



To: Senator Matt Dolan, Chairman, Senate Finance Committee
Representative Jay Edwards, Chairman, House Finance Committee
Senator Vernon Sykes, Ranking Minority Member, Senate Finance Committee
Representative Bride Rose Sweeney, Ranking Member, House Finance Committee
Ms. Kimberly Murnieks, Director, Office of Budget & Management
Ms. Wendy Zhan, Director, Legislative Service Commission

From: Mike Duffey
Chancellor

Date: September 3, 2024

Subject: Fourth Quarter Financial Reports for FY24

Please find enclosed the quarterly financial reports for the fourth quarter of fiscal year 2024, 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 thirteen 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 provide early indication of significant problems with the current year budget. The desirable answer to each question is *No*.

Of the 37 public colleges and universities, Eastern Gateway Community College (EGCC), Lakeland Community College and Terra State Community College each answered yes to at least one of the thirteen questions in their quarterly report. EGCC acknowledged that they are under HCM2 with the United States Department of Education (USDE), have received advances of state subsidy and have been late in paying vendors. Terra State indicated an unanticipated decrease in cash & investments that will negatively impact their SB6 composite score. Lakeland acknowledged that they are experiencing declining fund balances and increases in liabilities resulting from a Voluntary Separation Program which will negatively impact their SB6 Composite Score.

Senior management at ODHE is in regular contact with the Conservator/Governance Authority appointed for EGCC. We are willing to provide briefings to keep you well informed of all developments with respect to Eastern Gateway's closure. If that is of interest to you, please let me know.

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 in 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 personally.

Enclosures

The following yes responses have been received:

Eastern Gateway Community College

- ❖ Reportable Events #1 Request an advance of state subsidy?
- ❖ Reportable Events #5 Fail to make payments to vendors, as scheduled, due to a cash deficiency or a substantial deficiency in the payment processing system?
- ❖ Reportable Events #7 Receive notification from the federal government or regional accrediting organization that the institution is subject to heightened reporting standards or special monitoring status?

Effective August 1, 2024, Fred Ransier was appointed Conservator of EGCC by Ohio Governor Mike DeWine to oversee the dissolution and closure process, as previously approved by the Eastern Gateway Board of Trustees. Given the Eastern Gateway Board of Trustees' prior decision to dissolve following their final semester, the appointment of a Conservator will allow for an orderly dissolution and closure of the college

Lakeland Community College

- ❖ Reportable Events #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 year?
- ❖ Additional Questions #1 An unanticipated decrease in operating cash and investments?
- ❖ Additional Questions #5 An increase in liabilities that do not occur during normal business operations (including new debt issues)
- ❖ Additional Question #6 Any other facts or circumstances that could negatively impact the SB 6 composite score?

Due to a loss of \$6.5 million in Federal Stimulus revenue compared to FY 23. The College has reduced operating expenses to offset some of the revenue loss and will continue to reduce expenses into FY25.

The College offered a Voluntary Separation Program (VSP) / severance package as part of our cost containment measures. The full cost of the VSP (\$1.4 million) has been accrued in FY24. The \$1.4 million expense related to the VSP was unbudgeted. The VSP and other position eliminations took place mid-year, with additional position eliminations occurring during the fourth quarter. The full impact of the projected annual savings will not be realized in FY24, but will be realized for FY25 forward. The College will continue to reduce operating expenses into FY25.

Terra State Community College

- ❖ Additional Questions #1 An unanticipated decrease in operating cash and investments?
- ❖ Additional Question #6 Any other facts or circumstances that could negatively impact the SB 6 composite score?

Our current allocation of SSI primarily covers payroll each month, leaving limited flexibility for other financial needs. Additionally, we are struggling to increase enrollment levels, and our reserves remain low, impacting our ability to build contingencies for unanticipated expenses or downturns. We will

also be challenged by the upcoming enrollment cliff without the creation of new funding streams and programs that align with workforce needs.

Workforce compensation presents a significant concern, as salary increases for non-union staff have become less frequent. This situation poses a potential risk, as competitive market conditions make it challenging to retain key personnel. This key man risk, combined with our difficulties in increasing enrollment levels and the impending enrollment cliff, highlights the need for new funding streams and programs that are aligned with workforce needs to ensure financial stability and operational effectiveness.