



Department of  
Higher Education

Mike DeWine, Governor  
Randy Gardner, Chancellor

To: Senator Matt Dolan, Chairman, Senate Finance Committee  
Representative Scott Oelslager, Co-Chairman, House Finance Committee  
Representative Jamie Callender, Co-Chairman, House Finance Committee  
Senator Vernon Sykes, Ranking Minority Member, Senate Finance Committee  
Representative Jack Cera, Ranking Minority Member, House Finance Committee  
Ms. Kimberly Murnieks, Director, Office of Budget & Management  
Ms. Wendy Zhan, Director, Legislative Service Commission

From: Randy Gardner  
Chancellor

Date: August 18, 2020

Subject: Fourth Quarter Financial Reports for FY20

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Please find enclosed the quarterly financial reports for the fourth quarter of fiscal year 2020, 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*.

Of the 37 public colleges and universities, 22 answered yes to at least one of the twelve questions in their fourth quarter report. Most of the affirmative answers were related to the impact of COVID-19 on their SB 6 Composite Scores. Specifically, most institutions are experiencing an unanticipated decrease in operating cash and investments; and per the sixth question are experiencing other circumstances that could negatively impact their SB 6 score.

One of the factors that has had a particularly negative impact on institution SB 6 scores is student refunds. Institutions provided pro-rated spring semester 2020 refunds to students, and these refunds, which are estimated to be in the range of \$200 million statewide at public colleges and universities, have been particularly significant for university campuses that provide on campus housing and dining services. Also, there is lost revenue resulting from the cancellation of scheduled in-person, on campus events and activities. At the same time, institutions are incurring significant costs associated with the rapid transition to remote instruction of their entire curriculum. Several have also referenced the un-budgeted yet significant cost of cleaning and sanitizing the campus.

On the positive side, after the close of FY 2020, public institutions have been allocated \$145.4 million in Coronavirus Relief Fund (CRF) funding to deal with the costs of COVID-19. Ohio's public institutions also were allocated \$269.1 million in CARES Act funding through the Higher Education

Emergency Relief Fund (HEERF), of which at least 50% was earmarked for emergency grants to students, but up to 50%, or \$134.6 million, could be used for institutional purposes. As one can see in the responses below, some institutions already drew at least a portion of the HEERF allocation in FY 2020, with additional amounts remaining to be drawn in FY 2021.

As in the third quarter reports, many campuses addressed the actions that they are taking to respond to the loss of revenue, such as hiring freezes, furloughs, position eliminations, tightened controls on discretionary spending, and elimination of campus athletic offerings. Several also acknowledged the uncertainty of future enrollments and the reduction in state SSI funding – which, per recent OBM instruction, is now planned to be held at the same level as FY 2020 after the executive order reductions - and their potential impact on FY 2021. It should be noted that Shawnee State has acknowledged that their SB 6 score could fall below 1.75 in FY20. A composite score below 1.75 for two consecutive years results in an institution being placed on fiscal watch.

ODHE is monitoring the financial status of all our colleges and universities very carefully, and we are willing to discuss the information in this report at greater depth if it would be helpful.

Should you have any questions concerning the content of the enclosed reports, you are welcome to contact me on my personal cell phone at 614-448-7462.

Enclosures

## The following yes responses have been received:

### Universities

#### **Bowling Green State University, spring enrollment up 0.1%.**

- ❖ Composite Score # 1 An unanticipated decrease in operating cash and investments?
- ❖ Composite Score # 4 Any unanticipated losses (e.g. casualty or investment)?
- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score?

