



Department of
Higher Education

Mike DeWine, Governor
Randy Gardner, Chancellor

To: Senator Matt Dolan, Chairman, Senate Finance Committee
Representative Scott Oelslager, Chairman, House Finance Committee
Senator Vernon Sykes, Ranking Minority Member, Senate Finance Committee
Representative Erica Crawley, 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: February 25, 2021

Subject: Second Quarter Financial Reports for FY21

Please find enclosed the quarterly financial reports for the second 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, nine 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. In addition, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), signed into law December 27, 2020, contains additional aid to institutions. This funding, commonly known as HEERF II, allows for up to \$349.3 million for Ohio public universities and community colleges.

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 almost 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

Miami University, spring enrollment down 4.5%.

- ❖ 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, spring enrollment up 3.4%.

- ❖ 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, spring enrollment unchanged.

No yes responses; however, OSU submitted a narrative response. *Ohio State continues to operate under a State of Emergency. For Spring semester, the university is continuing to provide 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, spring enrollment down 10.4%.

- ❖ 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, spring enrollment down 7.7%.

- ❖ 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 does not expect the SB6 composite score to be negatively impacted by COVID-19 for fiscal year ending June 30, 2021 and will continue to monitor the situation and any potential effect to the SB6 composite score.*

The University of Toledo, spring enrollment down 6.9%.

- ❖ 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, spring enrollment down 12.3%.

- ❖ 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.

Columbus State Community College, spring enrollment up 0.5%.

- ❖ Composite Score # 5 An increase in liabilities that do not occur during normal business operations (including new debt issues)? *On July 17, 2020, the Board of Trustees approved a Bond Resolution authorizing the issuance of bonds in an amount not to exceed \$300 million. 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 closing taking place on October 8, 2020. The Series 2020A Bonds are subject to redemption at the option of the College on any date on or after June 1, 2030. The Series 2020B Bonds maturing after December 1, 2029 are subject to redemption at the option of the College on any date on or after December 1, 2029. Interest on the Bonds will be paid each June 1 and December 1, beginning June 1, 2021. The Bonds are voted general obligation debt of Columbus State Community College and the full faith, credit and revenue of the College are irrevocably pledged for the prompt payment of the principal of and interest on the Bonds.

Edison State Community College, spring enrollment down 1.9%.

- ❖ 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.*

Owens Community College, spring enrollment down 21.6%.

- ❖ 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, spring enrollment down 2.5%.

- ❖ 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.