



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: Tuesday, February 13, 2024

Subject: First Quarter Financial Reports for FY24

Please find enclosed the quarterly financial reports for the first 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 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, Eastern Gateway Community College answered yes to two of the twelve questions in their quarterly report. Additional information is provided on the attached.

Please note, senior management at ODHE and EGCC have weekly update calls to keep each other apprised of the current status of EGCC with respect to both the Higher Learning Commission and the U.S. Department of Education, and of new developments. In addition, ODHE has established a bi-weekly cadence of meetings with members of the General Assembly and their respective staff to ensure open lines of communication. 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 personally.

Enclosures

The following yes responses have been received:

Eastern Gateway Community College (EGCC)

- ❖ 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?

From the Department of Education Program Review and the US Justice Department Civil Investigative Demand, EGCC has been placed on HCM2 by the DOE. Their review found a lack of controls in Financial Aid and decisions that were made by two individuals that were contrary to DOE policies. These decisions have resulted in many ineligible PELL students for which EGCC had drawn down PELL in the Free College Program. So, we are making HCM2 submissions that are not passing the DOE's 10% error limit. We are getting around 65% to 70% of our submissions in cash. This has caused a major cash crunch. We are making progress in finding and correcting these issues in our Student Information System.

ODHE notes: Eastern Gateway Community College went before the Ohio Controlling Board on 8/7/2023 to request an advance of \$3,590,374 State Share of Instruction (SSI). Per Controlling Board # JTC0105007:

In August 2022, United State Department of Education (USDOE) placed EGCC on "Heightened Cash Monitoring 2" status (HCM2), which requires the USDOE to complete a review of student files prior to its release of federal financial aid. To date, USDOE has reimbursed EGCC \$8.5 million of the \$25 million in federal student aid that EGCC advanced to its 24,500 students, including 5,225 Ohio students. Given these circumstances, EGCC respectfully requests a two month advance in SSI to ensure adequate cash flow to sustain operations while EGCC works through the issues identified by USDOE in an effort to access outstanding student financial aid amounts. EGCC believes this request reflects unique and exceptional circumstances.

The request was approved, and the funding was advanced along with their August SSI payment.

Senior staff at ODHE have weekly update calls with EGCC to keep each other apprised of the current status and new developments. In these calls, EGCC updates the state on their cash flow status and ongoing cost reduction actions in response to declining enrollments. During the second quarter of FY 24 EGCC engaged additional expertise to assist with the financial aid reimbursement submissions to USDOE. Early in the third quarter of FY24, EGCC is implementing the second significant reduction in force this fiscal year in response to declining revenue. EGCC is also engaging in a thorough and exhaustive review of expenses with the goal of eliminating all non-essential expenses. However, even with these efforts cash flow will be a major challenge and sustained cash flow positive status will ultimately be unsustainable if EGCC cannot successfully draw down federal financial aid for eligible students attending this academic year.