Ohio | 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
Ms. Kimberly Murnieks, Director, Office of Budget & Management
Ms. Wendy Zhan, Director, Legislative Service Commission

From: Randy Gardner
Chancellor

Date: August 17, 2021

Subject: Fourth Quarter Financial Reports for FY21

Please find enclosed the quarterly financial reports for the fourth 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, five answered yes to at least one of the twelve questions in their quarterly report. This is a sharp decline, and a positive change, from the 14 institutions that had at least one yes answer in the reports for the first quarter of FY 2021. Furthermore, three of the five yes answers were for debt issuances. This was the case for Miami University, NEOMED, and Columbus State Community College.

There were only two institutions, University of Akron and Belmont College, that answered yes to the question: "Are there any other facts or circumstances that could negatively impact the SB 6 composite score?" This is a marked improvement from the ten (10) institutions that answered yes to that question in their first quarter reports. The University of Akron response included a detailed statement of the many cost saving measures taken in FY 2021, including eliminating 178 filled positions and temporarily reducing compensation for many employees in FY 2021. Belmont College not only answered that it anticipates an impact on its finances from COVID-19, but also responded that it faced an unanticipated decrease in cash and investments and an increase in uncollectible accounts receivable.

The fourth quarter financial reports continue the trend of steadily improving conditions, as shown by decreasing "yes" responses to questions, throughout FY 2021. Institutions took decisive steps to control costs in response to the financial challenges presented by COVID-19, and were also aided by several rounds of federal aid, including:

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(i) Two tranches of Coronavirus Relief Fund (CRF) distributions;
(ii) Mental health funds that were a combination of CRF and Governor's Emergency Education Relief (GEER) funds;
(iii) Three rounds of Higher Education Emergency Relief Fund (HEERF) grants, in the CARES Act, CRRSAA, and the American Rescue Plan (ARP) Act.

However, despite generally improving financial conditions at most colleges and universities in the fourth quarter, uncertainty remains on the horizon as the COVID-19 delta variant continues to threaten a full return to campus operations. Suppressed tuition revenue resulting from COVID-related enrollment declines will likely persist into the upcoming academic year and continue to challenge overall campus finances. As such, colleges and universities will need to maintain conservative budgeting practices and continue limiting expenses to navigate the unpredictability of the upcoming academic year.

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:

<u>Universities</u>

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%.

- Composite Score # 5 An increase in liabilities that do not occur during normal business operations (including new debt issues)?
  We issued new debt of $13.7 million for construction projects on campus.

Ohio State University, spring enrollment down 0.4%.

- No yes responses, however, OSU submitted a narrative response.
  On July 1, the university lifted the State of Emergency that had been in place since March 2020. 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 and a review of all non-essential spending such as supplies, equipment purchases, conferences and membership expenses led to additional savings.
  During FY2021, the COVID-19 pandemic continued to present significant budgetary challenges for Ohio State. No source of revenue was 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 implemented $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 8%.

- No yes responses, however, OU submitted a narrative response.
  While Ohio University is no longer forecasting that the FY21 year-end results will have a negative impact on the institution's annual SB 6 composite score, we continue to monitor the impact of COVID-19 on university's operations and multi-year financial health.

The University of Akron, spring enrollment down 9.9%.

- 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 and retiree life insurance for 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. The University received additional awards of $9.5 million in August 2020 and $15.8 million in December 2020 of CARES Act funds through the Coronavirus Relief Fund and the Higher Education Emergency Relief Fund, respectively. In May 2021, the University received $19.9 million from the Higher Education Relief Fund. The University is also gathering information for any loss of income covered by insurance. 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.*

<u>Community Colleges</u>

Belmont College, spring enrollment down 12.5%.

- 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 down 6.7%.

- 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.*