DESCRIPTION

Background Information
The Regional Community-Technical Colleges are established under C.G.S. 10a-71 et. seq. The entire Community College system, serves approximately 40,000 credit students and 100,000 non-credit registrants, and is the largest constituent unit of public higher education in Connecticut. It consists of twelve regional community colleges and a system office. Each community college operates as a separate college within the larger community college System, or entity. The responsibility for the administration and management of the System, including the oversight and control of financial operations, rests with the Board of Trustees (“BOT”). C.G.S. 10a-72 (b)(1) requires the Board to “make rules for the governance of the…colleges, determine the general policies of said colleges, …and direct the expenditure of said colleges’ funds within the amounts available …”.

State of Connecticut budgetary basis reporting is done on a modified cash basis, while the State’s Comprehensive Annual Financial Report (CAFR) is designed to be in conformance with generally accepted accounting principles (GAAP) for governmental units as promulgated by the Governmental Accounting Standards Board (GASB) as well as the reporting requirements prescribed by the Government Finance Officers Association and the American Institute of Certified Public Accountants. Constituent units of higher education have been discretely presented following the AICPA college guide model, and using a current financial resources measurement focus and the accrual basis of accounting, except that depreciation expense has not historically been recorded. Prior to FY02, the System has not separately published official or externally audited financial statements, but has prepared unofficial financial statements for internal use. Beginning in FY2002, all State of Connecticut Community Colleges will fully implement the new requirements of GASB 34 and GASB 35, which includes the requirement that each college be externally audited each fiscal year.

Connecticut Fund Structure - The Community College System has two statutory funds, the General Fund and the Operating Fund. State General Fund appropriations are sufficient to cover the majority of salary expenditures. Operating Fund revenues, including student tuition and fees, government and private grants and contracts, and a small amount of other educational and other sources revenue, cover most other salary, fringe, operating, student financial aid and some equipment expenditures. In addition, the System receives a variety of state Bond Fund appropriations covering a variety of equipment, deferred maintenance, renovation and improvements, and new construction projects. Most major capital projects are managed by the State Department of Public Works.

Higher Education Fund Structure - The Community College System follows the AICPA College Guide model for purposes of financial reporting by public higher education. Its chart of accounts has thus been organized to permit the recording of both the statutory State of Connecticut funds, as well as the higher education fund groups including Current Unrestricted and Restricted, Loan, Endowment, Agency and Plant Funds. The Community Colleges have transitioned from a non-integrated, partly manual and partly automated, non-higher education oriented expenditure tracking environment, to a higher education specific, double-entry accounting, automated financial system.
College and System Structure - The Community College System is comprised of twelve separate colleges, each headed by a President and executive staff, and each of which is responsible for its own budget and financial affairs, including the maintenance of separate financial records and reporting. At the same time, the colleges and system office are component units of the Community College System entity, which is budgeted and reported as a single agency at the State level, and is under the direction of a single Board of Trustees for Community-Technical Colleges. All financial activity and records must therefore reflect, by college and System Office, the State Fund designations as well as the Higher Education Fund designations, and must be reportable at both the college and System level.

Automated Financial Systems Environment - In 1995 the Community College System undertook the implementation of a comprehensive enterprise-wide management information system, the SCT Banner product, which includes modules covering student/academic, financial aid, finance and human resource functions. The Finance system currently includes the full General and Operating Ledger, Purchasing, Accounts Payable, Budgeting, and Accounts Receivable (student and non-student), and is fully integrated with the student registration and student financial aid modules. The Fixed Asset module is currently being implemented and tested throughout the System.

Financial Resources for Three Rivers Community College
Available resources for Three Rivers Community college are derived from a number of sources and deposited to the colleges general fund and operating fund accounts. For FY 2001, direct support provided by the State of Connecticut's General Fund represented approximately 77% of the total college funding and covered the cost of all of the full-time positions and 44% of the part-time teaching positions at the institution. As noted in the Fifth-Year Report, the College has improved its management and control of finances since it merged its accounts into a single Operating Fund. This fund includes both unrestricted and restricted activities. Restricted activities include: federal, state and private grants, scholarships and endowments.

