier time for the beginning of this meeting.

Present: Timothy DelGiudice, Dennis Duffy, and Dr. Jeffery Williams.

Absent: Heather Crosby

1. ACCEPTANCE OF THE AGENDA

Mr. DelGiudice entertained a motion to accept the agenda. A motion was duly made by Mr. Duffy and seconded by Dr. Williams.

Mr. DelGiudice then called for a motion to amend the agenda to reorder the presentations by the three institutions and the Office of the Postsecondary Commissioner. On a motion duly made by Mr. Duffy and seconded by Dr. Williams, it was

VOTED: THAT The Finance/Facilities Committee of the Council on Postsecondary Education amend the agenda for the meeting of October 11, 2017 as described.
VOTE: Three members voted in the affirmative and no members voted in the negative as follows:

YEAS: Timothy DelGiudice, Dennis Duffy, and Jeffery Williams.

NAYS: 0

ABSTAIN: 0

Mr. DelGiudice then called for a vote. On the motion duly made by Mr. Duffy and seconded by Dr. Williams, it was

VOTED: THAT The Finance/Facilities Committee of the Council on Postsecondary Education accept the agenda for the meeting of October 11, 2017 as amended.

VOTE: Three members voted in the affirmative and no members voted in the negative as follows:

YEAS: Timothy DelGiudice, Dennis Duffy, and Jeffery Williams.

NAYS: 0

ABSTAIN: 0

2. APPROVAL OF THE MINUTES

Minutes of the Facilities Committee of the Council on Postsecondary Education’s September 13, 2017 Meeting.

Mr. DelGiudice entertained a motion to accept the minutes, which was duly made by Mr. Duffy and seconded by himself.

Mr. DelGiudice then noted two minor amendments that were corrections of errors on pages 5 and 6 of the minutes as previously submitted. He then asked if the Committee members had any other changes that were needed and none were reported.
On a motion duly made by Mr. DelGiudice and seconded by Mr. Duffy, it was

VOTED: THAT The Finance/Facilities Committee of the Council on Postsecondary Education amend the minutes of the Finance/Facilities Committee meeting of September 13, 2017 as described.

VOTE: Three members voted in the affirmative and 0 members voted in the negative as follows:

YEAS: Dennis Duffy and Timothy DelGiudice.

NAYS: 0

ABSTAIN: Dr. Williams abstained as he had not been in attendance at the prior meeting.

Mr. DelGiudice then called for a vote. On the motion duly made by Mr. Duffy and seconded by Mr. DelGiudice, it was

VOTED: THAT The Finance/Facilities Committee of the Council on Postsecondary Education amend the minutes of the Finance/Facilities Committee meeting of September 13, 2017 as described.

VOTE: Three members voted in the affirmative and 0 members voted in the negative as follows:

YEAS: Dennis Duffy and Timothy DelGiudice.

NAYS: 0

ABSTAIN: Dr. Williams abstained as he had not been in attendance at the prior meeting.
3. **CHAIR’S REPORT**

In deference to the full agenda for this evening’s meeting, Mr. DelGiudice indicated that there would be no chairman’s report.

4. **ACTION ITEM.**

   4a) **Discussion and recommendation to the Council on Postsecondary Education for the Acceptance of Audited Financial Statements for the Fiscal Year Ended June 30, 2017.**

Dr. Susan LaPanne, Associate Commissioner of Finance and Management, introduced Steven Cohen, CPA, CGFM, Principal with the system’s external audit firm, O’Connor and Drew, PC. Mr. Cohen was accompanied by his colleagues Mr. Christopher Stenmon, CPA, also Principal at O’Connor and Drew, and Ms. Nelia Kruger, Manager at O’Connor and Drew. Mr. Cohen was present to provide all required communications to the Finance Committee and to discuss the results of the financial statement audits at the three institutions and DHEA. In addition, he was in attendance to provide answers to any questions that the Committee members have in regard to the year-end results.

Mr. Cohen explained that all four audits resulted in unqualified opinion, which represents the best result for a financial statement audit.

Dr. LaPanne reported that the financial statements had been submitted to the State in a timely way, but that the Office of the Auditor General had been delayed with the review and requirements for changes and amendments. Two of the four financial statements had been fully cleared, while the other two were still under review. These will be released at any time.

Mr. Duffy indicated that he was unwilling to recommend the statements for acceptance by the full Council without being able to read them in advance. He said that he was pleased to receive the auditors’ required disclosures and the unqualified opinions that they had rendered on all of the statements. However, he suggested that the Committee wait to recommend the financial statements to the full Council for approval until all four documents were received. Both Mr. DelGiudice and Dr. Williams agreed.

