Enclosure 2.
January 27, 2016

RHODE ISLAND
BOARD OF EDUCATION

Minutes of the Council on Postsecondary Education Meeting

Thursday, November 12, 2015, 5:30 p.m.
Office of the Postsecondary Commissioner
560 Jefferson Boulevard
Warwick, RI 02886

The Finance/Facilities Committee of the Council on Postsecondary Education met on Thursday, November 12, 2015, at the Office of the Postsecondary Commissioner at 560 Jefferson Boulevard, Warwick, RI. At 5:33 p.m., Chair Michael Bernstein welcomed everyone. He then took roll call.

Present: Michael Bernstein, Dennis Duffy. John J. Smith Jr., and Dr. Jeffery Williams.

Absent:

1. ACCEPTANCE OF THE AGENDA

Chair Bernstein entertained a motion to accept the agenda. On a motion duly made by Mr. Smith and seconded by Mr. Duffy, it was

VOTED: **THAT** The Finance/Facilities Committee of the Council on Postsecondary Education accept the agenda for the meeting of November 12, 2015 as presented.

VOTE: 4 members voted in the affirmative and no members voted in the negative as follows:

YEAS: Michael Bernstein, Dennis Duffy, John J. Smith Jr., and Dr. Jeffery Williams.

NAYS: 0

2. APPROVAL OF THE MINUTES

Minutes of the Facilities Committee of the Council on Postsecondary Education's September 30, 2015 Meeting.

On a motion duly made by Mr. Duffy and seconded by Mr. Smith, it was

VOTED: **THAT** ***The Finance/Facilities Committee of the Council on Postsecondary Education accept the minutes of the Finance/Facilities Committee meeting of September 30, 2015.***

VOTE: 4 members voted in the affirmative and 0 members voted in the negative as follows:

YEAS: Michael Bernstein, Dennis Duffy, John J. Smith Jr., and Dr. Jeffery Williams.

NAYS: 0

3. CHAIR'S REPORT

Chair Michael Bernstein reported that the Presidential Search Committee's work was moving forward and commented on how hard the committee members had been working. The task is a significant one with over 40 applications reviewed, seven preliminary interviews accomplished, and sometimes difficult discussions occurring. He gave Chair Foulkes credit for keeping the committee focused and on track with this important task.

4. ACTION ITEMS.

a) Discussion and recommendation to the Council on Postsecondary Education for the acceptance of the Audited Financial Statements for URI, RIC, and CCRI for the Fiscal Year Ended June 30, 2015.

O'Connor and Drew, P.C., has issued the financial statements for the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island for the fiscal year ended June 30, 2015. Our institutions' audit reports will be included as

component units in the State of Rhode Island's financial statements for the fiscal year ended June 30, 2015.

David DiIulis, Principal with O'Connor and Drew, was presented at the meeting to provide the required communications to the Committee that included a review of the following issues:

- Auditor's Responsibility under Generally Accepted Audited Standards (AAS)
    - Significant Accounting Policies and Transactions
        - Initial Selection of or Changes in Polices (which included GASB Statement 68, Accounting and Financial Reporting for Pensions
        - Significant Transactions which included a restatement of net position as of June 30, 2014 as a result of the adoption of GASB 68
        - Audit Adjustments and Uncorrected Misstatements (if any had existed)
    - Management's judgements and accounting estimates
    - Other Communications
    - Independence
    - Management Advisory Services/Tax Services that have been performed
- Financial Statement Fraud Risks
- New Accounting Standards to be adopted in upcoming periods

Mr. Duffy asked about the potential impact of the adoption of GASB 68 and the resulting restatement of the net position of each of the institutions on bond ratings. Mr. DiIulis could not opine on that issue but did emphasize that this reporting requirement is common to all colleges and universities in this current fiscal year. This adoption requirement did not allow for early adoption so all affected governmental entities are reflecting this new standard in this current year. This event would make the change to the Rhode Island system's financial statements similar to the changes in many others.

Mr. Duffy also asked that we obtain a legal opinion related to the owner of the unfunded pension liability. Although the liability has been distributed to various agencies, there is ultimate responsibility for the entire amount. Dr. LaPanne indicated that she would seek this opinion.

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

VOTED: THAT ***The Committee recommends that the Council on Postsecondary Education accepts the Audited Financial Statements for the University of Rhode Island, Rhode Island college, and the Community College of Rhode Island for the fiscal year ended June 30, 2015.***

VOTE: 4 members voted in the affirmative and 0 members voted in the negative as follows:

YEAS: Michael Bernstein, Dennis Duffy, John J. Smith Jr., and Dr. Jeffery Williams.

NAYS: 0

4b.) Discussion of the Funding Formula Design and progress to date.

Dr. Purcell made a presentation on the Funding Formula and Performance Funding development project by the Office. He reported that he has been meeting with the three institutions about the proposal that is currently under consideration. This proposal was a result of recommendations made by Dennis Jones of the National Center for Higher Education Management Systems.

The presentation explained the five principles to consider in funding formulas and pitfalls and problems to be avoided. In addition, he explained to the committee that the institutions would be involved in the determination of the factors used for the performance funding portion of this new funding system.

Dr. Purcell stated that the next steps in the formula development included:

- Sharing the NCHEMS matrix applied to RI Data with the campuses and to modify as needed
- Seeking peer funding and performance data to determine usefulness
- Working with the campuses on performance metrics

Dr. DeHayes of URI worries about the unintended consequences that such formulas often cause and wanted to be sure that certain programs such as the University's Talen Development program are not defunded as a consequence.

Mr. Duffy indicated that he has no objections to the methodology. Mr. Bernstein urged the continuation of this project in order to be sure that the system takes a thoughtful approach that considers all of the institutional concerns. He indicated that he would rather control this funding system at the system level than have one legislated for the system.

Mr. Duffy requested that the bill text is redistributed to the Committee members.

No action is necessary.

5. ADJOURNMENT

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

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

VOTE: 4 members voted in the affirmative and 0 members voted in the negative as follows:

YEAS: Michael Bernstein, Dennis Duffy, John J. Smith Jr., and Dr. Jeffery Williams.

NAYS: 0

The meeting adjourned at 6:56 p.m.