Annually, the System Office works with each college to project a revenue goal for the coming year based on past history and projections for forthcoming student enrollments. The College is then expected to generate tuition revenues that meet or exceed this revenue goal number or to absorb any shortfalls from within existing college reserves. Student tuition dollars are used to cover most of the operating and maintenance expenses of the College. Funds from all other sources are used to fund self-supporting programs and activities not otherwise funded by the state budget. Larger schools contribute monies back to the system office to be redistributed to smaller schools in the system or for shared system office expenditures.

Based on an approved biennial budget the state legislature provides a total General Fund budget annually to the Board of Trustees, which in turn provides a General Fund block grant to each of the individual colleges. These block grants are based primarily on authorized positions and other related personnel expenses, but each college has some flexibility in how these funds are actually used including local authority for most hiring decisions. The Board also distributes an operating fund budget authorization to each of the colleges based on established formulas. Formula budgets cover such areas as physical plant, libraries, utilities, and general operating expenses (OE) and consider parameters such as plant size, numbers of staff, numbers of students, program mix and status of co-location. With the availability of more accurate information provided by Banner, funding methodologies are being fine tuned constantly to give each college a more equitable share of the resources distributed by the System Office.
Because of the nature of the State Budgeting Process and the limited flexibility available in the
College budget, the process for developing budgets and allocating resources at Three Rivers is
handled primarily at the President's Cabinet level. Significant budget issues such as staffing
priorities and rescissions are reviewed by the College Governance Council. Yearly budgets are
allocated to divisions based largely on historical spending needs and on available current
services funding. Deans are assigned primary responsibility as fund managers and may delegate
some of this responsibility and authority to some or all of their departments as appropriate.
Deans have authority to shift dollars within their respective divisions and may chose to exchange
resources with another Dean if the need arises. The President may occasionally reprogram
resources between Divisions, but typically, proven historical need takes priority. Fiscal
decisions are made in concert with internal procedures and Board policy. All fiscal policies are
in writing and held in the Dean of Administration's office. Many of the States’ and Board of
Trustees’ procedures, policies and fiscal instructions are available on-line for ready review.

Three Rivers is generally in very good financial shape and able to respond to most any
eventuality. All funds are solvent at or near the balances recommended by the System but are
necessarily being drawn down by current state budget problems. Cost controls are in place.
Continuing Education is funded out of their own program generated dollars. Non-cost effective
programs and sections are identified and corrected or discontinued as quickly as permissible. In
cases of statewide budget reductions/rescissions, or costly lawsuit or administrative compliance
judgments, Colleges in the system are also frequently supported by the distribution of available
system reserves. The State is self-insured, and Three Rivers does insure students for
injury/emergency occurring on campus or at authorized college programs off site.

Financial reports prescribed by State and BOT are available to the public upon request. At
present there is no long-term or short-term indebtedness. For the fiscal year ending June 30,
2002, the requirements prescribed by GASB 35 are being fully implemented. This provides that
financial reports are produced in the same manner as those for private institutions. In addition to
the annual external audit, state auditors review local records for compliance with state
regulations.

As noted in the Fifth-Year Report, the position of Director of Development was established in
1996. In addition to traditional development activities, the Director works closely with the
colleges’ Foundation. Currently the State of Connecticut offers a 50% state match for any
contributions made to the Foundation endowment fund. Charitable gifts are reviewed and
accepted by both the College and the Foundation.

**APPRAISAL**

Three Rivers is strongly committed to funding the best possible mix of student related programs
and services. Since the last accreditation visit the College has institutionalized the tutoring
center that was formerly funded with federal Carl D. Perkins grant money and is currently in the
process of establishing a Writing Center. The College has also survived periodic budget
rescissions with no layoffs and used creative temporary employment arrangements to fill needed
gaps.

