



# May 26, 2020 Financial Presentation to the Board of Trustees

# Finance Committee and Disclosures

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Finance Committee: May 21, 2020 Meeting

- April 2020 Financial Report
- FY21 – FY23 Fiscal Planning
- Finance Committee Members

Next Finance Committee meeting: June 22, 2020

## Disclosures

Interim financial presentations do not include GASB 68 and GASB 75 adjustments. FY20 monthly results are considered interim pending certification of the College's independent year-end financial audit.

## Fiscal Metrics (As of April 30, 2020)

**+\$3,832,478**  
**Year-over-Year**  
**Change in Cash**

**\$8,793,218**  
**Year-to-Date**  
**Surplus**

**3.70**  
**Senate Bill 6**  
**Composite Score**

- Cincinnati State maintained strong year-to-date Cash Flow, Net Surplus and Senate Bill 6 Score through its April 30, 2020 Financial Report.
- The crisis impact will be much more significant in our May and June financial statements due to the Spring Semester fiscal cycle, College's priority to complete Spring courses, timing of the loss of revenue due to State of Ohio budget cuts to State Subsidy for Instruction and State Capital Component, and decrease in Summer Semester revenue.

# Fiscal Impact of Health Crisis

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- Every source of funding is in doubt. Nationally, schools face tuition shortfalls because of unpredictable enrollment.
- Nationally and in Ohio, public institutions are digesting steep budget cuts.
  - Ohio is cutting \$110 million to higher education through June 30, 2020, with additional funding cuts planned in FY21.
- Economic conditions have been fundamentally altered in a matter of weeks, and institutions of higher education across the country are having to reassess every aspect of their operations. Cincinnati State is no exception.
- We will have to make some hard choices in the weeks and months ahead due to the actual and expected State of Ohio funding cuts to subsidy and other appropriations.

# COVID Crisis Loss of Funds

Category	Estimated/Actual Loss of Funds	Notes
State Subsidy for Instruction (FY20 Actual)	\$1,088,089	15.2% of 4 <sup>th</sup> Quarter Allocation
State Subsidy for Instruction (FY21 Estimated) <sup>1</sup>	\$5,692,537	20% of FY21 Allocation
State Capital Component (FY20 Actual)	\$23,551	5% of 4 <sup>th</sup> Quarter Allocation
State Capital Component (FY21 Actual) <sup>1</sup>	\$94,205	20% of FY21 Allocation
Summer 2020 Semester <sup>1</sup>	\$1,113,307	20% of SU19 Actual
Fall 2020 Semester <sup>1</sup>	\$2,456,370	20% of FA19 Actual
Spring 2021 Semester <sup>1</sup>	\$2,161,477	20% of SP20 Actual
Summer 2021 Semester <sup>1</sup>	\$2,024,235	20% of SU19 Actual
Spring 2020 Parking Refunds	\$108,092	Pro Rata from Campus Close
Spring 2020 Meal Plan Refunds	\$52,567	Remaining Balance
Summer 2020 Parking Passes (Estimated)	\$88,223	100% of SU19 Pass Revenue
Other Losses of Funds: Lab & Course Fees, WDC Sales, Fall Parking, Spring Parking, Overlook Closure and Reduced Volume, Bakery Hill Closure and Reduced Volume, Child Care Closure and Reduced Capacity, Catering and Events, Interest Revenue		
<sup>1</sup> <b>FY21 Draft Budget Assumptions</b>		

# Draft Budget Assumptions

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- State Subsidy for Instruction and State Capital Component
  - FY21 Budget Assumption -20% of FY21 SSI allocation and Capital Component
  - Ohio cut our 4<sup>th</sup> quarter SSI 15.2% and 4<sup>th</sup> quarter State Capital Component 20%
  - Direction from ODHE is to plan for 20% cut for FY21
  - Actual cuts may not be announced until late June/early July, and may be rolling throughout FY21
- Instructional Fees
  - -20% Summer 2020, Fall 2020, Spring 2021, and Summer 2021 compared to prior semester
  - See next 2 slides for Enrollment Considerations
- CARES Act Higher Education Relief Fund Institutional Stimulus
  - Covers unbudgeted, COVID related expenses (PPE, Sanitizing, Thermometers, Refunds, etc.)
  - FY21 Budget increased COVID Expenses \$200,000
  - FY21 Budget \$1,900,000 positive net surplus impact relies on OACC verbal discussion the Department of Education Undersecretary

# Enrollment Considerations (1 of 2)

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## Indicators of Potential Increased Enrollment

- Fall credits up 5% (but only at 20% of census)
  - May 2019 this time last year credits were down 19%
- Low confidence of university students in returning to their campuses positions community college as a good option
- Increased advertising dollars investment FY20 and FY21
- Plan for Fall includes large percent remote instruction but on campus options to maximum course options
- Unemployment is very high
  - College has had increased in enrollment during prior economic downturns
- Increased indication that economic recovery will be slow, so unemployment will remain high for a longer period
- There will be latent demand of students who could not take lab courses over the summer

# Enrollment Considerations (2 of 2)

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## Indicators of Potential Barriers to Increased Enrollment

- Possible resurgence of the pandemic
- Uncertain about public's appetite to leave their homes and feel safe taking classes
- It is early (only 20% of census for Fall 2020)
- Summer 2020 Semester -21.6% compared to Summer 2019 Census with 21 days until Summer 2020 Census

## Conclusion

- Budget for 20% decrease in credit hours (less CCP and WDC)



# Draft Budget Assumptions

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- Hiring Freeze
- Limited Furloughs, Lay-offs
- Reduction of Adjunct and Overload due to projected enrollment declines
- Part-time, Non-Benefits eligibility positions reductions to hours
- Partial Auxiliary Operations
- Outsourced Retail Food Services
- Travel Moratorium
- Across the Board Operating Expense Reductions
  - Supplies (excluding COVID related supplies)
  - Contract Services
  - Printing & Binding

# Fiscal Year 2021 Draft Budget

	FY20 Budget	FY21 <u>Draft</u> Budget
State Subsidy for Inst.	\$28,554,424	\$22,770,148
Instructional Fees	\$28,041,690	\$24,832,118
Grants/Contracts	\$3,494,011	\$6,027,117
Pell Grants	\$7,988,608	\$7,988,608
Other Revenue	\$3,810,723	\$3,118,192
WDC Revenue	\$2,373,015	\$2,373,015
<b>Total Revenue</b>	<b>\$77,125,137</b>	<b>\$69,972,107</b>
Personnel Expenses	\$46,868,604	\$42,516,259
Operating Expenses	\$29,949,157	\$28,846,442
<b>Total Expenses</b>	<b>\$76,817,761</b>	<b>\$71,362,701</b>
<b>Net Surplus (Deficit)</b>	<b>\$480,243</b>	<b>(\$1,390,594)</b>

# Conclusion

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- Difficult to anticipate the long-term chilling effect of pandemic on enrollment and/or the length and severity of economic downturn
- FY21 hiring freeze will take enrollment growth and restoration of subsidy cuts to thaw in future years
- Unanticipated shifts/modifications to operations resulting from pandemic may result in carry-over expense and/or efficiencies in costs
- The volatility of the economy, enrollment, pandemic conditions make it difficult to model realistic forecasts for FY22 and FY23. However, the effect on higher education is likely to have a lingering financial impact that will be challenging to overcome in the next budget cycles.
- Next Steps:
  - Present Final Budget for Approval at June Finance Committee Meeting and June Board Meeting.
- Questions/Comments