



# **Fighting Back against Austerity: Are Layoffs and Furloughs The Only Way?**

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**Howard Bunsis, Past Chair AAUP-CBC**

**July 28, 2020**

# Roadmap

- **Data That Will Be Needed – Actuals, Not Budgets**
- **Revenue Distribution: Public and Private**
- **The actions of administrations in spring and summer 2020 that have taken place**
- **Balance Sheet and Reserves: Public (pension adjustment) and Private**
- **Cash Flow Analysis**
- **Ratio Analysis and Bond Ratings**
- **Estimating Revenue Losses from the pandemic: compared to reserves**
- **Expense and Priority Analysis (with a peak at athletics)**
- **Suggesting alternatives to layoffs and furloughs – changing the conversation**

## Names of Individual Financial Statements in the Audited Financial Statements

<b>For Profit Name (Corporate Sector)</b>	<b>Public University Sector Name</b>	<b>Private University Sector Name</b>
Income Statement	Statement of Revenues, Expenses, and Changes in Net Position	Statement of Activities
Balance Sheet	Statement of Net Position (Assets)	Statement of Financial Position
Statement of Cash Flows	Statement of Cash Flows	Statement of Cash Flows
Statement of Shareholder's Equity	Not Applicable	Not Applicable

## Dates IRS 990 Are Available (Private Sector)

<b>Fiscal Year End</b>	<b>5/31/2019</b>	<b>6/30/2019</b>	<b>12/31/2019</b>
<b>4.5 Months after Fiscal Year End</b>	<b>10/15/2019</b>	<b>11/15/2019</b>	<b>5/15/2020</b>
<b>3 Month Extension for breathing</b>	<b>1/15/2020</b>	<b>2/15/2020</b>	<b>8/15/2020</b>
<b>Final Due Date: 3 Month Extension for more breathing</b>	<b>4/15/2020</b>	<b>5/15/2020</b>	<b>11/15/2020</b>
<b>When Do we see it on Guidestar</b>	<b>Late 2020</b>	<b>Late 2020</b>	<b>Mid 2021</b>
<b>Fiscal Year End</b>	<b>5/31/2020</b>	<b>6/30/2020</b>	<b>12/31/2020</b>
<b>4.5 Months after Fiscal Year End</b>	<b>10/15/2020</b>	<b>11/15/2020</b>	<b>5/15/2021</b>
<b>3 Month Extension for breathing</b>	<b>1/15/2021</b>	<b>2/15/2021</b>	<b>8/15/2021</b>
<b>Final Due Date: 3 Month Extension for more breathing</b>	<b>4/15/2021</b>	<b>5/15/2021</b>	<b>11/15/2021</b>
<b>When Do we see it on Guidestar</b>	<b>Late 2021</b>	<b>Late 2021</b>	<b>Mid 2022</b>



# List of Potential Data Items

<b>Audited financial statements - Gold standard</b>
IPEDS: Integrated Postsecondary Education Data Analysis
IPEDS finance
IPEDS Human Resources
IPEDS Data Feedback report
Additional financial and operating info on bond website
Bond ratings Moodys
Bond ratings S&P
Fact book on university website
Common Data Set
AAUP compensation survey
IRS 990 most recent year (private only)
Propublica has private universities financials and 990's (one year late)
<b>Budget docs on university website - mostly useless</b>
Athletic Data on Equity in Data Analytics side (US Dept of Ed)
Athletic Data on USA Today database (public only)

**Where do you find audited financial statements?**

**In the public sector:**

- on the university's website (finance/comptroller/)
- the system's website (CT, CA, AK, PA, OH)

**In the private sector:**

- University website
- [www.Emma.msrb.org](http://www.Emma.msrb.org)
- /IRS 990
- <https://projects.propublica.org/nonprofits>
- [www.giudestar.org](http://www.giudestar.org)

## **Budgets: Starts with **B** and Ends with **S****

**This presentation is will demonstrate that budget data is generally misleading**

**Faculty need to use financial information not budgets to assess the financial health of your institution and the priorities of the administration**

**Most budget “models” are about the administration needing excuses to:**

- 1. Stop hiring tenured faculty**
- 2. Firing faculty including tenured faculty**
- 3. Furloughing faculty**
- 4. Eliminate as many liberal arts programs as possible**

# **Comparison of Data Sources: Audited Financial Statements vs. Budgets**

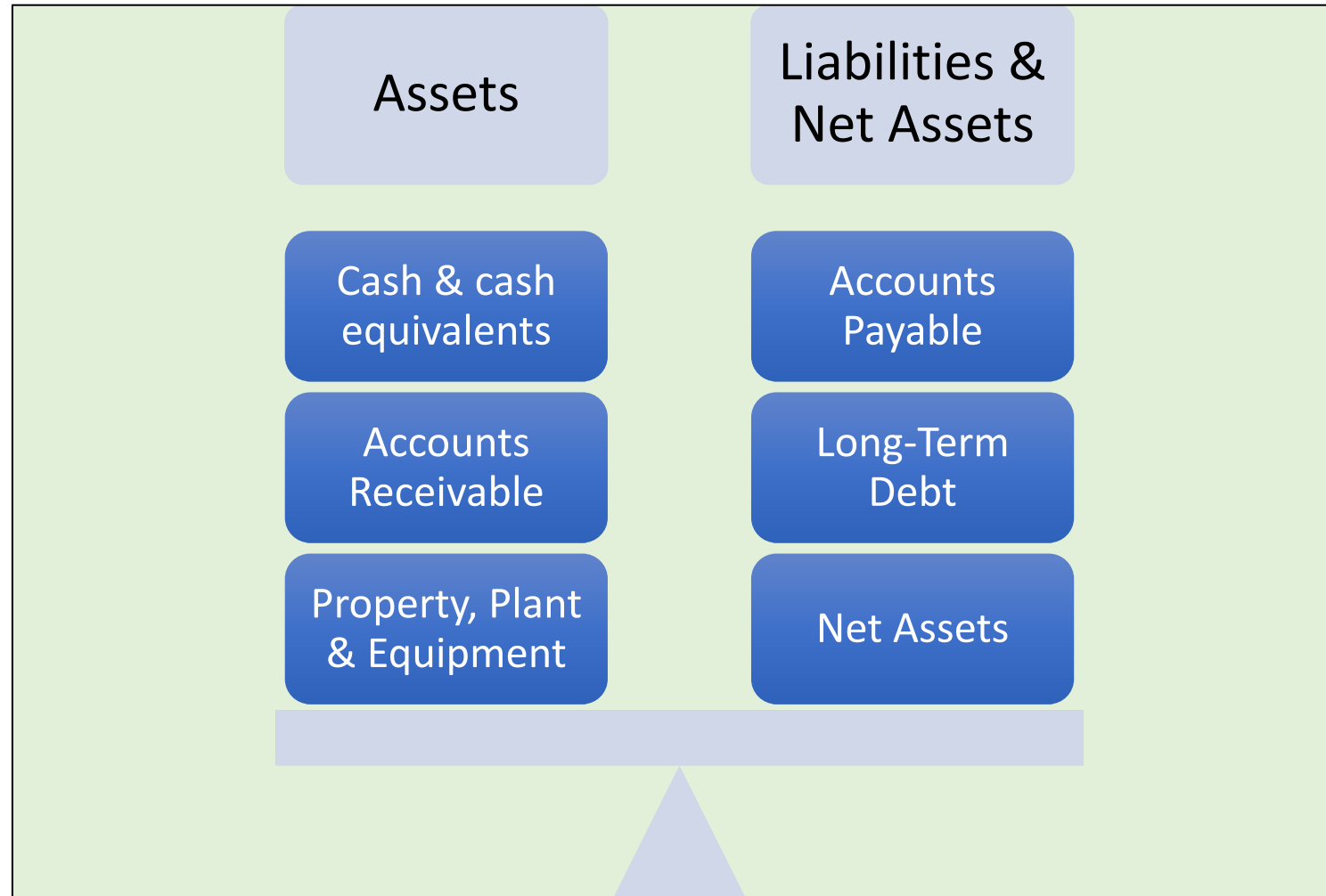
**Audited Financial Statements report what ACTUALLY happened**

**Audited financial statements are certified by an independent outside auditor, using standard accounting rules and principles**

**Bond ratings are determined by examining numerous standard ratios from audited financial statements, as well as other data such as enrollment, applications. This is all done by an outside, independent party.**

**Budgets are created by university administrators, are not required to be audited or reviewed by an outside party, and budgets are not subject to standard accounting rules and principles. Budgets are just plans or projections which always balance**

# Statement of Net Assets (Position) or The Balance Sheet



## Revenues, Expenses & Changes in Net Assets (Position)

Total  
Revenues

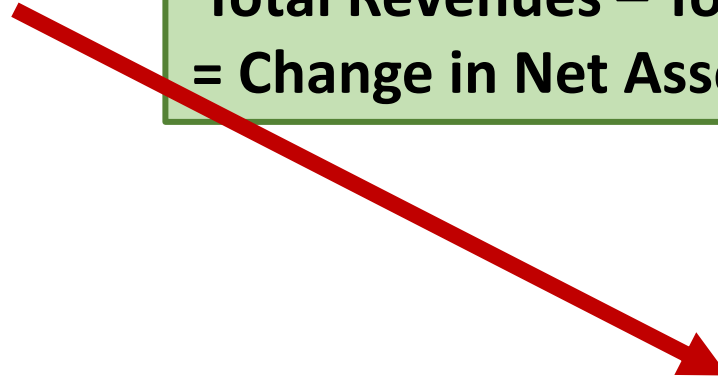


Total  
Expenses



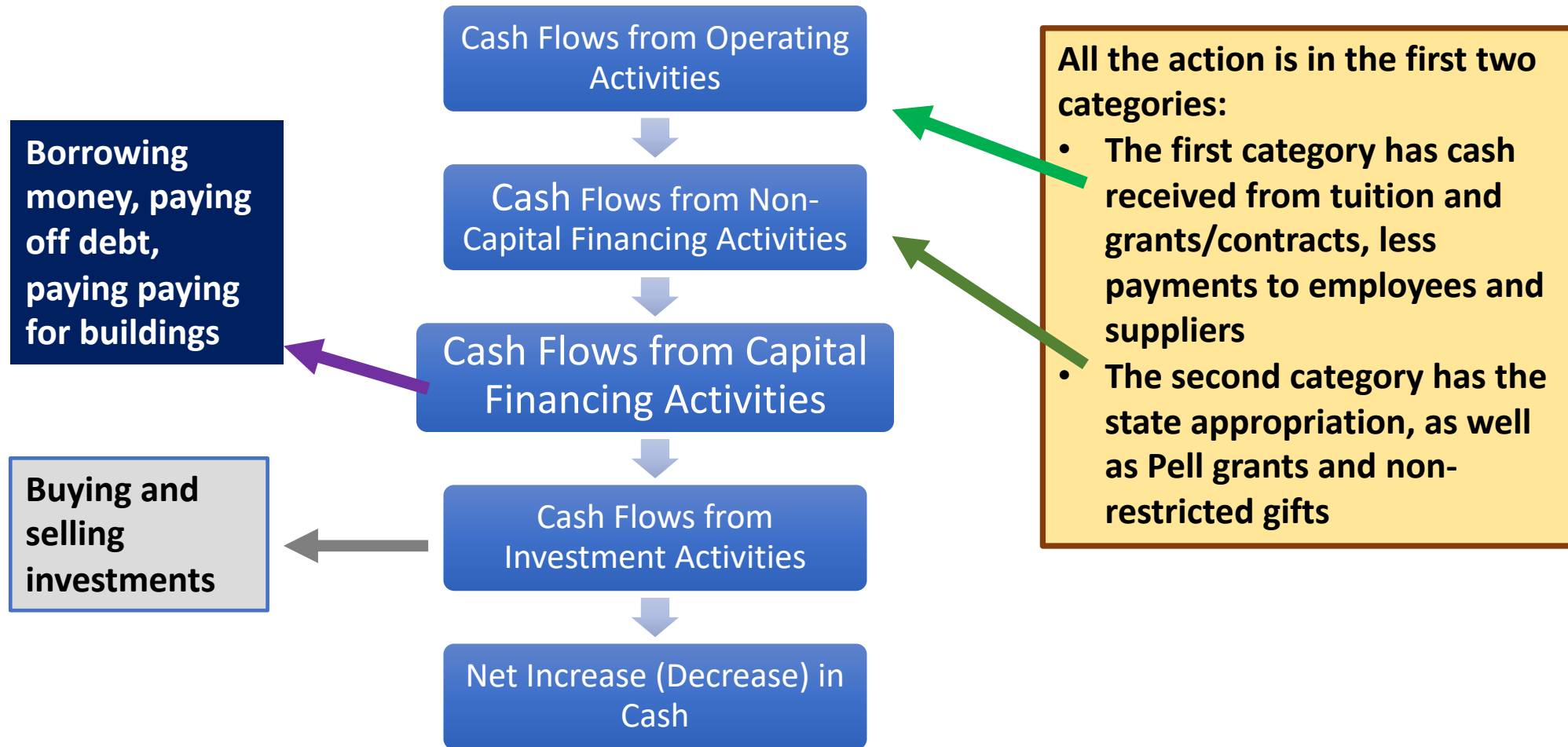
Change in  
Net Assets

**Total Revenues – Total Expenses  
= Change in Net Assets (Position)**



**You can back into Total Revenues, by:  
Total Expenses + Change in Net Assets (Position)  
= Total Revenues**

# Cash Flow Public



# Operating Cash Flow Public from the Cash Flow Statement

- **Definition #1**
- Operating cash flows =
  - Net cash used in operating activities +
  - Net cash provided by noncapital financing activities –
  - Interest paid on capital debt and leases +
  - Investment income
- **Definition #2**
- Operating cash flows =
  - Net cash used in operating activities +
  - Net cash provided by noncapital financing activities

