



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: November 10, 2020

Subject: First Quarter Financial Reports for FY21

Please find enclosed the quarterly financial reports for the first quarter of fiscal year 2021, 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, 14 answered yes to at least one of the twelve questions in their first quarter report. Most of the affirmative answers were related to the impact of COVID-19 on their SB 6 Composite Scores. Several 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 \$220.9 million in Coronavirus Relief Fund (CRF) funding to deal with the costs of COVID-19, and an additional \$5 million in CRF to spend on mental health services for students. 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 in the third quarter and fourth 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 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.

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

Kent State University, fall enrollment down 3.1%.

- ❖ 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.

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 by reducing it by 10% or \$65 million. The plan includes difficult decisions to freeze hiring, suspend travel, reduce spending, and delay most building projects. Further, non-represented employee wages were reduced on an income-based sliding scale. The university also offered a voluntary separation plan and enacted lay-offs and job abolishments.

Finally, the university began shifting a portion of its investment dollars in its intermediate term investment pool to shore up its cash reserves through 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 of the funding was drawn in FY2021. In addition, the University received \$14.7 million from CARES CRF funding from the State of Ohio early in the fiscal year to cover costs related to the pandemic. An additional \$7.3 million has just been allocated from the CRF funds. The CRF funds currently need to be used prior to December 30, 2020.

The duration and continued impact of the COVID-19 pandemic are unknown. It is expected that costs such as testing, contact tracing and enhanced cleaning, will continue into the Spring semester. The University will also continue with limited in-person classes in an effort to maintain physical distancing. Impacts to housing, dining and parking are expected to continue into the Spring semester due to the number of remote classes. 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, fall enrollment down 4.9%.

- ❖ 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? *The original FY21 budget passed by the Board of Trustees in June was adjusted by the Board in September. The primary adjustment was to reduce*

the budget for housing and dining revenue due to the COVID-19 delay in students moving into residence halls and a portion of students electing to have only remote learning or to defer.

- ❖ Composite Score # 5 An increase in liabilities that do not occur during normal business operations (including new debt issues)? *We closed on a bond issue of \$128.47 million par value. Some of the issue was for refunding old bonds. New debt was \$103.38 million par value of the issue.*

Northeast Ohio Medical University, fall enrollment up 1.8%.

- ❖ Composite Score # 1 An unanticipated decrease in operating cash and investments?
- ❖ Composite Score # 4 Any unanticipated losses (e.g. casualty or investment)?
- ❖ Composite Score # 5 An increase in liabilities that do not occur during normal business operations (including new debt issues)?
COVID-19: however, most of the outcomes were anticipated and adjusted for during the 20-21 budget process. We are issuing new debt not to exceed \$14.5 million for construction projects on campus.

Ohio State University, fall enrollment down 0.5%.

No yes responses; however, OSU submitted a narrative.

Ohio State continues to operate under a State of Emergency. The university has resumed in-person classes for the Autumn semester, with a mix of on-line, in-person and blended courses to reduce the number of students, faculty and staff that will be on campus at any one time.

In response to the outbreak of COVID-19, university leadership instituted a hiring pause on April 1, 2020. The university also temporarily paused the annual merit compensation increase process and instituted pauses in off-cycle salary increases. Restrictions on university travel this spring and a review of all nonessential spending such as supplies, equipment purchases, conferences and membership expenses led to additional savings.

The COVID-19 pandemic continues to present significant budgetary challenges for Ohio State. No source of revenue is unaffected. Some of the impacts include:

- *A reduction in state operating subsidy of 4.38%, or \$18 million, from original Fiscal Year 2021 state funding levels*
- *Anticipated tuition loss of \$54.9 million due to many students moving to an entirely virtual schedule and others deciding not to return to the university this fiscal year*
- *Reduced athletic revenues by \$130.3 million due to the cancellation of event rentals, a postponed fall season, and related ticket, media, conference and game guarantee revenues*
- *Student Life housing and dining revenues down \$3 million from Fiscal Year 2020 due to lower student occupancy on campus, which equates to a \$38.3 million reduction compared to a normalized fiscal year*

To address these impacts, the university is implementing \$252.2 million in targeted savings across all colleges, support units and the Wexner Medical Center. Of those targeted savings, \$175 million will come from university operations and \$77.2 million from the Wexner Medical Center. In addition, all capital projects have been assessed to determine how existing projects can defer millions of dollars in spending to ensure adequate financial flexibility until the total impact of the pandemic on revenue sources becomes clear.

Ohio University, fall enrollment down 8.9%.

- ❖ 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 is monitoring the impact of COVID-19 on its FY21 revenues and expenses.

The University of Akron, fall enrollment down 7.5%.

- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score? *The effects of the COVID-19 pandemic during fiscal year ending June 30, 2021 are still unpredictable. In anticipation of revenue challenges, during FY21, the University eliminated 178 filled positions and a number of unfilled; increased employee health insurance costs for many employees, eliminated the retiree dependent healthcare benefit for many current- and former-employees, and temporarily reduced compensation for the fiscal year ending June 30, 2021 for many employees. The remaining \$1.0 million of CARES Act funds may be utilized in fiscal year ending June 30, 2021. In August 2020 The University received an additional award of \$9.5 million in CARES Act funds through the Ohio Department of Higher Education. The University is also gathering information for any loss of income covered by insurance or expenses reimbursable by FEMA. The University will continue to monitor the situation and any potential impact to the SB6 composite score.*

The University of Toledo, fall enrollment down 7.1%.

- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score? *It is likely that the ongoing effects of COVID-19 will continue to negatively impact enrollment and possibly state support.*

Community Colleges

Belmont College, fall enrollment down 4.2%.

- ❖ 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, fall enrollment down 4.8%.

- ❖ 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 continue to expect the following but have planned adequately for these decreases in our budget: A decrease in cash due to a cut in Subsidy and investment losses (budgeted appropriately but will reduce revenue for total year and may affect ratios); A slight decrease in budgeted investments, although not significant as we had already*

budgeted for a significant decline; A decrease in other revenues (workforce, auxiliary, Performing Arts, SSI).

Columbus State Community College, fall enrollment up 0.9%.

- ❖ Composite Score # 5 An increase in liabilities that do not occur during normal business operations (including new debt issues)? *On September 10, 2020, \$30,000,000 Facilities Construction and Improvement Bonds, Series 2020A (Tax-Exempt) and \$120,000,000 Facilities Construction and Improvement Bonds, Series 2020B (Federally Taxable) were priced in the market with a closing taking place on October 8, 2020. The Series 2020A Serial Bonds are due December 1, 2036 through December 1, 2040, inclusive, and the Series 2020B Serial Bonds are due December 1, 2021 through December 1, 2035, inclusive. The bonds are voted general obligation debt of the College.*

Cuyahoga Community College, fall enrollment down 18.9%.

- ❖ 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 4.38%, or \$774,315, to date for Q1 as part of the State's fiscal year 2021 budget reductions related to the COVID-19 pandemic. Since this decreased the College's revenue, the College's net income ratio was negatively impacted.*

Additionally, the College experienced an 18.9% decrease in enrollment in Fall 2020 compared to Fall 2019. Prior to the COVID-19 pandemic, the decrease was budgeted not to exceed 6%.

The College has proactively addressed these challenges by creating several taskforce groups to monitor the situation and take necessary action. These groups meet regularly to advise the College on the best methods of moving forward in this ever changing and challenging environment. In anticipation of the financial impact of COVID-19 being expected to carry into fiscal year 2021, the College made decreases to its budget before the Board of Trustees approved in June. These decreases include reductions in budgeted salaries, fringe benefits, rent and maintenance expenses, and other expenses, which were accomplished by across the board budget decreases, employee 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, Coronavirus Relief Fund (CRF), and other sources of funding as it becomes available.

Edison State Community College, fall enrollment up 12.1%.

- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score? *Spring enrollment could be less than expected if we see an increase in COVID 19 cases. Actions to resolve: investing time and resources to enhance distance learning platform. Using CARES funding to help students with their additional costs and to encourage them to*

remain in classes. Actions to prevent: designing spring semester classes so that they can easily transition to the online platform if needed and holding as many online classes as possible.

Marion Technical College, fall enrollment down 14.9%.

- ❖ Composite Score # 1 An unanticipated decrease in operating cash and investments? *Marion Technical College anticipates that their cash position at year end will be affected by a decrease in the state subsidy amount because of state budget adjustments that are the result of the Covid 19 Pandemic. The College is not expecting any investment losses as all investments are held at StarOhio and StarPlus. Marion Technical College has taken steps to curb spending for FY21 and is considering several scenarios as further state budget information becomes available.*
- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score? *Further unknown financial ramifications from Covid 19 could impact Marion Technical College negatively. Marion Technical College has budgeted for FY21 conservatively, in order to be prepared for any unknown negative consequences of the Covid 19 Pandemic.*

Owens Community College, fall enrollment down 18.7%.

- ❖ Composite Score # 6 Any other facts or circumstances that could negatively impact the SB 6 composite score? *The COVID-19 pandemic continues to cause the College to experience decreased revenues and increased expenses.*

Washington State Community College, fall enrollment down 5.3%.

- ❖ 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.