Dr. LaPanne indicated that she would forward the statements to the Committee members in time for the October 18th meeting and place this item on the agenda for recommendation at that time.
5. DISCUSSION ITEMS

5a) Overview of Operating Budget for the Community College of Rhode Island – Dr. Hughes

President Hughes opened her presentation with a reminder of her presentation at the September 8th Council retreat, where she discussed her campus initiatives for the current and upcoming years. They include:

- Enhancing student success and completion
- Expanding partnerships and programs
- Strengthening the effectiveness of the organization

She focused on the expansion of partnerships with the Workforce Development efforts at CCRI. Electric Boat is the best example of the types of partnerships that the Community College is hoping to develop with business partners. Mr. DelGiudice mentioned that a Connecticut Senator recently asked him about all of the exciting events that were happening involving Electric Boat, the Westerly Center, and CCRI at a meeting that he had attended recently.

Dr. Hughes also discussed the redesigning of the Institutional Research area and its reassignment to Academic Affairs.

She provided the Committee with a review of the drivers that increased the FY 2019 budget request by $4.95M. These drivers include the following:

- Current Service Level increases of $2.79M
  - Personnel
    - Adjunct Faculty (enrollment driven)
    - Benefit Rate Changes
    - Strategic Priority Reallocations
  - Operating and Capital Change
    - Reinstate Technology Funds
    - Software Licensing
    - Utilities
    - Education Supplies
- Strategic Investments of $2.17M
  - Personnel
    - Faculty Incentive Savings
    - Workforce Development
    - Academic Administrative Support
    - Advancement, Business, and Technology
• RI Promise and Student Service Support
  o Other Budget Increases
• Facility Architecture, Engineering and Renovation

The decline in enrollment was also discussed. Sara Enright, Vice President for Student Affairs and Chief Outcomes Officer, reported to the Committee that community college enrollment has an inverse relationship with the job market. People will return to college seeking credentials when the job market is poor. However, those students will return to work once jobs become available again. This is a national trend although CCRI has done a great deal of work successfully to avoid it.

Dr. Hughes also reported that CCRI had received a Hassenfeld grant of $650k that relates to Rhode Island Promise scholarship recipients.

She presented her workforce development timeline that included projected increases in revenues for the Community College as well. The Community College is engaged in efforts to align with the state’s economic and workforce development priorities and piloting projects in healthcare, defense, IT/cyber security, advanced manufacturing, and defense.

5b) Overview of Operating Budget for Rhode Island College – David Gingerella

Mr. David Gingerella, Vice President for Administration and Finance at RIC, presented the operating budget request on behalf of Rhode Island College. He started with a review of the FY 2018 enacted budget in comparison to the College’s request. He pointed out that the enacted budget was less than requested by approximately $1m. In addition, tuition and fees were also under budget due to fewer enrollments than projected.

Mr. Gingerella discussed all of the methods used to balance the FY 2018 budget:
• Reviewing the filling of vacancies
• Restructuring the FY strategic initiative
• Holding institutional financial aid at the FY 2017 level
• Recognizing the healthcare premium savings
• Decreasing other discretionary and operational expenses

The highlights of the FY 2019 general education request include:
• Freezing tuition with proposed mandatory fee increase of $121
• Requesting to increase state general revenue appropriation by $1.9M to support increased retirement rates, healthcare medical premium costs, and other personnel benefits
• Projecting increased enrollments of 113 FTE students over FY 2018
• Keeping operational spending consistent with FY 2018 and not opening new positions
• Eliminating all summer session fees, except the library fee and technology fees to make cost of attendance more competitive in order to increase enrollment

Mr. Gingerella also discussed the mandatory fee increases that RIC is requesting.

During the discussion after his presentation, Mr. Gingerella indicated that the FY 2019 budget does not have the 10 FTEs for professional advisors in it. Instead, RIC will reallocate vacancies to professional advisors as those vacancies become available.

Mr. DelGiudice asked about the Henry Barnard School and whether the revenues are supporting their expenses. Mr. Gingerella indicated that they are not and that RIC is subsidizing the school. He also reported that they meet regularly regarding enrollment in order to increase both the number of students and the revenues.

Mr. Duffy asked about the tuition and Mr. Gingerella reported that it is in the $11.1k range for the elementary grades. They are trying to find ways to offer financial aid as a method to increase enrollment. Mr. Gingerella indicated that he will give the HBS report to the Commissioner.

The discussion turned to the renovation of the dormitories as a way to encourage increased enrollment at the College. Mr. Gingerella reported that the $3.5m that was spent in upgrading some of the worst dorms have resulted in them becoming the preferred accommodations by students.

5c) Overview of Operating Budget for the University of Rhode Island – Dr. Dooley

President Dooley reviewed the revenue summary for FY 2018 and FY 2019 all funds, which showed an increase from $776.2M to $815.1M representing a total increase institution-wide of $38.9M. Most of this increase is represented in RICAP requests for project and in the unrestricted budget for the University. He reported that the budget request anticipates an increase in tuition and fee revenue of approximately $6.4M, with an additional request for state appropriation funds of $8.3M. He explained that the tuition and fee revenue increase is a result of an increase in the out of state tuition and fees.