# Cash Flows in the Private Sector

**The change in  
net assets =  
Total Revenues –  
Total Expenses**

**±**

**Add back  
depreciation  
expense and other  
non-cash  
expenses**

**Add paper losses  
or subtract paper  
gains on  
investments**

**=**

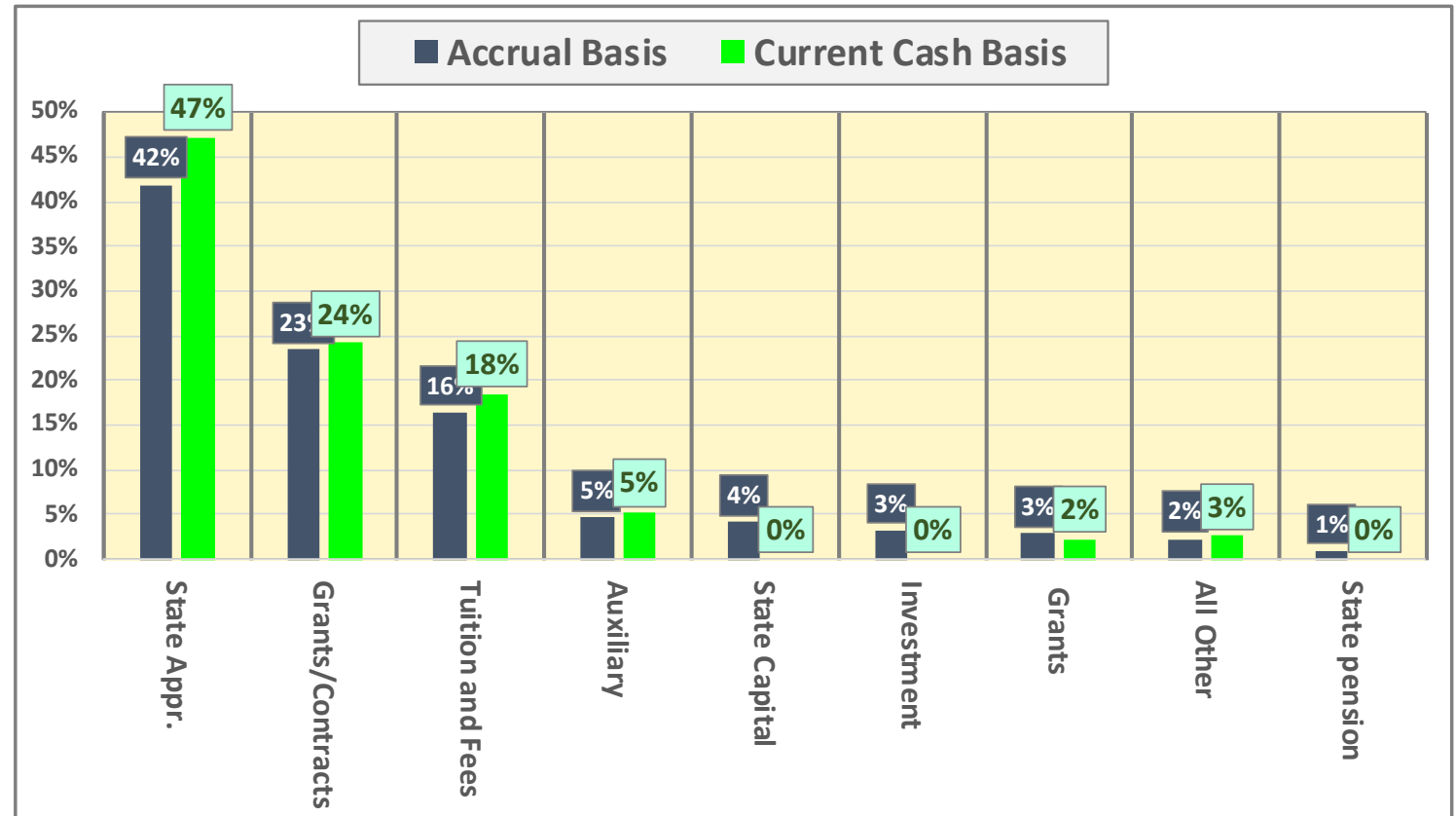
**Operating Cash Flows;  
This includes all cash  
coming in, less all cash  
going out for recurring  
items**



# Revenue Distributions of The University of Alaska

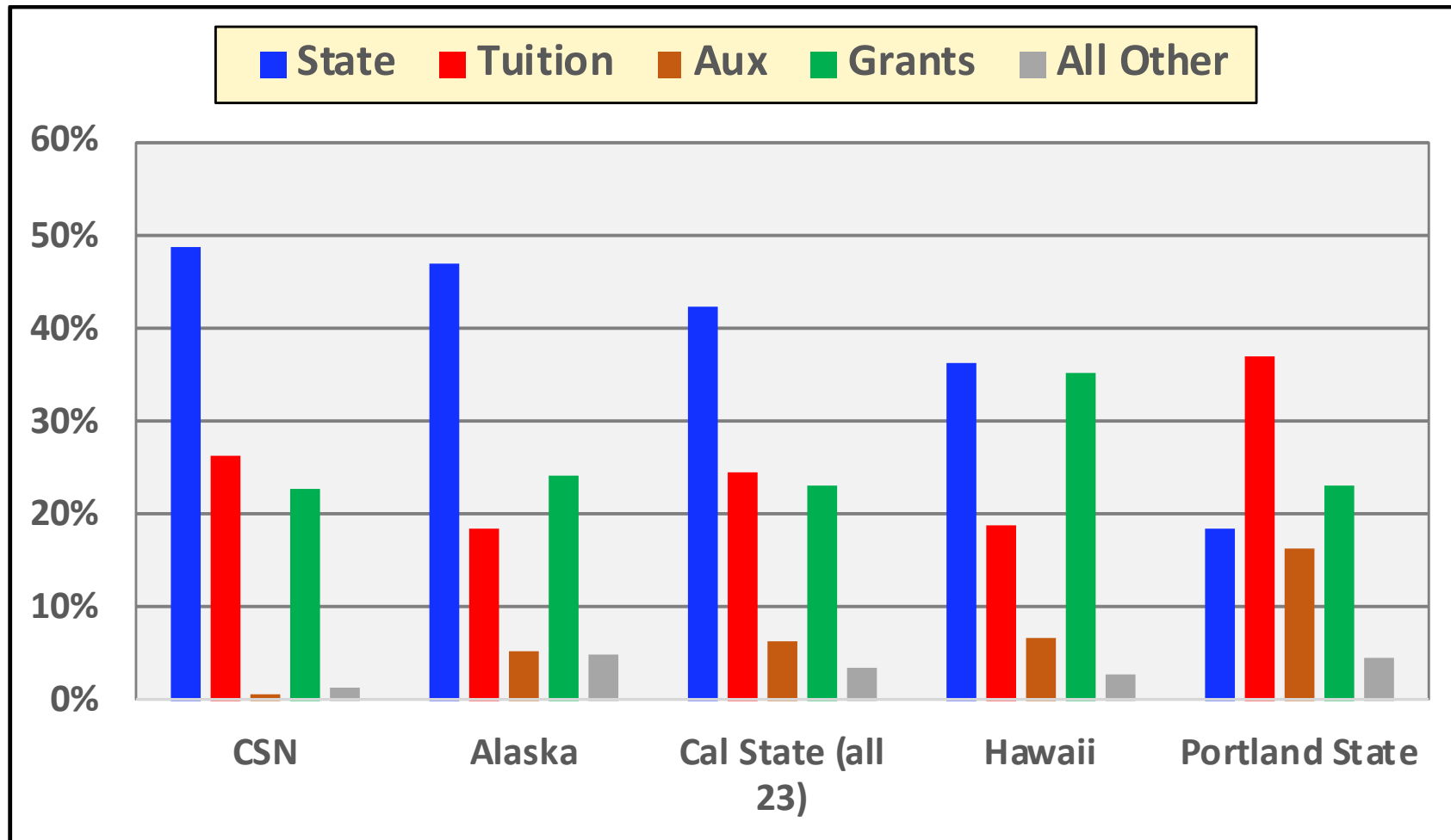
Sources: <https://alaska.edu/fund-accounting/>

Alaska 2019 in thousands	Accrual Basis	Current Cash Basis
State Appr.	334,606	334,983
Grants/Contracts	187,211	172,339
Tuition and Fees	131,481	131,045
Auxiliary	37,136	37,234
State Capital	33,337	0
Investment	26,315	0
Grants	22,752	16,504
All Other	18,609	18,608
State pension	7,799	0
Total Revenues	799,246	710,713

