



## Memorandum

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To: Senator Scott Oelslager, Chairman, Senate Finance Committee  
Representative Ryan Smith, Chairman, House Finance Committee  
Senator Michael Skindell, Ranking Minority Member, Senate Finance Committee  
Representative Jack Cera, Ranking Minority Member, House Finance Committee  
Mr. Tim Keen, Director, Office of Budget & Management  
Mr. Mark Flanders, Director, Legislative Service Commission

From: John Carey  
Chancellor

Date: November 30, 2017

Subject: First Quarter Financial Reports for FY 2018

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Please find enclosed the quarterly financial reports for the first quarter of fiscal year 2018, which were submitted by Ohio's 37 public institutions of higher education. Pursuant to Ohio Revised Code §3345.72, these reports are to be distributed to you.

The report contains twelve questions to be answered by the campus fiscal officer or an appropriate designee. The questions are designed to probe for any serious cash flow problems and to provide early warnings of significant problems with the current year budget. The desirable answer to each question is *No*.

Shawnee State University responded to the following questions in the affirmative:

- Relative to its original budget for the fiscal year, [has your institution] experienced any actual or anticipate any projected financial changes that will result in a substantially reduced fund balance or larger deficit this fiscal year?
- [Do you have knowledge] that an unanticipated decrease in operating cash and investments this fiscal year will negatively impact your institution's annual SB 6 composite score?

Shawnee State is projecting FY2018 tuition revenue will be down by -4.75% compared to the initial FY2018 general fund tuition revenue assumptions. Attached is Shawnee State's action plan to resolve the event and avoid reoccurrence, which includes an immediate 10% university-wide reduction in non-compensation expenditures to offset the revenue shortfall.

Columbus State Community College responded affirmative to the following question:

- [Did or will the institution have] an increase in liabilities that do not occur during normal business operations (including new debt issues)?

Columbus State plans to issue \$23 million in new debt during FY2018. The funding will be used for a new building on campus for their hospitality and tourism center. The project will also be supported by \$10 million from the State and \$10 million raised via a fundraising campaign.

I am pleased to report that there were no additional instances of a campus affirmatively responding to any of the six questions.

Additionally, and as is done each year, our staff will conduct an analysis of the fiscal year 2017 audited financial statements for all public institutions of higher education when these reports are submitted at the end of the 2017 calendar year.

The results of this annual analysis (Financial Ratio Reports) will be shared publicly and are the basis for declaring a public institution of higher education in fiscal watch if the institution's composite score is below a certain threshold for a defined period of time.

Finally, please note that two institutions, Central State University and Owens State Community College, were officially released from fiscal watch on April 5, 2017 due to the satisfactory completion of all necessary components as outlined in Ohio Administrative Code (OAC) §126:3-1-01.

Should you have any questions concerning the content of the enclosed reports, please contact me at 466-6000.

Enclosures

**Date: November 30, 2017**

**RECOMMENDATION**

The Office of the Vice Chancellor of Finance and Data Management has reviewed and analyzed the first quarter fiscal year 2018 Senate Bill 6 quarterly reports. The attached memo is ready for the Chancellor's signature.



11/28/17

**Signature**

**Date**

## CERTIFICATION

*Each institution's fiscal officer, or an appropriate designee, is required to complete and*

I certify that I believe the above information provided in Schedules QF-1 and QF-2 for the

1st X 2nd \_\_\_\_\_ 3rd \_\_\_\_\_ 4th \_\_\_\_\_ quarter, FY 17/18

is correct as of the date indicated below, and that

SHAWNEE STATE UNIVERSITY

[name of college or university]

has a functioning accounting system that captures assets, liabilities, revenues, and expenditures on a timely basis, and that the Board of Trustees is informed at least quarterly of any significant actual or projected variances from annual revenues or expenditures that were approved in the annual budget.

Signed:

Clinda C. Bayles

Title:

Vice President for Finance & Administration

Date:

10-31-17

**Schedule QF -2: Quarterly Report of Financial Actions**

Name of Institution

Shawnee State University

Quarterly Report to the Ohio Department of Higher Education  
Reportable Events and Additional Questions  
as of September 30, 2017

**Reportable Events -- During the time period covered by this report, did your institution:**

	Yes	No
1 Request an advance of state subsidy?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2 Fail to make its required payments, as scheduled, to appropriate retirement systems (e.g. OPERS or STRS-Ohio)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3 Fail to make its required payroll payments, as scheduled?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4 Fail to make its scheduled debt service payments?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5 Fail to make payments to vendors, as scheduled, due to a cash deficiency or a substantial deficiency in the payment processing system?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
6 Relative to its original budget for the fiscal year, experience any actual or anticipate any projected financial changes (such as unbudgeted decreases in revenues or unbudgeted increases in expenditures) that will result in a substantially reduced fund balance or larger deficit this fiscal	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**Additional Questions:**