*As a result of COVID-19, BGSU converted its delivery of instruction to an online format through the remainder of FY20. The economic impact from the effects of the COVID-19 outbreak on BGSU as well as the national, state, and local economies are expected to result in a decrease in operating and non-operating revenues of approximately 5% with a corresponding decrease in projected expenditures of approximately 3% through the end of FY20. BGSU is working diligently on the effective delivery of online instruction and student support until the pandemic reaches a point that we can safely return students to campus. Cost containment measures are being aggressively pursued while making every effort to retain the effective and valuable academic core of BGSU.*

#### **Cleveland State University, spring enrollment down 1%.**

- ❖ Reportable Events # 6 Relative to its original budget for the fiscal year, did your institution 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 year? *Anticipated SSI funding reduction from State, in addition to higher expenses, due to impact from COVID-19 shutdowns. Estimated financial impact = \$7M.*
- ❖ Composite Score # 1 An unanticipated decrease in operating cash and investments? *Higher use of cash due to response to COVID-19 and move to remote teaching and learning (e.g., student refunds, added expenses) Estimated cash impact = \$3M with a potential offset through an Insurance BI claim.*
- ❖ Composite Score # 4 Any unanticipated losses (e.g. casualty or investment)? *Unrealized market loss due to unstable economic environment resulting from the COVID-19 health care crisis Estimated financial impact = \$8M.*

#### **Kent State University, spring enrollment down 2.8%.**

- ❖ Reportable Events # 6 Relative to its original budget for the fiscal year, did your institution 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 year?
- ❖ Composite Score # 1 An unanticipated decrease in operating cash and investments?
- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score?

*Impacts of COVID-19 Pandemic:*

*On March 9, 2020 Governor Mike DeWine declared a state of emergency for Ohio as a result of the COVID-19 outbreak in the state. On March 10, 2020 Kent State University responded by issuing communications to its faculty and students to begin remote instruction through April 13, 2020 and subsequently extended through the remainder of the Spring 2020 semester and the*

*Summer semester. Students moved out of the residence halls and were refunded housing, dining, and parking charges for the remainder of the Spring semester.*

*On March 16, the university began to reduce on-campus operations and asked employees to begin working from home. Many buildings remained closed and on-campus university events have been cancelled through the remainder of FY20. Campus has begun a phased reopening and students are expected to return to campus with a mix of on-campus and remote classes to allow for physical distancing.*

*University leadership took several steps to ensure the financial stability of the university. On April 27, 2020, President Todd Diacon communicated to the university community, the necessary steps the university has taken to ensure the short term and long-term financial health of the institution and laid out a plan to balance the FY2021 budget. The plan includes difficult decisions to freeze hiring, suspend travel, reduce spending, and delay most building projects. Further, non-represented employees wages were reduced on an income-based sliding scale. The university also offered a voluntary separation plan which was accepted by 292 employees. The balanced budget will be approved by the Kent State Board of Trustees at their meeting on September 16, 2020.*

*Finally, the university began shifting a portion of its investment dollars in its intermediate term investment pool to shore up its cash reserves through the remainder of FY2020 and into FY2021 in anticipation of lost revenue due to declining enrollments and reductions in state support.*

*Offsetting some of the losses experienced since the Spring semester, the university drew down approximately \$6.1 million of its \$9.7 million CARES Institutional award in FY2020. The remainder will be drawn in FY2021.*

*The duration and continued impact of the COVID-19 pandemic are unknown. The university's leadership will continue to exercise prudent management to remain in good financial standing while providing a high-quality educational experience.*

#### **Miami University, spring enrollment down 4.1%.**

- ❖ Reportable Events # 6 Relative to its original budget for the fiscal year, did your institution 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 year? *Due to the recent COVID19 virus we made refunds to students for a prorated portion of housing, dining, and fees of approximately \$27 million. In addition, various events were cancelled which caused certain revenue, primarily in auxiliary businesses, to not be generated.*
- ❖ Composite Score # 5 An increase in liabilities that do not occur during normal business operations (including new debt issues)? *We priced new bonds in June, though they did not close until July (FY21). It will be reported as a subsequent event on the FY20 financial statements. Par amount is \$128.47 million.*

#### **Northeast Ohio Medical University, spring enrollment down 1.7%.**

- ❖ Reportable Events # 6 Relative to its original budget for the fiscal year, did your institution 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 year?
- ❖ Composite Score # 1 An unanticipated decrease in operating cash and investments?

- ❖ Composite Score # 4 Any unanticipated losses (e.g. casualty or investment)?  
*COVID-19.*

**The Ohio State University, spring enrollment down 0.4%.**

- ❖ Reportable Events # 6 Relative to its original budget for the fiscal year, did your institution 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 year?
- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score?