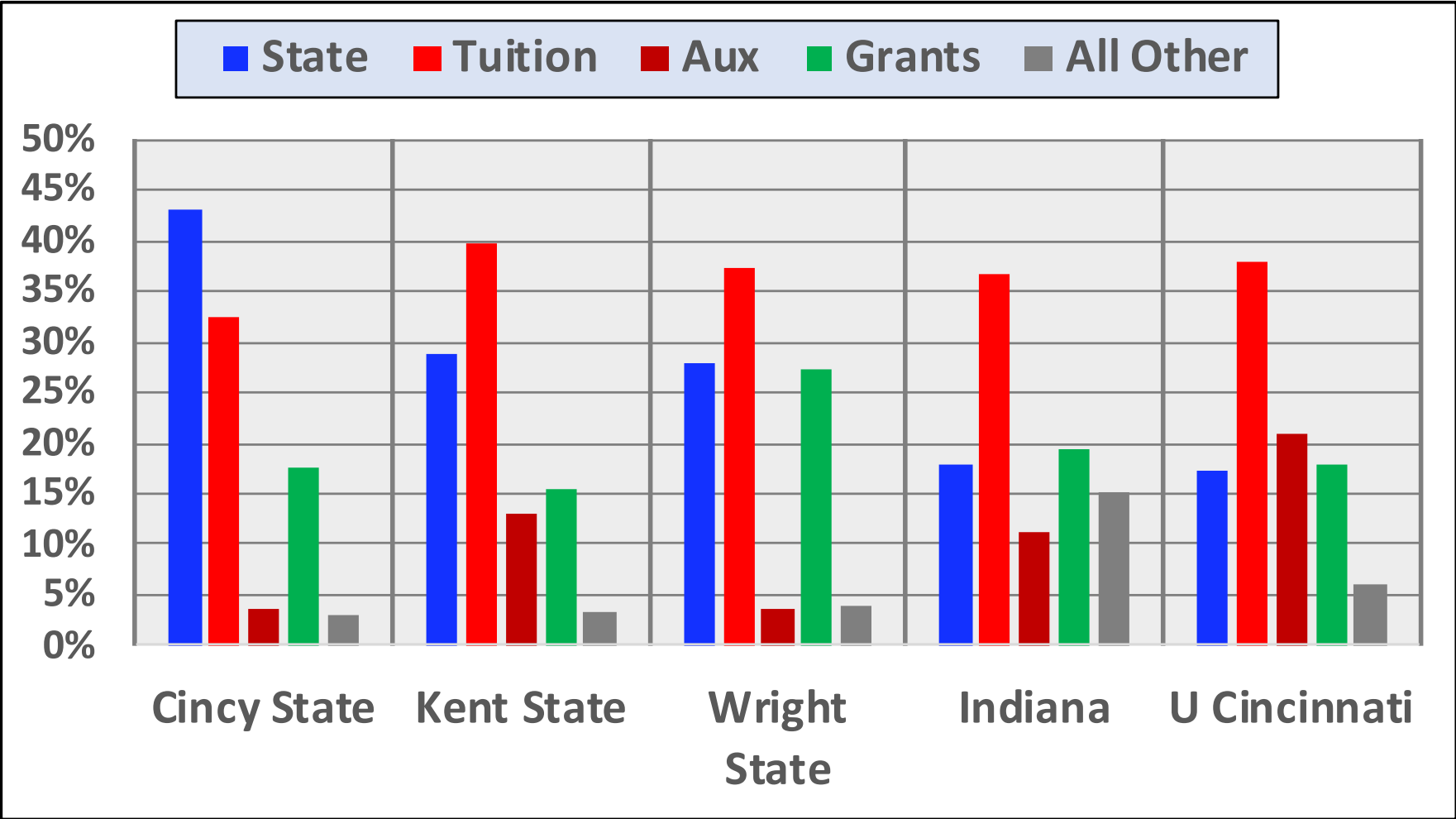


# 2019 Revenue Distributions of Western Publics

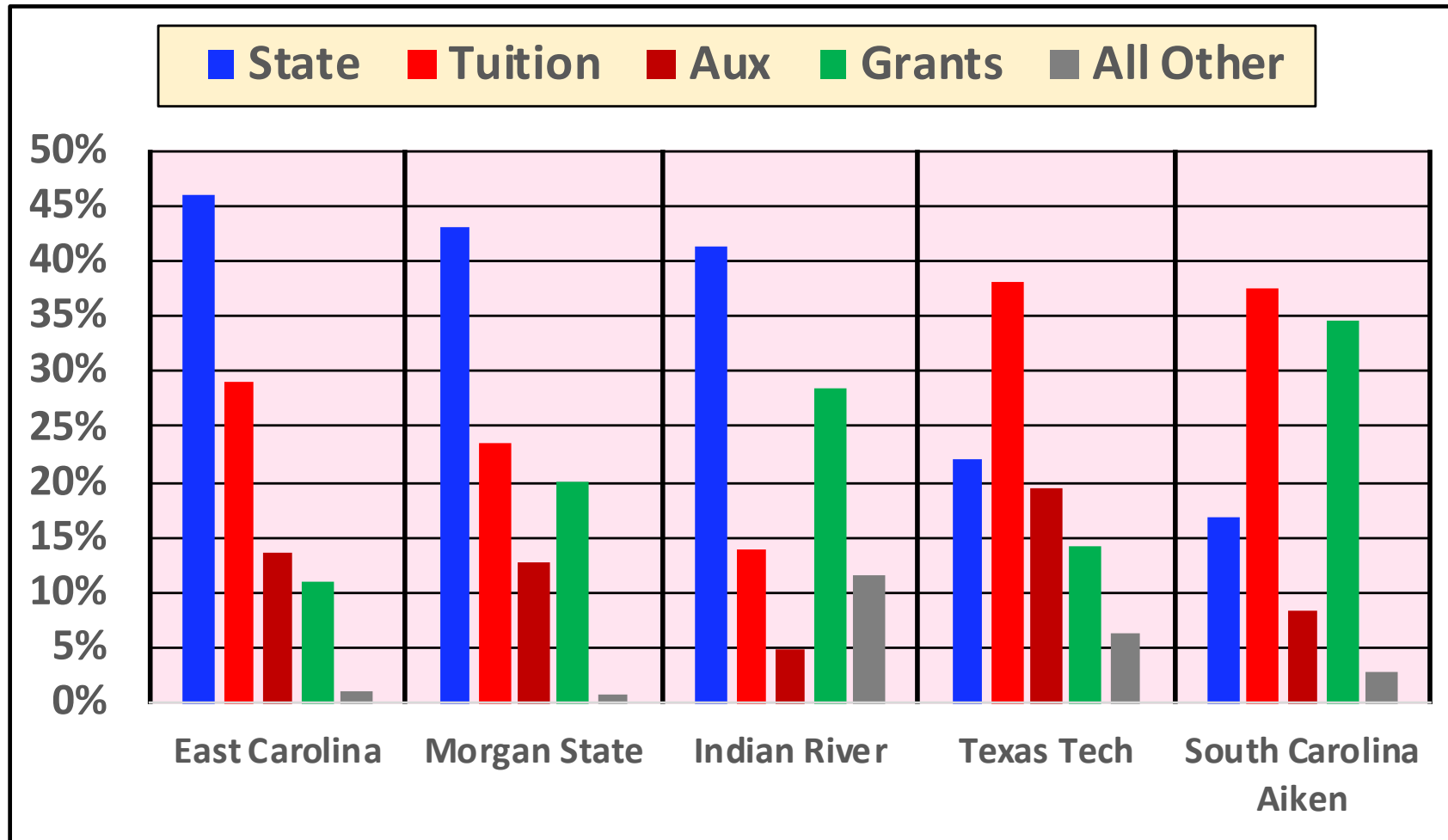
Sources: Cash Flow Statements of Audited financial statements



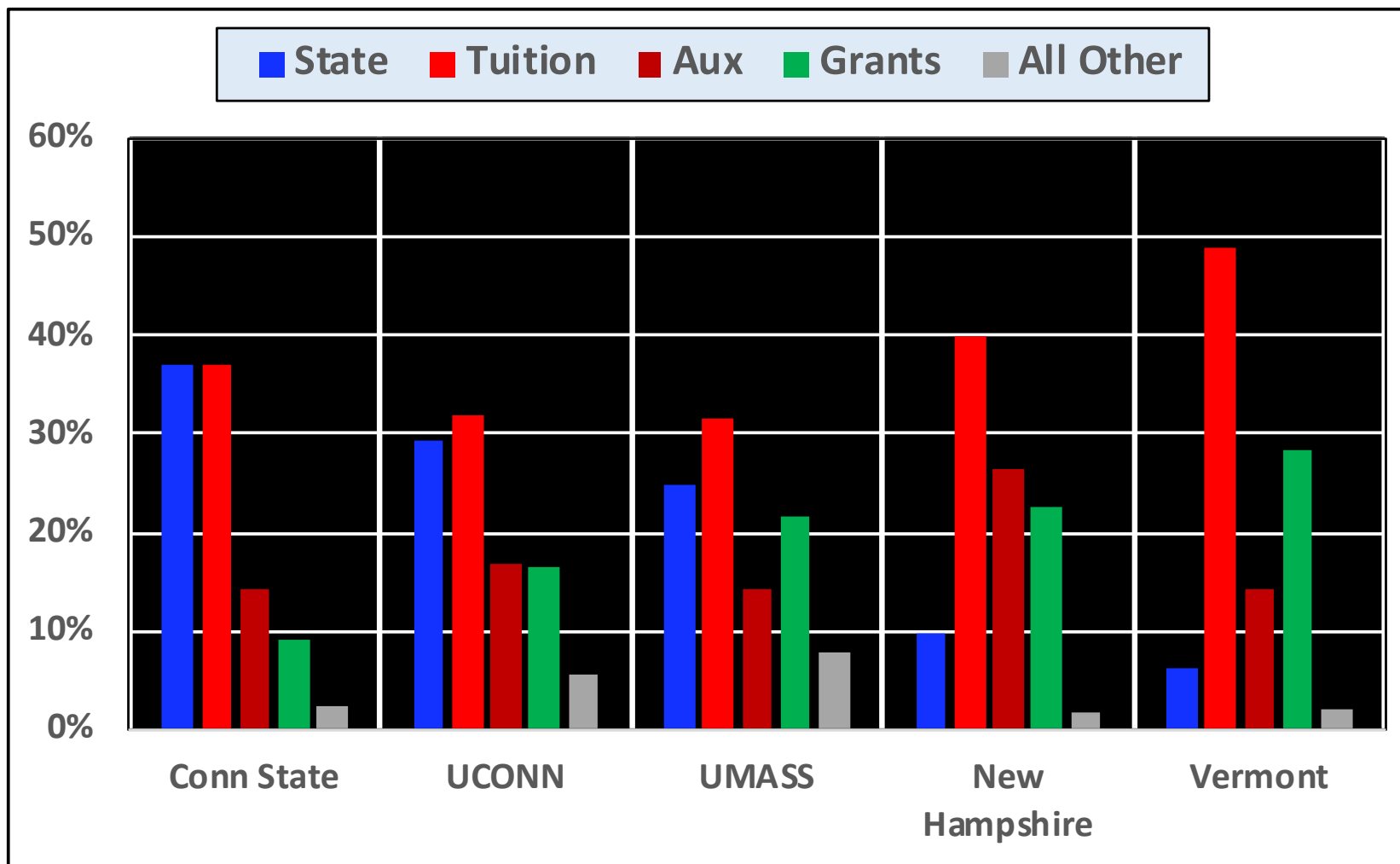
# 2019 Revenue Distribution: Midwest Publics



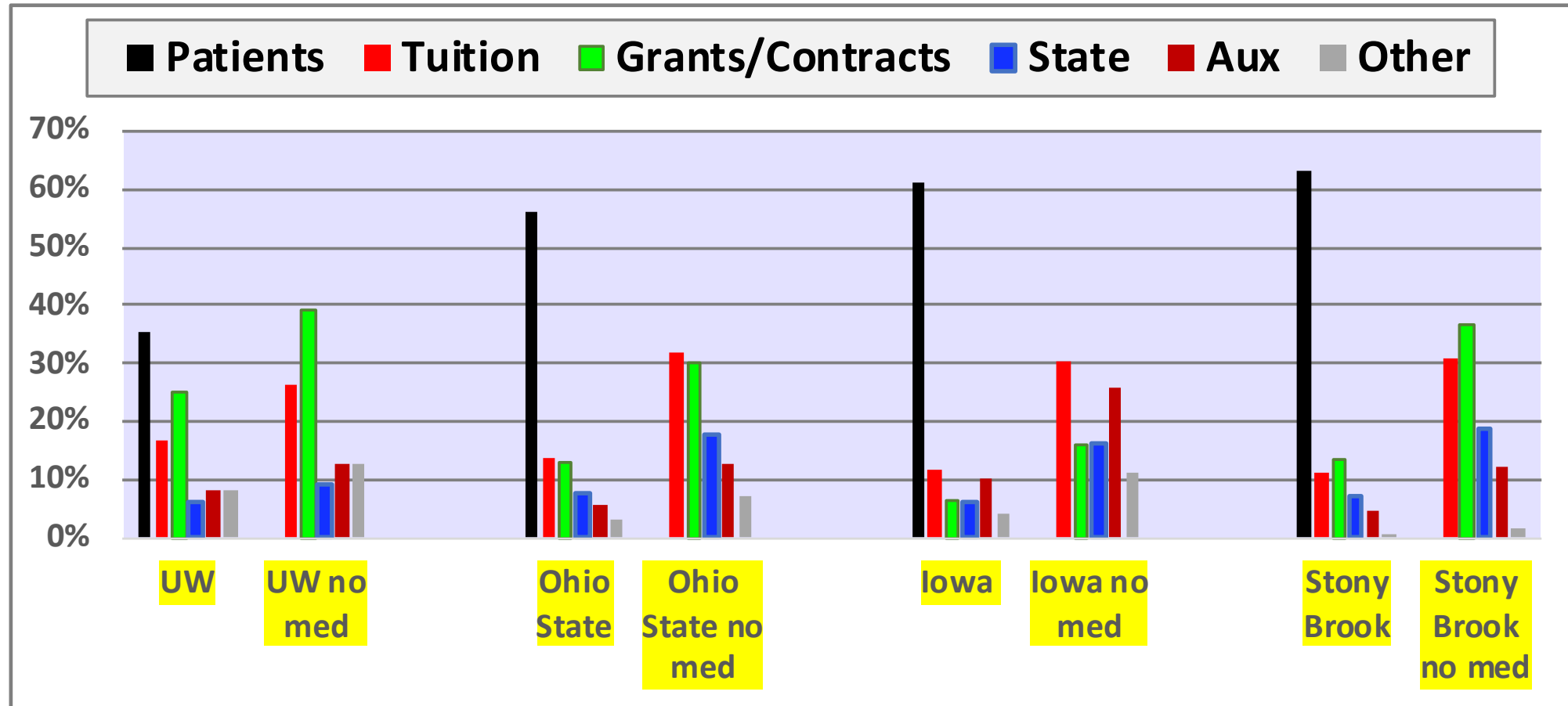
## 2019 Revenue Distribution: Southern Publics



## 2019 Revenue Distributions: Northeast Publics



# 2019 Revenue Distributions: Flagships with Hospitals



## Revenue Distributions of Some Private Institutions:

**Tuition + Aux > 90%**

Sources 2018 per IPEDS

	Tuition	Aux	Tuition + Aux	All Other	Endowment
Pratt Institute	85.7%	10.4%	96.0%	4.0%	193,639,407
Medaille College	82.7%	12.0%	94.7%	5.3%	1,470,738
Molloy College	91.2%	3.2%	94.4%	5.6%	38,240,438
Merrimack College	67.3%	27.0%	94.3%	5.7%	58,487,986
DePaul University	83.6%	9.8%	93.4%	6.6%	593,407,000
Utica College	78.3%	15.1%	93.4%	6.6%	25,880,261
Emerson College	73.4%	18.5%	91.9%	8.1%	171,634,132
Bloomfield College	72.8%	18.5%	91.3%	8.7%	15,133,518
University of Redlands	72.2%	18.3%	90.4%	9.6%	175,943,304

# Revenue Distributions of Some Private Institutions:

## Tuition + Aux B/W 80% and 90%

Sources 2018 per IPEDS

	Tuition	Aux	Tuition + Aux	All Other	Endowment
Curry College	59.1%	29.7%	88.8%	11.2%	100,165,348
Scranton	66.2%	22.6%	88.7%	11.3%	205,604,331
Saint Mary's CA	69.1%	18.8%	87.9%	12.1%	180,473,706
Oglethorpe University	57.8%	30.0%	87.9%	12.1%	33,885,630
Capital University	68.0%	19.7%	87.7%	12.3%	107,345,637
Duquesne University	73.8%	13.3%	87.1%	12.9%	370,371,000
Transylvania University	59.0%	26.6%	85.6%	14.4%	174,646,533
St John's NY	71.7%	13.5%	85.3%	14.7%	756,099,000
Saint Anselm College	49.4%	32.8%	82.2%	17.8%	157,951,291
Linfield	62.6%	19.6%	82.2%	17.8%	124,537,898
Pitzer College	81.5%	0.0%	81.5%	18.5%	141,464,752