President Dooley discussed the strategic initiatives for FY 2019:
• Undergraduate Education Enhancements
• Student Services
• Implementation of IT strategic Plan (Phase 1)

Dr. Dooley asked the Committee to reconsider tuition and fee increases if the appropriation is not provided. The Governor’s budget is a very time critical issue as the University needs to have the tuition and fee rates in place by late in February in order to notify students of financial aid decisions.

The President provided information about the University’s place in the market related to tuition and fees, and he reminded the Committee of agreements in place to discount tuition for New England students whose home state universities do not have programs that URI has. Pharmacy and Oceanography are among those programs that have students whose tuition and fees are capped at 175% of instate rates per these agreements.

He also provided insight into those expenses that were responsible for the University’s increased unrestricted budget expenses.

Dr. Dooley provided information related to the increased number of students attaining a degree between 2003 and 2016. In addition he provided comparative data related to efficiency measures (cost per credit hour) between URI and those land grant institutions from New England and the Mid-Atlantic States. The Committee was impressed with those comparisons as URI did well in most of those measures.

He then provided insight into the reallocation of resources at the University which is an ongoing theme of his administration as well as savings that have directly impacted the savings and benefits to students.

Dr. Dooley concluded his presentation with a review of the effect of the tuition and fee freezes in recent years to the base budget of the University.

In response to a question related to the large request for RICAP funds, Dr. Dooley explained to the Committee that this was part of a multi-year request for the Fine Arts Center renovation. He indicated that state funding through RICAP would save approximately $34M in interest costs that would be incurred if bond funding was sought.

Mr. DelGiudice had a question about the State Crime Lab’s budget as a part of the University’s budget. Dr. Dooley responded that the Attorney General had formerly been the “home” of the State Crime Lab’s operations and budget. This appeared to be a conflict of interest even though the budget itself was essentially treated as a pass-through.
He then indicated that there were some benefits to this association as the Lab interacts with faculty in the criminal justice program. However, the disadvantage for the operations of the State Crime Lab at the University is that it is not collocated with the DNA Lab facilities which are housed in Providence with DOH.

5d) Overview of Operating Budget for the Office of the Postsecondary Commissioner
   – Dr. Benda Dann-Messier

Commissioner Brenda Dann-Messier indicated that she has been busily engaged in the restructure of her office staff in order to build her team. The FY 2019 budget for the Office reflects this restructuring and is focused on the Six Key Priorities that she has set and discussed with the Council in prior meetings.

Dr. Dann-Messier provided an update on the Higher Education Funding Formula which has been an ongoing project for the Council. She indicated her intent to put forth a comprehensive, five-year funding plan for the system that would include base funding, additional funding through the performance-based funding mechanism, and tuition/fee rates, with the goal of increasing predictability and alignment with state priorities. She noted that she would present an initial proposal for additional funds through the performance-based funding at the upcoming Committee meeting.

The Commissioner went on to discuss additional funding the Office would request to support her Six Key Priorities. Totaling $500,000, these proposed funds include an Equity Incentive Fund, Accelerating Student Progress Fund, Research and Evaluation Fund, and Student Contingency Fund. She then invited Susan LaPanne to provide a brief review of the budget request for the Office.

Dr. LaPanne reminded the Committee that, although the total Office budget request would total to $16.2M in total, this amount included Rhode Island Promise Scholarship funding, RINEC base and tenant improvement lease payments, pass-throughs, and community service grants, with only $3.0M for Office operations themselves.

While discussing the Rhode Island Promise Scholarship funding which showed as a request of $5.5M for FY 2019, Vice President Sara Enright from the Community College reported that their projections for the upcoming year were in excess of $6.35M based on current enrollments. She advised that the request be updated with the higher amount so as to avoid the situation that Oregon experienced. There the budgeted amounts were not sufficient to cover enrollments, and as a result, Oregon can only admit four out of every five students who were otherwise eligible for inclusion.
The Committee agreed that this change was prudent. Further discussion also noted that even this additional amount does not reflect any expansion of the program to the other institutions.

Dr. LaPanne then disclosed the restricted budgets for the Office, which include federal grants, the Rhode Island Nursing Center’s operational costs, the Westerly Higher Education and Job Skills Center, RICAP, and the Division of Higher Education Assistance (DHEA). The DHEA budget includes the original Rhode Island Promise Scholarships (successor to the state grants) as well as the funding for the Dual and Concurrent Enrollment program.

The discussion concluded with a review of the supplemental budget requests for the Office that include revisions of projected costs and revenues for Westerly, updates of costs for RINEC, and the request for increases in appropriation for the Dual and Concurrent Enrollment Program.

6. ADJOURNMENT

On a motion duly made by Dr. Williams and seconded by Mr. Duffy, it was:

VOTED: THAT The Finance/Facilities Committee of the Council on Postsecondary Education adjourn its meeting.

VOTE: 3 members voted in the affirmative and 0 members voted in the negative as follows:

YEAS: Timothy DelGiudice, Dennis Duffy, and Dr. Jeffery Williams.

NAYS: 0

The meeting adjourned at 6:59 p.m.