*Ohio State continues to operate under a state of emergency. Summer-term classes are being delivered online. Major facilities on campus are closed, and all campus events have been canceled through July 6. The university has established a COVID-19 Transition Task Force to implement a phased approach for a return to on-campus operations for the autumn semester.*

*Controls on Cash Reserves – Every area of the university was instructed to make all attempts to retain as much of its current (FY2020) budget as possible. Any spending (including planned spending) of current cash reserves must be approved by either the provost (for all academic units), the chancellor (for the Wexner Medical Center) or the university's chief financial officer (for all support units excluding the Office of Academic Affairs).*

*Restrictions on Procurement Spending – All university leaders are being asked to control discretionary spending, including procurement activity, in case the COVID-19 effects are with us for an extended period. College/unit senior fiscal officers have been added as “level 2 approvers” for all procurement activity to ensure that proposed purchases are strictly necessary.*

*Hiring Pause – Ohio State has implemented a temporary hiring pause, which applies to most faculty, staff and student positions. Any hiring will be focused on maintaining adequate staffing levels in essential service areas, including law enforcement and public safety, hospitals and health services, child care for children of parents performing essential services to the university and medical center, limited meal preparation and service, facility utilities, residential support and other areas determined to be essential by the university.*

*Budget Contingency Planning – In these troubled times, the university’s core mission is more critical than ever. In order to protect the core mission and maintain fiscal stability, university leadership is engaged in active budgetary contingency planning. The ultimate duration and impact of the COVID-19 pandemic are unknown. As responsible stewards of the resources entrusted to the university, university leadership must plan for multiple contingencies while maintaining and advancing patient care, research and teaching.*

**Ohio University, spring enrollment down 6.1%.**

- ❖ Composite Score # 1 An unanticipated decrease in operating cash and investments?
- ❖ Composite Score # 2 An increase in uncollectible accounts receivable?
- ❖ Composite Score # 4 Any unanticipated losses (e.g. casualty or investment)?  
*Ohio University continues to monitor the impact of COVID-19 on its FY20 revenues and expenses. The institution’s April FY20 forecast incorporated the following (previously unbudgeted) changes to its year-end financials: Spring 2020 refunds associated with room,*

*board, and fee revenues credited to student accounts as OU transitioned from in person to online instruction; Increased expenses associated with one-time costs of responding to COVID-19 and the transition to an (100%) online learning platform for the Spring term; Preliminary estimates of investment declines associated with financial markets, as they react to COVID-19 globally; Losses in state support associated with guidance from ODHE and the Governor's Office to plan for up-to 20% reductions in state support.*

*While we had projected both revenue losses and expense impacts in our financial projections, those preliminary year-end estimates will continue to change while we finalize our financial year-end results.*

**Shawnee State University, FY20 projected composite score 1.3, spring enrollment up 5.4%.**

- ❖ Reportable Events # 6 Relative to its original budget for the fiscal year, did your institution 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 year?
- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score?

*Please see the Shawnee State University report pdf for their full response. This is an excerpt from their Finance and Administration Committee of the Board of Trustees meeting:*

*Senate Bill 6 (SB6) Trends and Implications*

*As illustrated in Appendix A, the financial condition of Shawnee State University warrants serious, close attention from all stakeholders, especially in light of the projected composite SB6 score result of 1.30 for 2020. Per the Ohio Department of Higher Education, "Pursuant to administrative rule (126:3-1-01) established in response to Senate Bill 6 of the 122nd General Assembly, a composite score of or below 1.75 for two consecutive years results in an institution being placed on fiscal watch." It is important to note that:*

- *The university engaged in deficit spending for seven (7) of the ten (10) years for which actual results are presented herein.*
- *This pattern was masked somewhat by the fact that the net income ratio is the lightest weighted in the score at 0.20, so as long as reserves remained fairly high, especially relative to indebtedness, the overall score did not deteriorate rapidly.*
- *With an increase of indebtedness of 45% in 2017 and a concurrent diminution in reserves of over \$2 million, the viability and primary reserve components began a serious decline to the point where all elements of the composite score are subpar.*