# Revenue Distributions of Some Private Institutions:

**Tuition + Aux B/W 60% and 80%**

Sources 2018 per IPEDS

	Tuition	Aux	Tuition + Aux	All Other	Endowment
Hobart William Smith	53.5%	22.9%	76.4%	23.6%	232,058,732
Willamette University	59.0%	15.8%	74.9%	25.1%	258,630,000
Minn Art & Design	64.4%	10.2%	74.6%	25.4%	55,569,669
Holy Cross	46.5%	24.3%	70.7%	29.3%	783,207,500
Guilford College	48.4%	21.3%	69.7%	30.3%	86,730,608
Drexel University	62.1%	7.5%	69.6%	30.4%	779,762,000
Edward Waters	47.7%	20.6%	68.3%	31.7%	1,681,649
Union College	44.7%	19.8%	64.5%	35.5%	456,500,000
Tulane	51.6%	10.1%	61.7%	38.3%	1,383,967,000
Saint Louis	48.6%	11.4%	60.1%	39.9%	1,226,095,445

# Revenue Distributions of Some Private Institutions:

## Tuition + Aux Under 60%

Sources 2018 per IPEDS

	Tuition	Aux	Tuition + Aux	All Other	Endowment
Howard	46.4%	12.1%	58.6%	41.4%	688,562,000
Macalester	39.1%	18.5%	57.6%	42.4%	771,294,000
Oberlin	38.0%	17.1%	55.1%	44.9%	947,148,504
Whitman College	40.4%	9.1%	49.5%	50.5%	561,009,957
Thomas Jefferson U	45.7%	1.1%	46.8%	53.2%	932,897,000
Smith College	24.3%	13.0%	37.3%	62.7%	1,875,092,651
Trinity University	23.5%	13.0%	36.5%	63.5%	1,299,404,638
Emory University	18.8%	3.1%	21.8%	78.2%	7,985,467,382
Johns Hopkins	16.2%	2.6%	18.8%	81.2%	4,190,520,000
MIT	7.9%	3.0%	10.9%	89.1%	16,400,027,000

Of the 40 private institutions examined, correlation between (Tuition + Aux %) and Endowment is **NEGATIVE 0.70:**

**Larger the endowment, less the institution relies on tuition + auxiliaries**

**Why are We all here?**

**Furloughs and Cuts by administrations  
around the country**

**They are not letting this crisis go to waste**

## Public Sector Cuts – UCONN and U-Iowa

- **UConn announces manager furloughs, raise cancellations due to 'largest budget shortfall in history'. June 23, 2020**
  - Despite relief from federal COVID-19 programs, UConn still faces a \$50 million shortfall, president Tom Katsouleas wrote in a letter to UConn staff.
  - "This is the case at most peer institutions across the country," Katsouleas said. "While we have taken steps to ameliorate this by implementing hiring and spending restrictions, advocating for relief through the CARES Act and Heroes Act and seeking state assistance, we still forecast a shortfall of more than \$50 million in the best case scenario for the coming year."
- **UI (Iowa): 15 faculty members laid off within College of Liberal Arts and Sciences amid budget cuts**
  - June 20, 2020 Daily Iowan
  - The University of Iowa's largest college will lay off 15 instructional-track faculty as it enters the first phase of a three-tiered plan to make up to \$25 million in budget cuts due to revenue loss caused by the novel-coronavirus pandemic.
  - The cuts follow the UI's \$70 million COVID loss and an \$8 million cut in state appropriations, and an expected drop in enrollment

# Public Sector Cuts – Portland State and UO

- **Portland State Oregon Public Broadcasting, April 28, 2020**
  - **Portland State's Board of Trustees recently voted to use reserves** versity said additional cost-saving measures will likely be announced later this spring.
  - **Virus prompts Portland State University to lay off 106; Associated Press, May 1, 2020**
  - Percy said PSU is losing \$13 million “as a result of the actions taken to combat COVID-19.” There will likely be additional losses from expected state funding cuts, Oregon Public Broadcasting reported.
- **UO to stop paying 282 staff, projects \$25 million in lost revenue**
  - Daily Emerald, April 13, 2020
  - The University of Oregon will cut off pay to 282 staff members in response to a projected loss of \$25 million in net revenue due to coronavirus closures, UO President Michael Schill
  - Some employees in housing and dining, the EMU, athletics, PE and Rec and the access shuttle program have already begun receiving 30-day notices of their changing status, according to the email.
  - **The cuts impact both classified staff and officers of administration employee groups, according to UO spokesperson Kay Jarvis**

# Cuts in Alaska and Hawaii

- **University of Alaska: April 29, 2020 (Anchorage Daily News) and June 6, 2020**

- Top University of Alaska administrators, including President Jim Johnsen, will be subject to mandatory furloughs to help address budget issues, the system announced Wednesday. The furloughs will affect 166 people, **including executives, senior administrators and faculty administrative leaders, the system said.**
- The University of Alaska board is **considering the merger** of the University of Alaska Southeast into the University of Alaska Anchorage, the University of Alaska Fairbanks or possibly both.
- **Also on the table are cuts to around 50 degree or certificate programs. Last year, the UA board agreed to \$70 million in cuts to state funding over three years after Governor Mike Dunleavy proposed cutting \$135 million from the system**

- **University of Hawaii; June 6, 2020**

- At the University of Hawaii, the official in charge of the budget :**“There will be prolonged, possibly perpetual changes to how the university is run.”**
- Out of several presented budget scenarios, **in the worst case the university would stand to lose 25 percent of its funding from the state and 15 percent of its tuition revenue. This would translate to a \$181 million decline from its current \$1 billion operating budget.**
- Jan Sullivan, a UH regent and COO of Oceanit, said “We have to do cuts, and they have to be done in a way that will leave the university standing.” Young warned the regents not to get too specific about plans, saying, “I don’t know if anyone would want to throw ideas out here in a public meeting right now.” He added, **“The depth will be significant, maybe never seen.”**

# Cuts in Vermont

- **UVM forced to make budget cuts amidst pandemic's economic crisis**
  - Vermont Cynic April 29, 2020
  - A hiring freeze on all faculty and staff positions
  - A travel freeze for faculty, staff, and students
  - Cancellation of a planned bond issuance that would have increased UVM's debt level
  - **Renegotiating contracts across the University and more deeply scrutinizing requests for independent contractors and additional payments**

# Arizona and California

- **University of Arizona; April 17, 2020**

- The University of Arizona announced temporary pay cuts and furloughs to its 15,000 employees
- **The measures are an attempt to mitigate an “extreme financial crisis” during the COVID-19 pandemic, the university says.**
- Faculty and staff at the University of Arizona will be subject to temporary furloughs and pay cuts through June 30, 2021
- Hiring freeze and delayed plans for merit increases
- Pay cuts for top admins and scaling back new construction

- **CSU System Fends Off 2020-21 Furloughs, But Cuts Likely Next Year**

- July 21, 2020
- The possible downsizing is blamed on coronavirus.
- **The California State University system is not planning to negotiate a furlough program for this fiscal year, but one "is most likely necessary" in the 2021-22 fiscal year because of revenue reductions related to the coronavirus outbreak,** Chancellor Timothy P. White wrote.
- **"We will not 'zero out' our reserves nor will we plan to redirect encumbered reserves that are intended for a specified campus need or priority," White wrote.**
- The system's base budget for the 2020-21 fiscal year was "permanently decreased by \$299 million compared to the last fiscal year because of COVID- 19-imposed impacts to the state's economy," White wrote.



# More Public Sector Cuts: East Carolina and UMASS

- **ECU furloughs more than 100 employees due to revenue losses from coronavirus pandemic** Charlotte Observer, June 11, 2020

- East Carolina University is placing about 110 employees on “emergency temporary furloughs” because of revenue losses during the coronavirus pandemic. And “there is more to come,” interim Chancellor Ron Mitchelson told reporters Thursday.
- The employees who are affected in this round of temporary layoffs were in “auxiliary and receipt-supported enterprises” including Athletics, Administration & Finance, Academic Affairs and Student Affairs. That means they are directly tied to revenue and people being on campus, which has been effectively closed since mid March.

**The University of Massachusetts system, is in the midst of furloughing more than 1,000 people for several days each by June 30, the end of the fiscal year.**

- Boston Herald, May 14, 2020:
- UMass President Marty Meehan’s central offices are furloughing 168 people, and 1,000 more furloughs are being spread over the campuses. Nonunion workers and administrators will be furloughed for five to 10 days, and the system remains in talks with the union workforce over their impending furloughs

# State of Ohio – UC and OU

## UC (Cincinnati) Email from President Pinto, May 27, 2020

- Today, **my heart is heavy** in sharing the news that we have notified 360 of our staff colleagues that they will be temporarily furloughed from June 1 to July 30. The employees affected serve in our auxiliary and athletic operations, mostly in roles in now-dormant, student- and public-facing facilities, providing operational support for service venues as well as events.
- We expect cuts in state support, loss of revenue from the general deactivation of the physical campus, and increased expenses. We continue to closely monitor the expected budgetary shortfalls. In addition to the furloughs, we have taken several steps to help preserve university resources, including restrictions in capital projects, tight restrictions on discretionary spending, a hiring freeze and a salary freeze as well as voluntary salary reductions by senior leaders.

## • OU announces layoffs for 53 faculty, at least 94 administrators

- The Athens News, May 15, 2020
- Ohio University President Duane Nellis announced in a letter early this evening (May 15) that the university will be terminating the contracts for 53 instructional faculty members, and will effectively be laying off 94 administrators..
- OU similarly announced layoffs for 140 union workers on May 1, a group which consisted of custodians, cooks and maintenance staff, among others.
- "This moment in our University's history **weighs heavily on my mind and in my heart**," Nellis wrote in his letter
- Nellis reiterated that he and OU Provost Elizabeth Sayrs will be taking a voluntary 15-percent pay cut.
- In addition, Nellis asked several senior administrators to take voluntary 10-percent salary cuts as well.

# More Ohio Public Sector Cuts – Cleveland State and Kent State (They talk about reserves)

## Cleveland State; Message to campus community, May 21, 2020

- Fiscal year 2020 losses already exceed \$8 million, and projected deficits for fiscal year 2021 could exceed \$37 million.
- 4-week staff furlough.
- Temporary, stratified administrative salary reductions. For a period of six months, pay reductions will be implemented, as follows:
  - President – 12.5%
  - Salaries of \$200,000 or greater – 10%
  - Salaries of \$150,000 - \$199,999 – 8%
  - Salaries less than \$150,000 – 6%
- Hiring freeze. Recruitment efforts will be suspended for approximately 70 currently open staff positions.
- Reduced discretionary spending. Supplies and travel will be heavily restricted.

## • Kent State to address \$110 million shortfall with pay cuts, buyouts

- April 28, 2020
- President Todd Diacon told the university community that the university is expecting a \$32 million reduction in state support as well as declines in enrollment.
- Prior to COVID-19, Kent was on track to deliver a balanced budget without drawing on reserves for the third straight year,
- “Better to balance our Fiscal Year 2021 budget with expenditure reductions, leaving our reserves for use in future fiscal years. In addition, nearly 70% of our reserves are in investments that, were we to convert them to cash now, would lead to significant losses given recent market declines,” Diacon said

## Miami (Ohio)

- **Most of Miami's contingent teachers told contracts won't be renewed, group says**
- **Cincinnati Enquirer, April 18, 2020**
- A majority of Miami's contingent or visiting faculty – such as visiting assistant professors, instructors and adjuncts – have been informed their contracts will not be renewed this fall
- Miami University was also one of the few universities to impose faculty cuts before salary cuts were made to administrators.
- The Miami AAUP posted a petition on Monday to its website, stating the likely dozens if not hundreds of faculty members facing job loss will be thrust into vulnerable positions amid a pandemic.
- A spokesperson for Miami stated: "No contingent faculty member is entitled to expect any future appointment after their initial appointment"

# University of Akron

- **Budget 'Bloodbath' As University Of Akron Lays Off 23% Of Full-Time (Including Tenured) Faculty Due To COVID-19**
- The University of Akron's Board of Trustees voted Wednesday to eliminate the jobs of 178 employees, [including 96 unionized faculty](#), a law school faculty member, 60 staff members and 21 contract employees. The employees' salaries and benefits total \$16.4 million, according to the university.
- The move was part of the UA's [plan to cut \\$65 million of its \\$325 million budget](#) to offset losses in revenue incurred due to the coronavirus pandemic.
- According to a video presentation made by the interim CFO Akron has a \$14 million "structural deficit", will face a 20% enrollment decline causing a \$31 million shortfall in tuition and \$20 million cut in state subsidy for a total cut of \$65 million. <https://www.uakron.edu/finance-administration/video>

# Private Sector Cuts

- **As financial struggles continue, Guilford College cuts 50 positions**

- July 2, 2020 News and Record
- 15 faculty members laid off within College of Liberal Arts and Sciences amid budget cuts
- Less than a week after Guilford College announced that its president would step down next year, the private Quaker college has announced it's eliminating 45 staff positions and five visiting faculty roles.
- In addition, 34 vacant positions will remain unfilled, a college spokesman said

- **Hobart & William Smith Colleges**

- Email to faculty and staff, May 20, 2020
- **Three components to the temporary compensation reduction:**
- **1. forgo planned raises, except for those receiving a previously planned promotion**
- **2. for each employee, a 1/13 (7.7%) pay reduction or four weeks of furlough**
- **3. reduce the employer retirement contribution from 10% to 5%**
- **The senior leadership team has worked to create a program that is equitable and that also takes into consideration the New York State payments that employees can receive through a furlough option and through the Pandemic Unemployment Compensation federal bill. To be clear, these are temporary changes for one fiscal year and are not intended to be permanent.**

# More Private Sector Cuts

- **Willamette University lays off 37 employees, furloughs 80**
  - **Salem Reporter, May 22, 2020**
  - The university's Board of Trustees approved the layoffs and furloughs to save \$4.5 million in the coming year
  - Willamette refunded some student fees for dorms as many students left campus following a March 16 move to all-online instruction
- **Utica College to furlough 57 employees; Observer Dispatch, May 12, 2020**
  - The college is anticipating a **\$7 million** reduction in student-based revenue for the upcoming academic year, Casamento wrote. The furloughs, as well as other measures, are expected to reduce operating costs by **\$2.4 million**.
  - Other measures through the 2020-2021 academic year include:
    - – An 11 percent voluntary reduction in the president's salary and no contractual bonuses
    - – A 5 percent voluntary reduction in president's and provost's cabinet members' salaries
    - – **A salary freeze**, and a hiring freeze with only rare exceptions, through May 31, 2021
    - – The continued suspension of international travel until further notice. Domestic travel must be pre-approved
  - Casamento said the college will also freeze tuition for the fall. A task force has been created to transition back to in-person classes in the fall.