	Current Year	Prior Year	Prior Year
What was the total student FTE enrollment for Fall semester?	3187	3400	3376

	Current Year	Prior Year	Prior Year
What is the expected total student enrollment for Spring semester as budgeted for the fiscal year?	3010	3016	3059

	Yes	No
Do you have knowledge that any of the following circumstances have or may occur during the fiscal year in a significant way that will negatively impact your institution's annual SB 6 composite score?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
1 An unanticipated decrease in operating cash and investments?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2 An increase in uncollectible accounts receivable?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3 Any unanticipated capital purchases?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4 Any unanticipated losses (e.g. casualty or investment)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5 An increase in liabilities that do not occur during normal business operations (including new debt issues)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
6 Any other facts or circumstances that could negatively impact the SB 6 composite score?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

If the answer is "Yes" to any of the above questions, please describe in a separate document the anticipated impact on your institution's year-end financial position, the reason(s) for the event, the action(s) taken by the institution to resolve the event, and the action(s) taken by the institution to prevent a reoccurrence of the event.

**REPORTABLE EVENTS:**

• ***Reason(s) for the event:***

- The FY2018 billable hours were impacted by multiple factors including a new mandatory summer bridge program that is an initiative designed to improve student success, a stricter payment plan to reduce a pattern of student non-payments, and the impact of multiple years of lower high school graduation rates in the region.
  - The implementation of the mandatory Bridge Program was an intentional decision to improve underprepared students' chances for successful completion and eliminate the costs students' are incurring directly associated with developmental courses that do not count toward a degree. However, the impact to the University of fewer registered hours for developmental courses is a reduction of tuition revenue.
  - In recent years, the University has experienced a pattern of increased numbers of unpaid student accounts. The University has responded to this trend by strengthening the consequences for non-payment to mitigate this pattern and emphasize the importance of financial accountability.

• ***Anticipated impact on year-end financial position:***

- Shawnee State is projecting FY2018 tuition revenue will be down by \$2,213,657 (-4.75%) compared to the initial FY2018 general fund tuition revenue assumptions.

• ***Action(s) taken to resolve the event:***

- The projected tuition revenue shortfall and anticipated increase in the general fund deficit for FY2018 were reviewed in detail with the Board of Trustees at their October 13, 2017 meeting.
- The Board of Trustees will be presented a liquidity plan at its December 2017 meeting to preserve investment gains for cash needs expected to peak in summer of 2018.
- Continue austerity steps during FY2018 that include:
  - an immediate 10% university-wide reduction in non-compensation expenditures which offset the revenue shortfall by \$372,418,
  - continued staffing realignments including freezing or eliminating vacated positions when doing so does not impact critical service levels,
  - implementation of a winter break campus closure to capture immediate energy savings

- A voluntary retirement incentive plan was adopted by the Board of Trustees at its October 2017 meeting to realize compensation savings beginning FY2019.
- ***Action(s) to avoid reoccurrence of the event:***
  - The University is fully committed to continuing the mandatory Bridge Program that offers at-risk students a greater chance of successful completion and reduces costs students incur to become college ready. This Program's first year results provide a baseline upon which future tuition revenue assumptions will be modeled.
  - Steps the University is taking to address student financial accountability and an unacceptable rate of non-payment include:
    - a communication campaign explaining the importance of making payments and consequences for not doing so,
    - continued personal phone calls to students who are delinquent offering advice and options for making such payments,
    - use of social media to encourage students to avoid being dropped from their courses
  - Targeted recruitment and marketing strategies focused upon the University's signature programs.
  - Title III resources are available for enhanced, individualized advising dedicated to improved student retention.
  - To expand the University's reach, we are the first Ohio institution to join the Midwestern Higher Education Consortium (MHEC) enabling students from participating states to receive approved waivers of some or all out-of-state surcharges.
  - The University implemented an Athletic Program Strategic Plan that included an increase in the number of available scholarships. This resulted in an 11% growth in student athletes in AY2017-18 with additional programs beginning fall 2018.
  - Actions related to academic program reviews are being implemented including addressing low-enrollment courses and eliminating underperforming academic programs.
  - Adoption of Shawnee State Advantage, a tuition guarantee program, beginning fall 2018.