*While the events of the last half of fiscal 2020, namely the COVID-19 pandemic, have clearly affected Shawnee in an adverse way, its ability to withstand such shocks was hampered by a weakened state prior to their onset. Nonetheless, immediate, decisive actions are integral to restoring the university's health. They include, but are not limited to:*

- *the imposition of expense controls much tighter than those recently in place*
- *a rightsizing of the university's workforce across all functional areas and employment classifications*
- *a mindset that enrollment and revenue growth and cost constraint are possible*
- *planning and budgeting practices that incorporate sufficient margin to cover capital requirements and unexpected downturns.*

### **The University of Akron, spring enrollment down 6.1%.**

- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score? *As reported in the 3rd quarter report, COVID-19 has impacted The University of Akron in a variety of ways. The refunds given to the students for a portion of housing, dining and certain fees were offset with the institutional portion of the CARES Act monies. The University also experienced a decrease in expenditures due to the lack of physical presence on campus. The University does not expect the SB6 composite score to be negatively impacted by COVID-19 for fiscal year ending June 30, 2020.*

### **The University of Toledo, spring enrollment down 2.1%.**

- ❖ Reportable Events # 6 Relative to its original budget for the fiscal year, did your institution 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 year? *It is anticipated that the effects of COVID-19 will result in a substantially reduced fund balance relative to our original budget.*
- ❖ Composite Score # 1 An unanticipated decrease in operating cash and investments? *Operating cash will decrease due to lower enrollment for the summer and fall, lower SSI contributions, and higher COVID-related costs. This will however be offset by stimulus contributions, but the overall net will be negative. On the investment front, the UT investment portfolio took a big hit in March, but has partially rebounded. It is anticipated that the UT investment portfolio will improve slowly over the remainder of calendar 2020 as the economy gets moving again.*
- ❖ Composite Score # 2 An increase in uncollectible accounts receivable? *This is anticipated as more people may be unemployed and cannot pay their bill.*
- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score? *There are so many unknowns right now, so the true impact is unknown. But it is fair to say that most likely our score, along with most other schools, will be negatively impacted.*

### **Wright State University, spring enrollment down 9%.**

- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score? *The University continues to monitor the financial effects of COVID 19. While no other facts or circumstances are currently known, the operating environment continues to evolve rapidly and could result in the University experiencing costs it had not budgeted.*

## **Community Colleges**

### **Belmont College, spring enrollment up 1.2%.**

- ❖ Composite Score # 1 An unanticipated decrease in operating cash and investments?
- ❖ Composite Score # 2 An increase in uncollectible accounts receivable?
- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score?  
*The College anticipates an impact on our financial position due to the COVID-19 pandemic.*

### **Clark State Community College, spring enrollment down 0.2%.**

- ❖ Composite Score # 1 An unanticipated decrease in operating cash and investments?
- ❖ Composite Score # 4 Any unanticipated losses (e.g. casualty or investment)?

- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score? *Due to COVID19 we expect the following: A decrease in cash due to a cut in Subsidy, a slight decrease in investments, although not significant, a decrease in other revenues (workforce, auxiliary, Performing Arts).*

**Cuyahoga Community College, spring enrollment down 5.8%.**

- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score? *The College's State Share of Instruction payments were decreased \$2.7 million as part of the State's fiscal year 2020 budget cuts. This decreased the College's revenue, therefore negatively impacting the net income ratio.*

*The College has proactively addressed these challenges, creating several taskforce groups to monitor the situation. These groups meet regularly to advise the College on the best methods of moving forward in this ever changing and challenging environment. The financial impact of COVID-19 is expected to carry into fiscal year 2021, and as a result Cuyahoga Community College made decreases to its budget before the Board of Trustees approved in June. These decreases include budgeted salaries, fringe benefits, rent and maintenance, and other expenses, accomplished by budget reductions, lay-offs and voluntary employment separation agreements.*

*In addition to budget reductions, the College continues to pursue additional funding to supplement the lost revenue and additional expenses as a result of COVID-19. This includes USDOE's CARES Act funding, FEMA, and other sources of funding as we become aware.*