# Still More from the Private Sector – St. Louis University

- SLU president: Layoffs or cuts to salaries and benefits are coming
  - St. Louis Business Journal, April 23, 2020; May 4 email to campus community
  - Saint Louis University President Fred Pestello said that the school **can't overcome Covid-19 financial challenges "without reducing our payroll costs."**
  - **Like other schools, he said SLU's endowment, totaling \$1.1 billion as of December 2018, "is not a fund that can be utilized to bail us out in a crisis like this."**
  - **"As the stock market plummeted, our endowment experienced a substantial drop," Pestello continued. "This means that what we can spend from the annual endowment distribution will decline. As is the case with other universities, the vast majority of our endowment is made up of restricted funds — money that must be spent to support a specific initiative, such as an endowed professorship, as required by the binding agreement we have with the donor. We are not free to 'spend the principle,' nor to divert the proceeds to support areas beyond those specified in the donor agreement."**
- Actions:
  - **We will suspend the University's 403(b) match for one year. This will reduce our expenses by approximately \$30 million.**
  - **An \$8 million savings will be achieved by eliminating a majority of the estimated 320 open positions at SLUCare and in our academic and operational units.**
  - **We will defer the July 1 merit increases, resulting in a \$7.5 million decrease in our deficit.**
  - **We will suspend all travel by faculty and staff except that which generates revenue (enrollment, development, etc.). This action will save us \$4 million.**
  - **A \$1 million savings will be realized by reducing the salaries of our vice presidents and academic deans by 10 percent. The President will take a 20 percent pay cut.**



# Balance Sheet and Reserves

## Examples:

- Wright State
- Oregon Tech (public)
- Emerson (private)

# What are these pension and OPEB adjustments about?

- There was no pension liability on balance sheets until 2015
- In 2015, the government accounting standards board (GASB) added GASB 68, which put the liabilities for defined benefit pension plans of public universities on the balance sheet. This was done at the behest of university administrators, who wanted to make their balance sheets look worse.
- In 2018, GASB added the OPEB liability to public university balance sheets, via GASB 75;
- Neither of these liabilities are real liabilities of any public university; that is because the real backstop is the State. These are state obligations
- The bond rating agencies properly make these same adjustments.

## **Basics on the Pension and Retiree Health (OPEB) Adjustment in the Public Sector**

**Unrestricted Net Assets Reported on the  
Balance Sheet, which are often negative**

**Plus: Pension Liability that was first reported  
in 2015 (was zero before that)**

**Plus: OPEB or Other Postemployment Benefit  
Liability for retiree healthcare**

**Plus: Deferred Inflows related to pensions  
and OPEB**

**Less: Deferred Outflows related to pensions  
and OPEB**

**Equals: True Unrestricted Net Assets or  
Unrestricted Reserves**

## Example of the pension adjustment: Wright State

	2019
<b>Unrestricted as reported on the balance sheet</b>	<b>\$ (210,099,838)</b>
Plus: Deferred inflow for pension	\$ 39,799,031
Plus: Deferred inflow for OPEB	\$ 21,487,334
Plus: Pension liability	\$ 215,022,234
Plus: OPEB liability	\$ 32,174,643
Less: Deferred outflow for pension	<b>\$ (61,575,460)</b>
Less: Deferred outflow for OPEB	<b>\$ (4,470,362)</b>
<b>True Unrestricted Net Assets (Unrestricted Reserves)</b>	<b>\$ 32,337,582</b>

# What the Administration May Claim About Reserves vs. Reality

What the Administration Will Claim	What is Reality
The reserves are not nearly that high, as so much of the reserves are restricted by the endowment and donor restrictions	The unrestricted reserves do not include any funds restricted by donors
Most of the reserves are already designated by Board policy for important student initiatives; even if we wanted to move some of the funds, we are not allowed to do so	If there is a firm, no-way-you-can-get-out-of-it commitment, then the external auditors would put those funds in the restricted-expendable category of net assets; the Board may have voted for certain initiatives, but those priorities can be changed at the discretion of the Board.
Reserves cannot be spent on recurring expenses such as faculty salaries, and we would be violating our fiduciary responsibility if we used reserves in a haphazard manner	Reserves should not be spent on recurring expenses, but reserves ARE there for this exact purpose: to deal with temporary and unexpected declines in revenues or increase in expenses. That is EXACTLY the situation we are in now with the coronavirus pandemic

## Oregon Tech Reserves in Context:

### 4.25 months of expenses in reserves is a solid amount

	2015	2016	2017	2018	2019
Unrestricted	13,127	23,487	24,480	25,411	23,630
Restricted Expendable	6,789	4,762	5,284	3,382	8,992
<b>Total Reserves</b>	<b>19,916</b>	<b>28,249</b>	<b>29,764</b>	<b>28,793</b>	<b>32,622</b>
Total expenses	61,388	70,548	75,017	80,478	92,018
<b>Primary reserve ratio</b>	<b>32.4%</b>	<b>40.0%</b>	<b>39.7%</b>	<b>35.8%</b>	<b>35.5%</b>
<b>Number of months in reserve</b>	<b>3.89</b>	<b>4.81</b>	<b>4.76</b>	<b>4.29</b>	<b>4.25</b>

Unrestricted + Restricted = Total Reserves

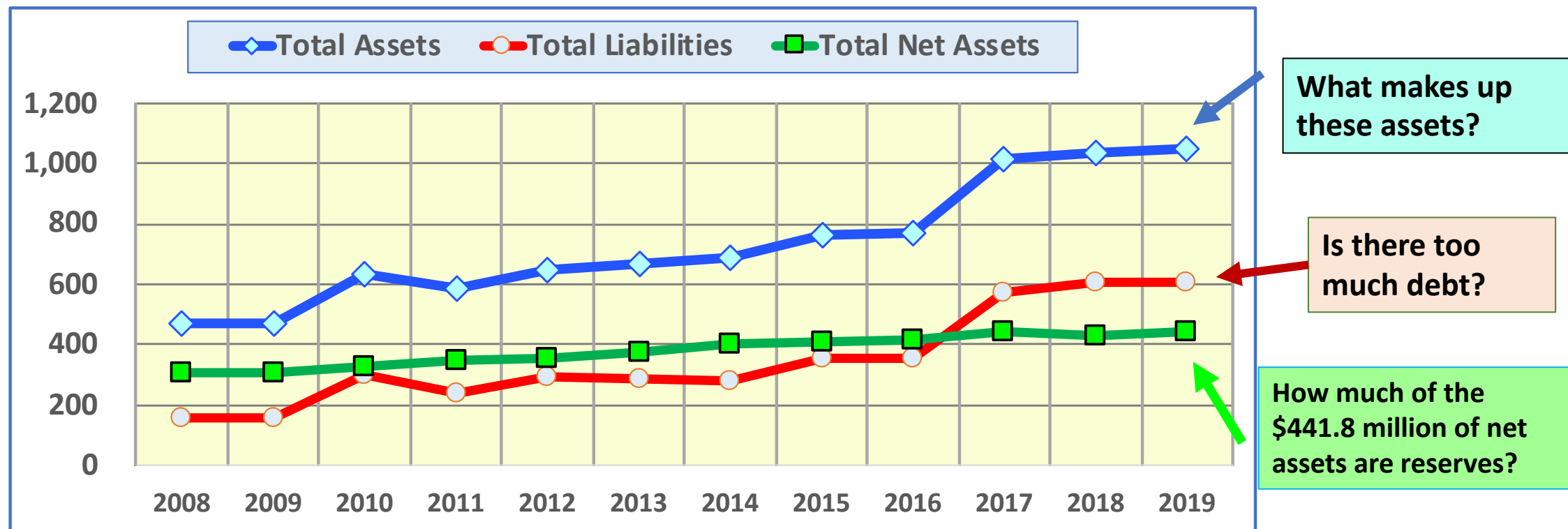
Total Reserves / Total Expenses = Primary Reserve Ratio

Number of Months = Primary reserve ratio \* 12 (months)

The 4.25 months would still be 3.08 months for unrestricted reserves only

# Private Sector Emerson Balance Sheet

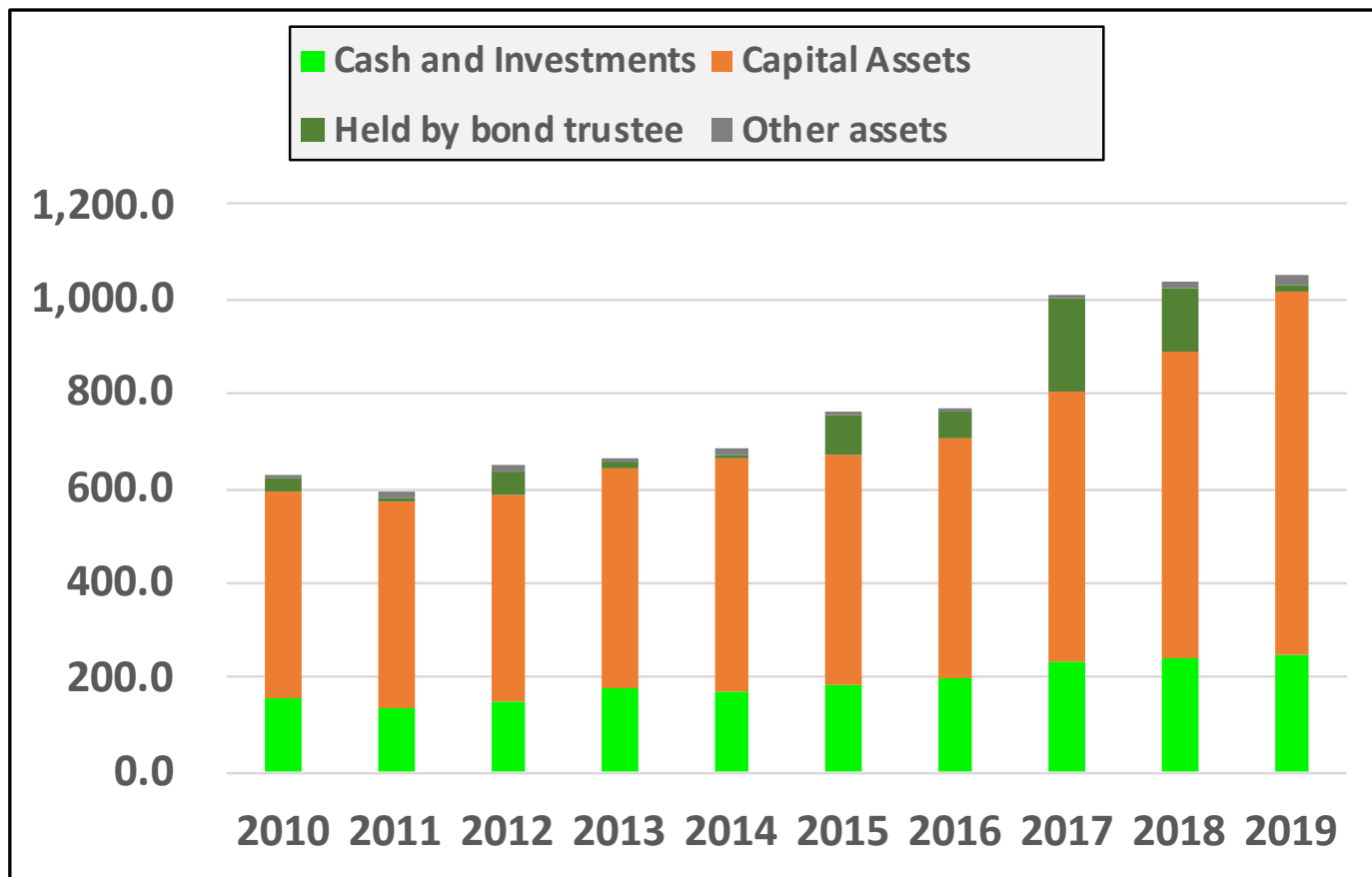
Source: Audited Financial Statements



In Millions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Assets	470.5	467.2	632.6	588.0	647.0	666.8	685.2	765.6	772.4	1,012.7	1,036.4	1,050.1
Total Liabilities	159.9	157.7	301.7	239.1	291.3	288.8	280.0	355.9	356.7	571.9	604.7	608.3
Total Net Assets	310.6	309.4	330.9	348.9	355.7	377.9	405.2	409.7	415.7	440.8	431.7	441.8