Demonstrating that students come first, state of the art technology such as “Smart Boards” has
been added to many classrooms in spite of ongoing budget constraints. This is further evidenced
in Three Rivers’ IPEDS (Integrated Post Secondary Education Data System) report which notes
that in fiscal year 2001, only 18% of expenditures were for Administration and all the 82% balance were for direct services. TRCC also continues to make a strong commitment to maintaining its more expensive Technology programs even to the extent of drawing down college reserves. New co-located facilities will allow these technology programs to be run more efficiently, eliminating the dual campus inefficiencies, which now still exist.

The new position of Director of Development is proving to be a major asset to the college in publicizing College needs, supporting a rapidly growing Three Rivers Foundation and encouraging greatly expanded fund raising activities.

Participation in college resources allocation still remains fairly limited at the Cabinet level. Although each division has input through their respective Dean, few members of the college community really understand the complex budget process used by the State and the System Office. Furthermore, the fact that a very high percentage of overall college expenditures are fixed, and discretionary funding extremely limited is discouraging to most potential budget participants. However, the College is moving toward a fully electronic requisition process using Banner which will hopefully involve all Deans and other potential fund managers more actively in the overall budget and resource distribution process. College Governance members in particular should have a better orientation about budget matters prior to making recommendations.

Custodial and clerical services are stable, although at times significantly understaffed. Rescheduling of classes offered at the Naval Submarine Base previous to the incidents of September 11th is proving to be more costly. Historically, the system office has funded all facility rentals for off-campus arrangements for direct educational activities, but will likely discontinue this practice. This year, the Board of Trustees has implemented the first tuition rate increase since 1999, reflecting this years statewide budget deficits. The previous tuition increase in 1999 was 4%.

**PROJECTION**

**Budget uncertainty:**

Since the 2001 legislative session, Three Rivers Community College general fund budget has been reduced by almost $1,000,000…. roughly 10% of our total state funding. Fortunately, the impact of these reductions has been absorbed somewhat by the one time redistribution of available system-wide resources. Additionally, the College has had a number of employee retirements and resignations that will result in both short and long-range savings. Next year, however, as the full impacts of the reductions are felt by the College, it is clear that some dramatic action will be necessary to accommodate these cuts. Moreover, there is concern that additional reductions will be forthcoming if the overall state budget does not improve.

Fortunately, Three Rivers is in a relatively good position to handle these current and future budget problems. TRCC currently has approximately 20 funded vacant positions that will provide much funding flexibility while the College examines all its possible program and staff reduction options. Other fiscal indicators are also very positive. College enrollments are on the rise providing better than expected tuition and fee revenues; class size and efficiency has been greatly improved in recent semesters; Continuing Education Programs and related revenues are growing steadily; the numbers of personnel retirements in the next few years are expected to grow considerably as more faculty and staff reach retirement age; and most significantly, major
operating cost savings and efficiencies are now foreseeable in the forthcoming campus consolidation expected in the next few years.

Three Rivers has also made numerous improvements in many fiscal areas. Currently the College has a fully integrated accounting system coupled with a single operating fund. This is beginning to allow fund managers and deans to have current information to manage their resources at all times. This year, the management of property is also being integrated into the system. In the future, any member of the college community who manages any type of budget or resources will have on-line access.

Projections for 2003 and beyond include the following major objectives that are specified in the College’s Strategic Plan:

- Manage all existing resources (funding, personnel, and facilities) to ensure best possible allocation of these assets to support college programs and meet the highest priority college needs.
- Actively support and participate in the development of CTC System policies, procedures and control systems for all areas of resource management (Fiscal, HR, and Facilities).
- Expand TRCC resources to the fullest extent possible and, beyond traditional sources of state funding and routine revenues from tuitions and fees.
- Plan and implement a comprehensive program to collocate and enlarge TRCC facilities to meet system standards and provide the long overdue services needed by the citizens of southeastern Connecticut.