**Edison State Community College, spring enrollment up 2.4%.**

- ❖ Composite Score # 1 An unanticipated decrease in operating cash and investments?
- ❖ Composite Score # 4 Any unanticipated losses (e.g. casualty or investment)?
- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score? *COVID 19. A decrease in cash due to remaining SSI being potentially reduced, tuition loss, and additional expenses due to moving to a 100% distance learning platform for spring and summer. A decrease in our remaining SSI, tuition loss, and additional expenses due to moving to a 100% distance learning platform for spring and summer.*

**North Central State College, spring enrollment down 0.6%.**

- ❖ Composite Score # 2 An increase in uncollectible accounts receivable? *North Central State College anticipates an increase in uncollectible accounts receivable for FY2020 based on the fact that we did not forward any outstanding debt to the Attorney General's office for collection purposes from Mar 25, 200 to June 30,2020. This decision was made in light of the impact of COVID-19 on students ability to work during the beginning of this pandemic.*

**Northwest State Community College, spring enrollment down 7.6%.**

- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score? *As with all colleges in the State of Ohio, we were impacted by our reduction in SSI. We also had additional expenses related to cleaning, wages, and converting classes and labs to remote learning.*



**Owens Community College, spring enrollment down 4.7%.**

- ❖ Composite Score # 1 An unanticipated decrease in operating cash and investments? *The College had several securities called. The rates of those securities were between 1.84% and 2.04%. The College also experienced a decrease in cash expected due to the COVID cuts to SSI.*
- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score? *The COVID-19 pandemic has caused the College to experience decreased revenues and increased expenses.*

**Rhodes State College, spring enrollment up 5.1%.**

- ❖ Composite Score # 1 An unanticipated decrease in operating cash and investments? *Loss of State Subsidy due to COVID 19 Pandemic.*

**Rio Grande Community College, spring enrollment down 8%.**

- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score? *RGCC experienced decrease in SSI funding due to state reductions applied during the pandemic, but this reduction did not have a significant impact on budgeted fund balance or deficit, as expenses decreased and enrollment was slightly higher than budgeted. Like every other entity in the world right now, the pandemic has us all in a state of uncertainty regarding how enrollment will be impacted, how our state budget might be adjusted, what additional expenses will be incurred and what federal dollars may be available to lessen the impact. Currently the budgetary impact is not significant, and fall enrollment for the upcoming semester is actually above last year's enrollment and above this year's budgeted amount.*

**Washington State Community College, spring enrollment up 1.1%.**

- ❖ Reportable Events # 6 Relative to its original budget for the fiscal year, did your institution 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 year?
- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score?  
*We acknowledge the Coronavirus Pandemic will impact our financial position. The College is well positioned with sufficient reserves to assist us during these challenging times. During the fourth quarter, we received \$216,716 less revenue in State Share of Instruction. Overall, the college is in good shape financially.*

**Zane State College, spring enrollment up 4.5%.**

- ❖ Composite Score # 1 An unanticipated decrease in operating cash and investments?
- ❖ Composite Score # 4 Any unanticipated losses (e.g. casualty or investment)?
- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score? *Our statement for Q3 was as follows: The new operating restrictions as a result of COVID-19 will certainly have an impact on the financial future at Zane State College. The forecast reflects, to the best of our ability, the known financial impact on FY20. However, our summer enrollment is flat to last year. Our forecast reflects an anticipated SSI reduction in May and June. We have incurred extra expenses as a result of COVID-19 in converting our courses to online, shifting our operation to working at home, and other unexpected expenditures aimed at protecting our faculty, staff, and students. However, we believe we've identified other*

*expenses in our budget that we will not incur so the impact on total expected expenditures will be minimal.*

*Moving into FY21, the college anticipates a more dramatic financial impact due to COVID-19, but it appears the impact on FY20 will drop our overall score from a 2.9 which we expected at the end of Q2 to a 2.3 reflected in this forecast.*

*Much of this statement still applies to our FY21 results. Summer enrollment came in slightly higher than anticipated. The SSI reduction was as anticipated. We had no significant increase in COVID related expenses from what we anticipated on the Q3 report. Therefore, we still expect our composite score to be 2.3.*