# Emerson Asset Breakdown: Growth, Lots of Investments and Capital Assets

Source: Audited financial statements



2019 Assets	Dollars	% of Total
Cash	69.4	6.6%
Investments	181.1	17.2%
<b>Cash + Investments</b>	<b>250.5</b>	<b>23.9%</b>
<b>Capital Assets</b>	<b>763.4</b>	<b>72.7%</b>
Held by bond trustee	19.3	1.8%
Other Assets	16.9	1.6%
<b>Total Assets</b>	<b>1,050.1</b>	<b>100.0%</b>

Of the \$181.1 million of investments, 180.5 million is the endowment;  
Of the 180.509 million, 141.986 million is unrestricted – can be used at the discretion of the Board



# The Endowment Over Time

## The Endowment Covers Only 2% of Total Emerson Expenses

Source: Audited Financial Statements

In millions	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Endowment, Start	48.8	105.8	119.0	117.1	127.9	146.2	149.2	144.2	161.1	171.6
Investment returns	4.5	13.5	(0.9)	12.3	19.2	(0.2)	(3.7)	16.9	12.2	10.3
Contributions/Transfers	54.2	1.9	1.5	1.4	2.2	7.0	2.5	4.0	2.6	3.2
Allocation for expenditures	(1.8)	(2.2)	(2.6)	(2.8)	(3.2)	(3.8)	(3.9)	(4.1)	(4.231)	(4.595)
Endowment, End	105.8	119.0	117.0	127.9	146.2	149.2	144.2	161.1	171.6	180.5
Endowment spending for operations	1.8	2.2	2.6	2.8	3.2	3.8	3.9	4.1	4.2	4.6
total operating expenses	111.4	135.7	138.0	145.4	156.4	169.1	170.8	183.0	199.1	209.2
% of operating expenses covered by endowment	1.6%	1.6%	1.9%	1.9%	2.1%	2.3%	2.3%	2.2%	2.1%	2.2%

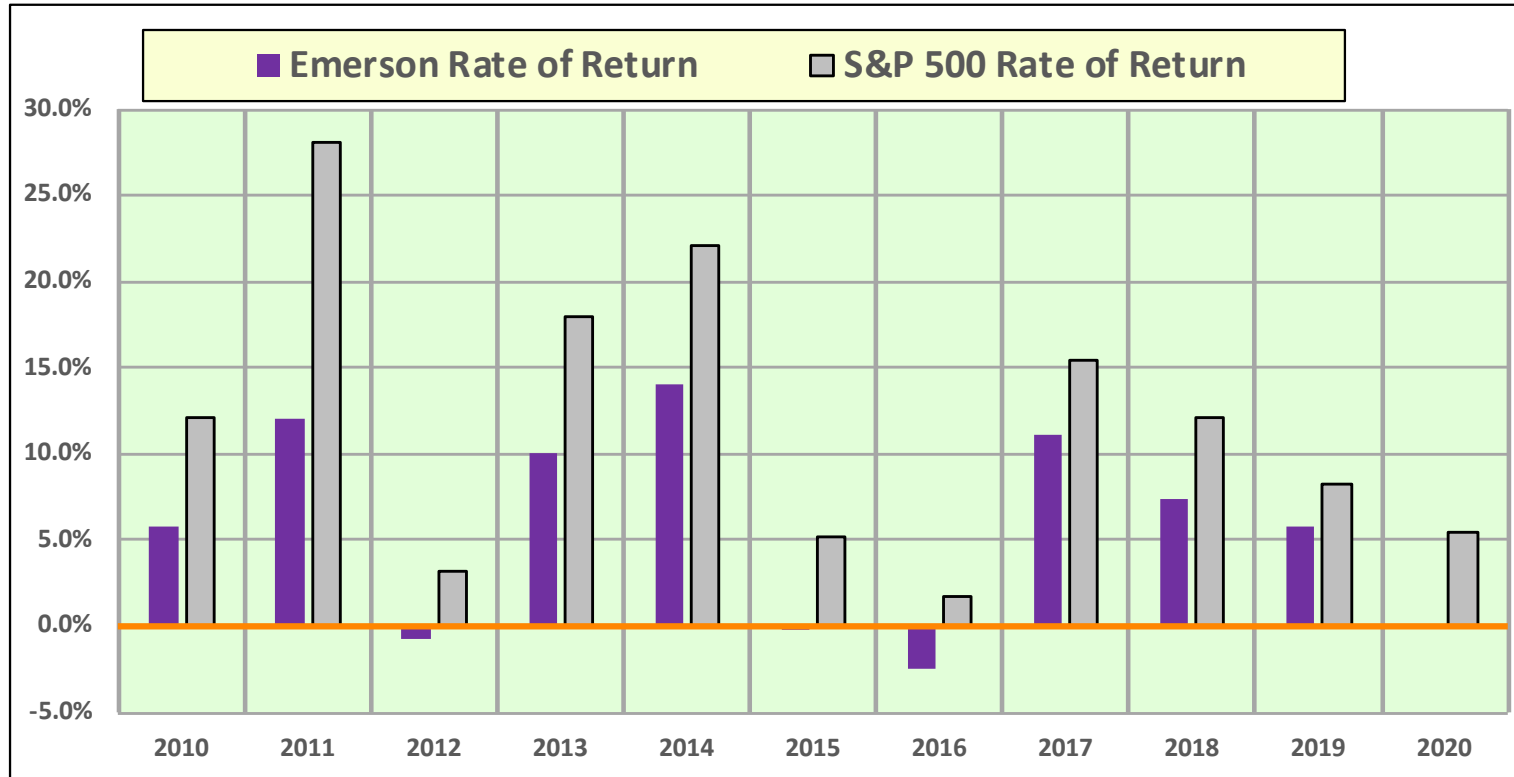
### Spending policy per audited statements:

Under the College's current long-term investment spending policy, which is within the guidelines specified under state law, the College generally spends up to 3% of the average market value of the qualifying endowment investment pool at the end of the previous five calendar years.

The Board of Trustees may authorize higher amounts for certain endowments and can increase the spending rate up to 5%. The total amount spent was \$4,595 and \$4,231 June 30, 2019 and 2018, respectively.

# Emerson Endowment Returns vs. the S&P 500 Returns

Source: Audited financial statements and finance.yahoo.com for S&P returns



The 2020 S&P return is from 6/30/2019 to 6/30/2020 and was **POSITIVE 5.4%**; Any claim by any admin about the market decline is without merit!

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Emerson Rate of Return	5.8%	12.0%	-0.7%	10.0%	14.0%	-0.1%	-2.5%	11.1%	7.3%	5.8%	??
S&P 500 Rate of Return	12.1%	28.1%	3.1%	17.9%	22.0%	5.2%	1.7%	15.5%	12.2%	8.2%	5.4%

# Specifics: Effects of the 2020 Stock Market Decline on Emerson:

## Result: Any stock market decline will have a negligible effect on Emerson

Emerson spends 3.5% of a rolling 5-year average of the endowment to support operations;  
Below is what will happen under four different scenarios for the return on the endowment:

- 0.0%;
- -2.7%
- -10.0 and -20.0%

Scenario for the Endowment Return	5-Year Average of Endowment	Endowment Spending: 3.5% of 5-Year Average	Dollar Difference with 0%;	Dollar Difference as % of \$209 Million in Expenses
0.0%	167.6	5.866		
-2.7%	166.6	5.832	(34,118)	-0.02%
-10.0%	164.0	5.739	(126,363)	-0.06%
-20.0%	160.4	5.613	(252,727)	-0.12%

- If the market goes down 2.7%, this will cost Emerson less than \$35,000;
- Even a 20% decline in the market will be less than 2/10<sup>th</sup> of 1%
- This will just not matter

# Determination of Reserves:

## 2 Alternatives: Take out PPE or use unrestricted endowment;

### We use the more conservative unrestricted endowment

Source: Audited financial statements

In Millions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Permanently Restricted	17.0	17.2	17.7	19.7	19.7	21.3	22.4	23.7	25.4	25.9	29.6	no
Temporarily Restricted	10.4	5.9	4.9	6.7	6.2	7.4	10.0	8.1	5.4	8.5	9.1	longer
Unrestricted	283.2	286.4	308.2	322.6	329.8	349.2	372.8	377.9	384.9	406.3	393.0	reported
With Donor Restrictions											38.5	43.1
Without Donor Restrictions											393.2	398.7
Total Net Assets	310.6	309.4	330.9	348.9	355.7	377.9	405.2	409.7	415.7	440.8	431.7	441.8
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
PPE	319.4	399.0	435.9	432.5	434.2	466.8	494.2	488.2	507.6	569.1	650.1	763.4
Debt	114.1	108.6	213.5	207.3	256.5	250.0	243.5	317.5	312.0	524.9	555.3	542.1
PPE Less Debt	205.3	290.4	222.4	225.2	177.6	216.8	250.8	170.7	195.6	44.2	94.8	221.3
Unrestricted	283.2	286.4	308.2	322.6	329.8	349.2	372.8	377.9	384.9	406.3	393.2	398.7
Unrestricted with this method	77.9	(4.0)	85.8	97.4	152.1	132.4	122.1	207.2	189.3	362.2	298.4	177.4
Unrestricted endowment	36.9	29.6	85.5	96.3	94.4	103.6	117.5	120.2	116.5	128.0	137.3	142.0

## Definition of unrestricted per the audited statements

- 2018: Unrestricted net assets - are net assets not subject to donor-imposed stipulations, which the College may use at its discretion.
- 2019 and, Why we use the unrestricted portion of the endowment:
- *“Although the College does not intend to spend from its board-designated endowment funds disclosed above other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.”*

# Cash Flow Analysis



# Bowling Green: Cash Flow Results

## (Cash Flow Margin = Net Cash Flows / Total Revenues)

Source: Audited financial statements

	2019
Tuition and Fees	159,275,025
State Appropriations	78,539,449
Auxiliaries	78,672,987
Pell Grants	27,487,635
Grants and Contracts	14,750,870
Other	7,574,078
Sales of Ed Depts.	3,693,425
Investment Income	6,393,057
<b>Total Cash Inflows</b>	<b>376,386,526</b>
Payments to Vendors	(100,610,475)
Payments to employees & benefits	(221,062,056)
Payments for scholarships	(16,930,807)
Interest Expense	(10,770,595)
<b>Total Cash Outflows</b>	<b>(349,373,933)</b>
<b>Net Cash Flows (Inflows - Outflows)</b>	<b>27,012,593</b>
<b>Cash Flow Margin</b>	<b>7.2%</b>

