



Department of  
Higher Education

John R. Kasich, Governor  
John Carey, Chancellor

## 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 Denise Driehaus, 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: December 27, 2016

Subject: First Quarter Financial Reports for FY 2017

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Please find the enclosed quarterly financial reports for the first quarter of fiscal year 2017, 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 first part is a form containing six 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*.

One institution, Wright State University, responded to question #6 in the affirmative. The question asks:

*(6) [Did the institution] 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 year-end fund balance or larger deficit this fiscal year?*

Wright State University anticipates that it will experience a substantial decrease in net position for fiscal year 2017 relative to their original budget for the fiscal year. The original budget, as approved by the Board of Trustees in June 2016, included a one-time utilization of reserve funds in the amount of \$15.6 million. Initial projections based on information available through September 30, 2016, however, indicate the actual one-time utilization of reserve funds will approach \$40 million, rather than the \$15.6 million originally planned for the fiscal year.

The additional use of reserves is primarily the result of increased expenditures resulting from the fiscal year 2017 implementation of a Voluntary Retirement Incentive Program (VRIP). Several other factors are also contributing to the variance, including actual fall enrollment below budgeted levels and delays in the implementation of the institution's financial remediation plan.

Wright State has developed a financial remediation plan to recalibrate the base budget across the University, aligning base budgeted expenses with base budgeted revenues by the end of fiscal year 2018. The plan calls for two-thirds of the reduction to be met by June 30, 2017 with the remainder by June 30, 2018.

The Department of Higher Education has engaged the institution and has offered to provide whatever technical assistance is necessary as they work to reduce expenditures and recalibrate the base budget across the University.

Attached is a copy of Wright State University's corrective plan of action.

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. Two institutions, Central State University and Owens State Community College, have been placed on fiscal watch due to having composite scores below 1.75 for state fiscal years 2013 and 2014. Both institutions have adopted financial recovery plans to emerge from fiscal watch within three years, as required by Ohio Administrative Code. As these institutions continue to implement the financial recovery strategies contained within their plans, the Department of Higher Education will monitor their progress and provide guidance and assistance as needed to encourage a full recovery at each institution.

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

Enclosures



# WRIGHT STATE UNIVERSITY

Office of the Vice President for  
Business and Finance and  
Chief Financial Officer  
332 University Hall  
3640 Colonel Glenn Hwy.  
Dayton, OH 45435-0001  
(937) 775-2002  
FAX (937) 775-3912

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

Name of Institution  
Quarterly Report to the Ohio Department of Higher Education  
Reportable Events and Additional Questions  
as of September 30, 2016

Wright State University

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 year?	<input checked="" type="checkbox"/>	<input type="checkbox"/>

### Additional Questions:

	Current Year (FY17)	Prior Year (FY16)	Prior Year (FY15)
What was the total student FTE enrollment for Fall semester?	13,685	14,011	13,750
What is the expected total student enrollment for Spring semester as budgeted for the fiscal year?	12,231	12,690	12,731

	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 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.

## CERTIFICATION

*Each institution's fiscal officer, or an appropriate designee, is required to complete and sign the following certification form.*

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 2017 \_\_\_\_\_

is correct as of the date indicated below, and that

Wright 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:

P. Jeffrey Ullman

Title:

Vice President for Business and Finance and  
Chief Financial Officer

Date:

10/31/2016

Wright State University  
Schedule QF-2 Quarterly Report of Financial Actions  
Fiscal Year 2017, 1<sup>st</sup> quarter  
Attachment

As of 09/30/2016, Wright State University anticipates it will realize a substantial decrease in net position for the year ending 06/30/2017 relative to its original budget for the fiscal year. The original budget - as presented and approved by the Board of Trustees in June 2016 - calls for a planned use of reserves of \$15.6 million. The budget also calls for a \$12.1 million reduction in spending during the year. This is part of the University's financial remediation plan which has recalibrated the base budget across the University, aligning base budgeted expenses with base budgeted revenues by the end of fiscal 2018. The plan calls for two-thirds of the reduction to be met by June 30, 2017 with the remainder by June 30, 2018.

The University's remediation plan was communicated with the campus community during the final months of the fiscal year ended June 30, 2016, and has been implemented during the first quarter of this fiscal year. Initial implementation has also included a Voluntary Retirement Incentive Program (VRIP) for retirement eligible employees. Eligible employees were able to elect to participate in the program through August 15, 2016. Those who elected the VRIP had/will have the following retirement dates:

- September 30, 2016 for staff employees
- December 31, 2016 for faculty employees
- Extensions of these retirement dates were granted in certain situations

The remediation plan provides each college and administrative unit of the University with a reduced budget target for fiscal year 2017. These reduced budgets were used in the original budget submission calling for the use of \$15.6 million in reserves. The units have been assigned the task of reducing their prior-year budgets to reach their fiscal year 2017 targets. The specific actions and budget reductions have been centrally shared with and approved by the President, Provost and Vice President of Business and Finance/ CFO. Furthermore monthly meetings are being conducted with the Finance Committee of the Board of Trustees during which variances between actual-to-date and budget-to-date results are reviewed and discussed.

Initial projections based on information available through September 30, 2016, indicate the actual use of reserves during fiscal year will exceed the \$15.6 million originally planned by an additional \$23 million. The additional use of reserves is related to:

- Delays in the implementation of the remediation plan
- Actual fall enrollment below budgeted levels, predominantly international students
- Increased expenses incurred as a result of the VRIP
- Reduced net revenues as a result of the cancellation of the presidential debate
- Completion of capital projects which will be funded by deferred gifts.

The additional use of reserves could be mitigated by additional SSI which will be determined with the final SSI calculation in November. In addition, the University will continue to pursue cost efficiencies and alternative revenue sources, particularly those highlighted by the Affordability and Efficiency Review Report. University leadership is confident the financial

remediation plan will bring the base budget back into balance and place the University in a position of restoring growth in the university's net position.