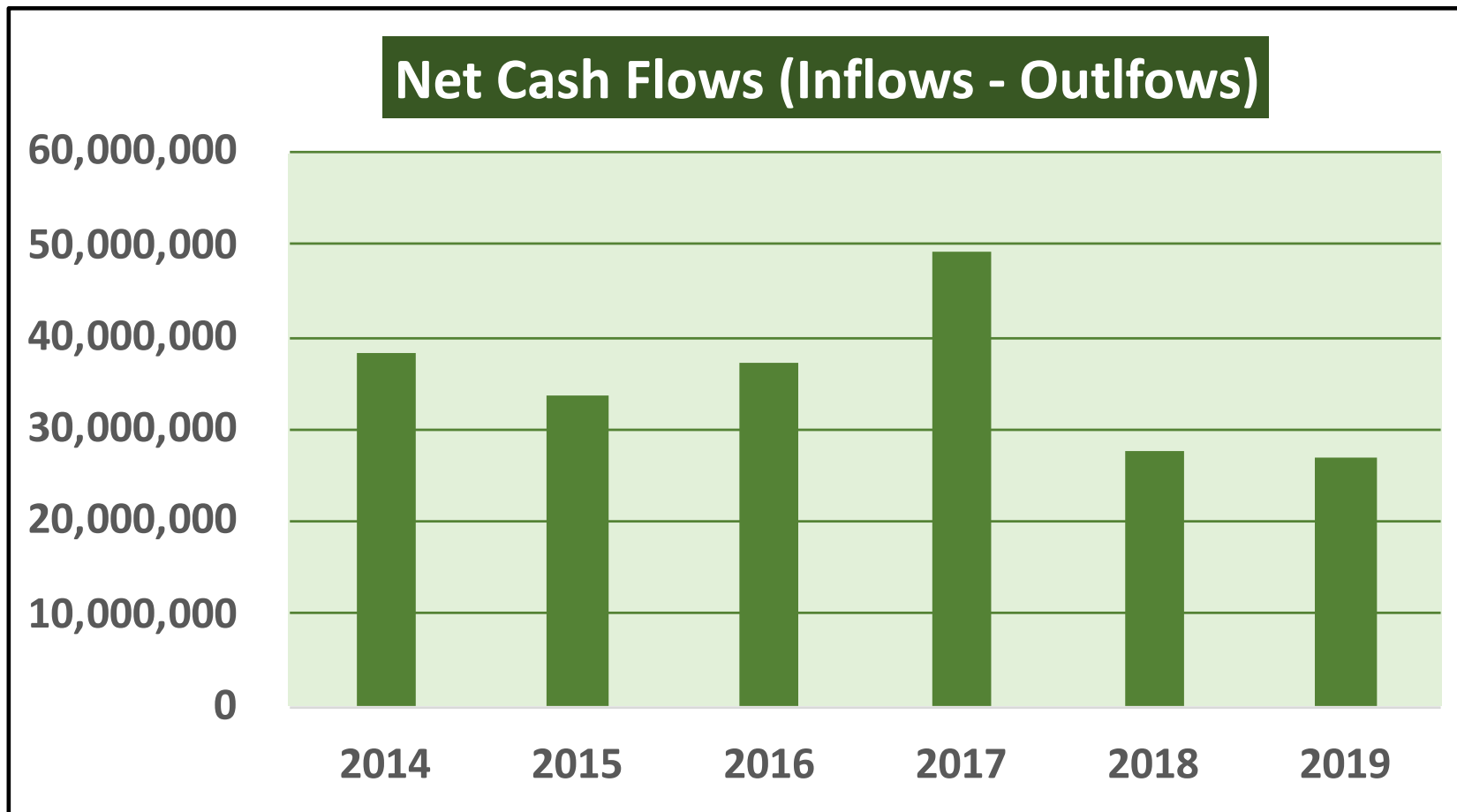
**Cash inflows do not include:**

- Proceeds from borrowing money
- State capital appropriations
- Capital grants

**Cash outflows do not include**

- Debt principle payments
- Payments for capital assets

**Cash Flows Graphically:**  
**BGSU is Generating Positive Excess Cash Flows Every Year**





# Three Different Constructs

## **Total Cash and Investments**

The value of the cash, stocks, bonds, money markets, checking accounts, savings accounts, etc. that BGSU has at the end of each period.

## **Net Cash Flows**

Every year, the total cash in less the total cash out;

Cash in = tuition, State SSI, grants, contracts, investment income

Cash out = paying employees, vendors, interest

Does not include non-operational items, such as cash in from borrowing, state capital appropriation, debt principle payments, payments for new capital items (buildings, cars)

## **Reserves**

Indicates that the administration has access to funds that this represents;

Some of the reserves can only be used for certain purposes (restricted expendable)

Most of the reserves for BGSU are unrestricted

The level of cash and investments suggests these reserves are liquid

# **Ratio Analysis and Bond Rating**

# Moody's Ratio Framework

- **Moody's created a new comprehensive framework to determine bond ratings in December 2017 and updated the framework in 2019. The goal is to analyze ratios that define the overall financial health of the institution.**
- **There are a total of 10 factors utilized, and they cover revenue, expense, reserves, cash flows, liquidity, and debt.**
- **This framework is much more comprehensive than the 4-factor Composite Financial Index relied on by many public and private university administrators**

# Moody's Scorecard

## For 2019, U-Arizona at Aa2/3

			UA is Aa2/3 in 2019						
		<b>Aaa</b>	<b>Aa</b>	<b>A</b>	<b>Baa</b>	<b>Ba</b>	<b>B</b>	<b>Caa</b>	<b>Ca</b>
<b>Factor 1: Market Profile (30%)</b>	<b>Sub-Weight</b>	<b>Exceptional</b>	<b>Excellent</b>	<b>Very Good</b>	<b>Good</b>	<b>Fair</b>	<b>Poor</b>	<b>Very Poor</b>	<b>Very Poor</b>
Operating Revenues (\$000)	15%	Greater than 2.7 Billion	400M to 2.7 Billion	75 Million to 400 Million	40 Million to 75 Million	30 Million to 40 Million	20 Million to 30 Million	8 Million to 20 Million	Less than 8 Million
Annual Change in Operating Revenue (%)	5%	> 8%	6% to 8%	4% to 6%	2% to 4%	0% to 2%	-6% to 0%	-6% to -11%	< -11%
Strategic Positioning	10%	Exceptional							
<b>Factor 2; Operating Performance (25%)</b>									
Operating Cash Flow Margin (%)	10%	> 20%	11% to 20%	4.5% to 11%	1% to 4.5%	-2% to 1%	-3.5% to -2%	-5% to -3.5%	<-5%
Revenue diversity (max single contribution %)	15%	< 35%	35% to 50%	50% to 69%	69% to 79%	79% to 87%	87% to 93%	93% to 97%	> 97%
<b>Factor 3: Wealth and Liquidity (25%)</b>									
Total Cash and Investments	10%	> 2.5 billion	100 million to 2.5 billion	25 million to 100 million	10 million to 25 million	2.3 million to 10 million	900k to 2.3 million	350k to 900k	< 350k
Reserves to Operating Expenses (%)	10%	> 100%	50% to 100%	15% to 50%	5% to 15%	4.4% to 5%	3.8% to 4.4%	3.2% to 3.8%	< 3.2%
Monthly Days Cash on Hand	5%	> 260	140 to 260	50 to 140	25 to 50	14 to 25	8 to 14	6 to 8	< 6
<b>Factor 4: Leverage (20%)</b>									
Reserves to Debt (%) (high is better)	10%	> 300%	75% to 300%	20% to 75%	12% to 20%	6% to 12%	3.5% to 6%	2.1% to 3.5%	<2.1%
Debt-to-Cash Flow (x) (low is better)	10%	< 4	4 to 10	10 to 16	16 to 22	22 to 34	34 to 46	46 to 58	> 52 > 58

# Process: Ratios Mapping into Ratio Scores and Bond Ratings

UA gets a score for each of the 10 variables, based on the level of the ratio; the scores are then compiled; For 2014 to 2019 UA has been at A1, Aa2 or Aa3

Aaa	1
Aaa	3
Aaa	6
Baa	9
Baa	12
Baa	15
Caa	18
Caa	20

Scorecard Outcome	Score (Low is better)
Aaa	Less than 1.5
Aa1	1.5 to 2.5
Aa2	2.5 to 3.5
Aa3	3.5 to 4.5
A1	4.5 to 5.5
A2	5.5 to 6.5
A3	6.5 to 7.5
Baa1	7.5 to 8.5
Baa2	8.5 to 9.5
Baa3	9.5 to 10.5
Ba1	10.5 to 11.5
Ba2	11.5 to 12.5
Ba3	12.5 to 13.5
B1	13.5 to 14.5
B2	14.5 to 15.5
B3	15.5 to 16.5
Caa1	16.5 to 17.5
Caa2	17.5 to 18.5
Caa3	18.5 to 19.5
Ca	More than 19.5

# UA Moody's 10-Ratio Factor Details

Amounts in thousands

Factor 1:	2014	2015	2016	2017	2018	2019	2014	2015	2016	2017	2018	2019
Operating Revenues	Aa	Aa	Aa	Aa	Aa	Aa	1,737,238	2,151,773	2,071,895	2,020,428	2,034,481	2,046,132
Change in Operating Revenue	Ba	Aaa	B	B	Ba	Ba	1.3%	23.9%	-3.7%	-2.5%	0.7%	0.6%
Strategic Reporting	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Top	Top	Top	Top	Top	Top
Factor 2:												
Cash Flow Margin	A	Aaa	Aa	Aa	A	Baa	9.1%	23.1%	16.9%	13.3%	7.0%	2.4%
Tuition + Aux Revenue							685,279	751,598	818,376	867,640	863,697	860,427
Total Revenue - Pell Grants							1,737,238	2,151,773	2,071,895	2,020,428	2,034,481	2,046,132
Revenue Diversity	Aa	Aa	Aa	Aa	Aa	Aa	39.4%	34.9%	39.5%	42.9%	42.5%	42.1%
Factor 3:												
Cash and Investments	Aa	Aa	Aa	Aa	Aa	Aa	737,087	1,308,835	1,359,444	1,577,397	1,561,375	1,445,284
Primary Reserve Ratio	A	Aa	Aa	Aa	Aa	A	30%	51%	51%	57%	52%	48%
Monthly Days Cash on Hand	Aa	Aa	Aa	Aa	Aa	Aa	146	173	202	229	214	192
Factor 4:												
Viability Ratio	A	A	A	A	A	A	41%	63%	69%	71%	68%	64%
Debt							1,259,686	1,478,536	1,419,747	1,548,735	1,600,963	1,621,014
Cash Flows							158,682	497,681	350,388	269,222	143,219	49,753
Debt-to-Cash Flow	Aa	Aaa	Aa	Aa	A	Ba	7.9	3.0	4.1	5.8	11.2	32.6

## UA Ratio Scores, 2016 to 2019

### Low is Better

	2014	2015	2016	2017	2018	2019	Weight	2014	2015	2016	2017	2018	2019
Operating Revenues	3	3	3	3	3	3	15%	0.45	0.45	0.45	0.45	0.45	0.45
Change in Revenues	12	1	15	15	12	12	5%	0.60	0.05	0.75	0.75	0.60	0.60
Strategic Positioning	1	1	1	1	1	1	10%	0.10	0.10	0.10	0.10	0.10	0.10
Cash Flow Margin	6	1	3	3	6	9	10%	0.60	0.10	0.30	0.30	0.60	0.90
Revenue Diversity	3	3	3	3	3	3	15%	0.45	0.45	0.45	0.45	0.45	0.45
Cash and Investments	3	3	3	3	3	3	10%	0.30	0.30	0.30	0.30	0.30	0.30
Primary Reserve	6	3	3	3	3	6	10%	0.60	0.30	0.30	0.30	0.30	0.60
Cash on Hand	3	3	3	3	3	3	5%	0.15	0.15	0.15	0.15	0.15	0.15
Viability	6	6	6	6	6	6	10%	0.60	0.60	0.60	0.60	0.60	0.60
Debt-to-Cash Flow	6	3	3	3	6	12	10%	0.60	0.30	0.30	0.30	0.60	1.20
<b>Total Score</b>								<b>4.45</b>	<b>2.80</b>	<b>3.70</b>	<b>3.70</b>	<b>4.15</b>	<b>5.35</b>
<b>Total Score Maps to Bond Rating</b>								<b>A1</b>	<b>Aa2</b>	<b>Aa3</b>	<b>Aa3</b>	<b>Aa3</b>	<b>A1</b>

- The lower score in 2019 is driven by the lower cash flow ratios (cash flow margin and debt-to-cash flow), which were cited by both Moody's and S&P
- The actual bond rating is higher than the score indicates, but reading the bond summary, it is clear the UA administration convinced the bond raters that cash flow would improve

# Moody's Aa2/3 Rating, November 2019

Source: <https://www.moodys.com/credit-ratings/University-of-Arizona-AZ-credit-rating-600023946>

## Past Ratings:

A1 in 2015

Aa3 in 2017

Aa2 in 2016

Aa2 in 2018

## Strengths:

- Flagship and land-grant institution,
- Important position in the provision of medical education for the State of Arizona
- Excellent strategic positioning
- \$2.1 billion scope of operations,
- solid student demand,
- improved fund-raising traction,
- Sizable, growing sponsored research profile.

## Challenges:

- Softening of operating cash flow margins due to investments in student financial aid to build a stronger student quality profile.
- Elevated financial aid for fiscal years 2018-2020 is being funded by earmarked reserves
- High financial leverage is tempered by state support for roughly 30% of debt service, which is additionally favorable given historically weak state operating and direct capital support.



## **Standard & Poor's AA- Rating: December 2019**

Source: [https://www.standardandpoors.com/en\\_US/web/guest/article/-/view/type/HTML/id/2351191](https://www.standardandpoors.com/en_US/web/guest/article/-/view/type/HTML/id/2351191)

### **Strengths:**

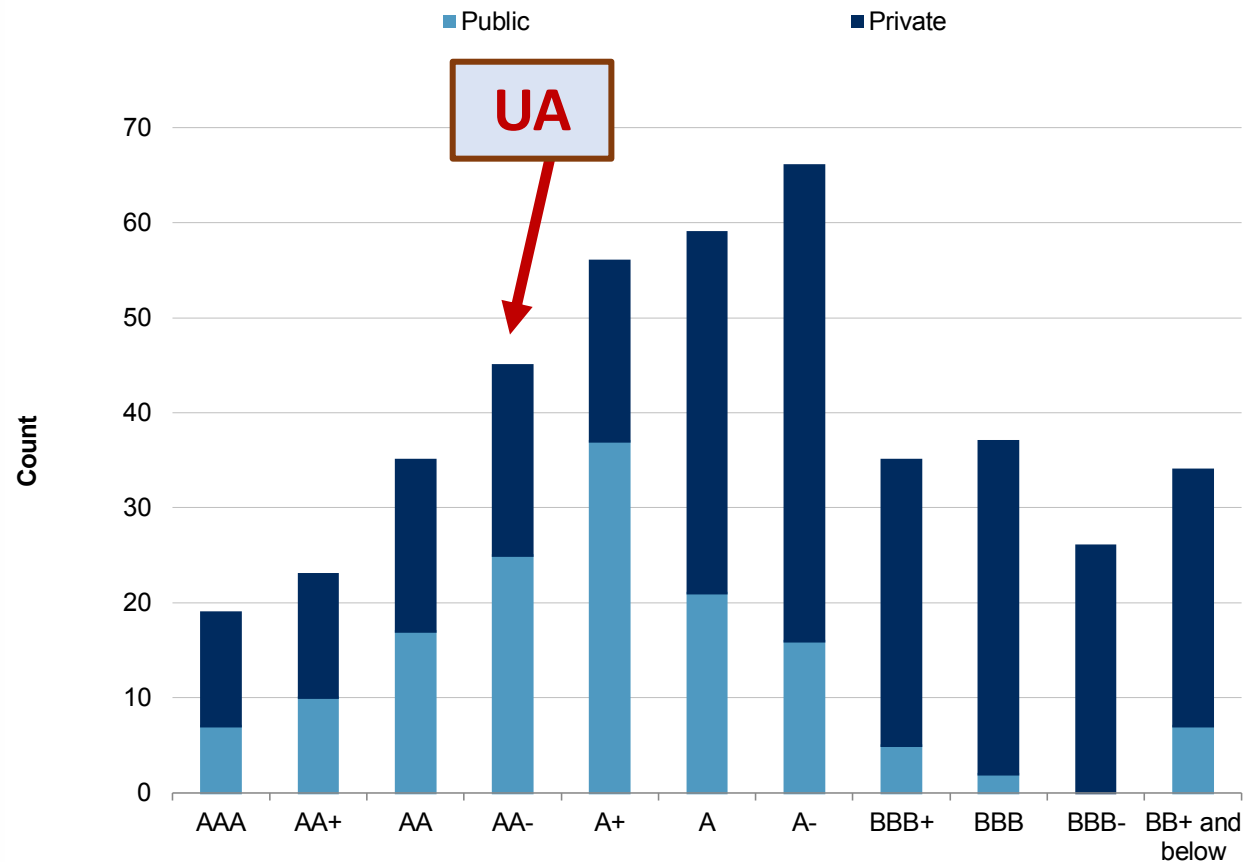
- **Flagship research institution**
- **Stable enrollment**
- **Solid state support for debt service**
- **Good revenue diversity**
- **Positive cash operations**

### **Challenges:**

- **The university's continued low financial resource ratios compared with those of its peer institutions**
- **Above-average pro forma maximum annual debt service burden.**

# Standard and Poor's 2019 Rating Distribution and Bond ratings of Peer Institutions (Peers per UA Administration)

Higher Education 2019 Rating Distribution



	Moody's	S&P
Texas A&M University	Aaa	AAA
UT Austin	Aaa	AAA
UNC Chapel Hill	Aaa	AAA
UW	Aaa	AA+
Ohio State	Aa1	AA
Penn State	Aa1	AA
Maryland	Aa1	AA+
Iowa	Aa1	AA-
Minnesota	Aa2	AA
Mich State	Aa2	AA
Arizona	Aa2	AA-
UC Davis	Aa2	AA-
UCLA	Aa2	AA-
Florida	Aa2	no rating
UIUC	A1	A-
University of Wisconsin,	no rating	no rating

# Where Emerson Stands with the 10 Ratios, 2019 and 2018

Actual Rating is Baa2 (BBB+ for S&P, which is like Baa1)

**Good: Reserves and Cash Flows; Downside is Debt Level**

					Emerson 2019	Emerson 2018			
Factor 1: Market Profile (30%)	Sub-Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
		Exceptional	Excellent	Very Good	Good	Fair	Poor	Very Poor	Very Poor
Operating Revenues (\$000)	15%	Greater than 2.7 Billion	400M to 2.7 Billion	75 Million to 400 Million	40 Million to 75 Million	30 Million to 40 Million	20 Million to 30 Million	8 Million to 20 Million	Less than 8 Million
Annual Change in Operating Revenue (%)	5%	> 8%	6% to 8%	4% to 6%	2% to 4%	0% to 2%	-6% to 0%	-6% to -11%	< -11%
Strategic Positioning	10%				Good				
Factor 2: Operating Performance (25%)									
Operating Cash Flow Margin (%)	10%	> 20%	15% to 20%	9% to 15%	4.5% to 9%	1% to 4.5	-2% to 1%	-2% to -4%	< -4%
Revenue diversity (max single contribution %)	15%	< 35%	35% to 50%	50% to 69%	69% to 79%	79% to 87%	87% to 93%	93% to 97%	> 97%
Factor 3: Wealth and Liquidity (25%)									
Total Cash and Investments (\$000)	10%	> 5 billion	500 million to 5 billion	200 million to 500 million	40 million to 200 million	25 million to 40 million	19 million to 25 million	10 million to 19 million	< 10 billion
Reserves to Operating Expenses (%)	10%	> 100%	50% to 100%	15% to 50%	5% to 15%	4.4% to 5%	3.8% to 4.4%	3.2% to 3.8%	< 3.2%
Monthly Days Cash on Hand	5%	> 260	140 to 260	50 to 140	25 to 50	14 to 25	8 to 14	6 to 8	< 6
Factor 4: Leverage (20%)									
Reserves to Debt (%) (high is better)	10%	> 600%	200% to 600%	80% to 200%	40% to 80%	18% to 40%	10% to 18%	4% to 10%	< 4%
Debt-to-Cash Flow (x) (low is better)	10%	< 3	3 to 6	6 to 10	10 to 20	20 to 31	31 to 40	40 to 52	> 52

# Process: Ratios Mapping into Ratio Scores and Bond Ratings

Emerson gets a score for each of the 10 variables, based on the level of the ratio; the scores are then compiled

Aaa	1
Aaa	3
Aaa	6
Baa	9
Baa	12
Baa	15
Caa	18
Caa	20

Scorecard Outcome	Score (Low is better)
Aaa	Less than 1.5
Aa1	1.5 to 2.5
Aa2	2.5 to 3.5
Aa3	3.5 to 4.5
A1	4.5 to 5.5
A2	5.5 to 6.5
A3	6.5 to 7.5
Baa1	7.5 to 8.5
Baa2	8.5 to 9.5
Baa3	9.5 to 10.5
Ba1	10.5 to 11.5
Ba2	11.5 to 12.5
Ba3	12.5 to 13.5
B1	13.5 to 14.5
B2	14.5 to 15.5
B3	15.5 to 16.5
Caa1	16.5 to 17.5
Caa2	17.5 to 18.5
Caa3	18.5 to 19.5
Ca	More than 19.5

# Emerson Ratio Details, 2019

## Low is Better: Reserves a strength; debt a weakness

<b>Factor 1:</b>		<b># Score</b>	<b>Letter Grade</b>
Operating Revenues	205.4	6	A
Change in Operating Revenue	5.6%	6	A
Strategic Positioning	Good	6	A
<b>Factor 2:</b>			
Operating Cash Flows	21.0		
Total Revenues	215.2		
Cash Flow Margin	9.7%	6	A
Tuition + Fees + Auxiliaries	190.3		
Total Revenue	205.4		
Revenue Diversity	92.6%	15	B
<b>Factor 3:</b>			
Cash and Investments	250.5	6	A
Reserves	142.0		
Operating Expenses	209.2		
Primary Reserve Ratio	68%	3	Aa
Cash * 365	25,345		
Total Expenses	209.2		
Monthly Days Cash on Hand	121	6	A
<b>Factor 4:</b>			
Reserves	142.0		
Debt	542.1		
Viability Ratio	26%	12	Ba
Debt	542.1		
Cash Flows	21.0		
Debt-to-Cash Flow	25.9	12	Ba

2019	Score	Weight	Result
Operating Revenues	6	15%	0.90
Change in Revenues	6	5%	0.30
Strategic Positioning	6	10%	0.60
Cash Flow Margin	6	10%	0.60
Revenue Diversity	15	15%	2.25
Cash and Investments	6	10%	0.60
Primary Reserve	3	10%	0.30
Cash on Hand	6	5%	0.30
Viability	12	10%	1.20
Debt-to-Cash Flow	12	10%	1.20
<b>TOTAL</b>		<b>100%</b>	<b>8.25</b>

# Summary of Adelphi Bond Rating

## STRENGTHS

- Very Solid Balance Sheet
- strong reserves
- low debt level
- Positive operating margins

## CHALLENGES

- Very heavy reliance on tuition
- Endowment not supporting a large percentage of operations
- Uneven cash flow performance

**Solid A- bond rating reflects that Adelphi was in a good financial position as the university faces this pandemic**

# **Estimating Revenue reductions from the pandemic; Comparing Estimated Losses to Reserves**

## **Know Everything About Enrollment:**

- **Levels and Changes**
- **Tuition price**
- **Discount rate**

# U-Arizona Headcount Enrollment

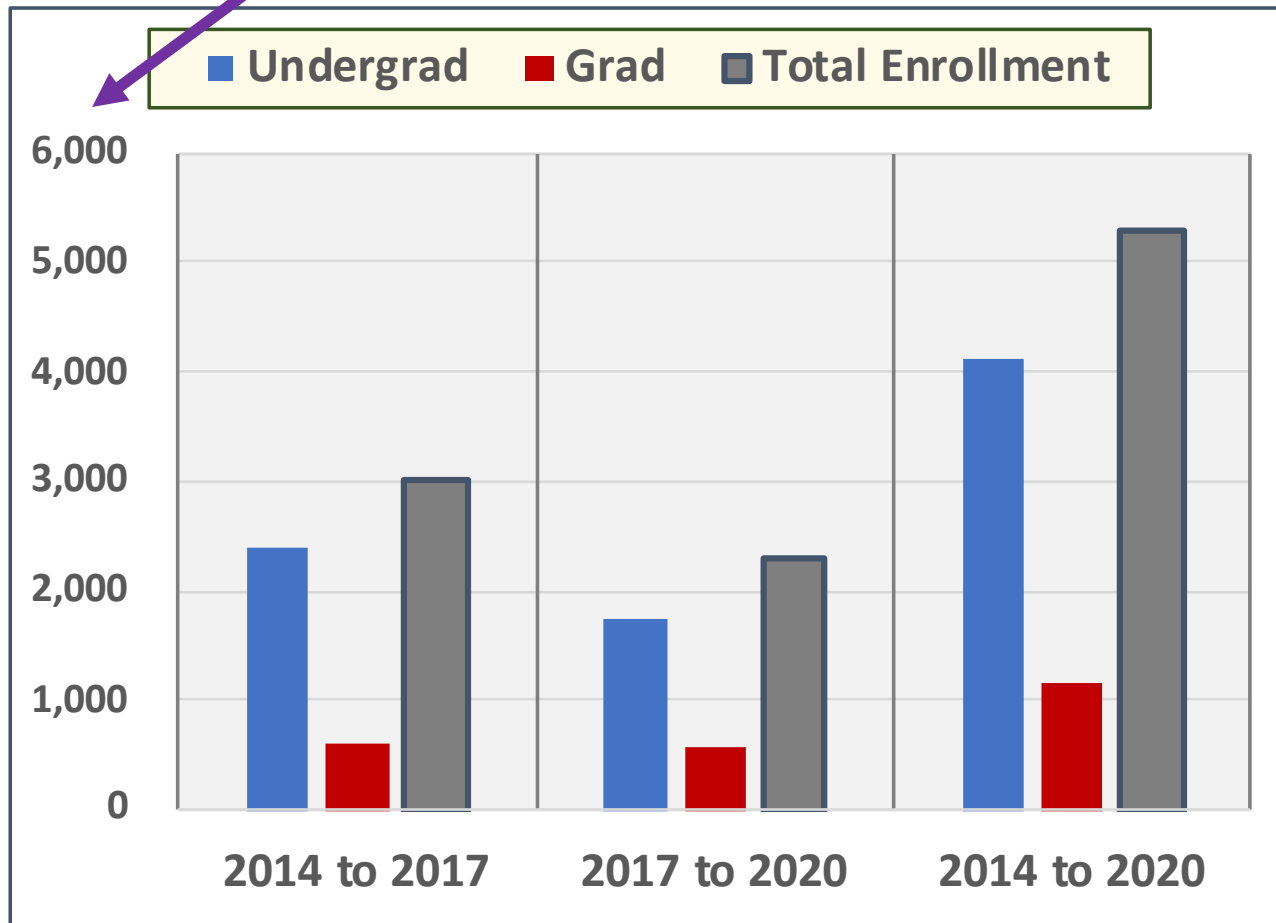
Source: <https://uair.arizona.edu/content/enrollment>

	2014	2015	2016	2017	2018	2019	2020
Undergrad	31,670	32,987	33,732	34,072	35,123	35,233	35,801
Grad	8,951	9,249	9,356	9,553	9,708	9,984	10,117
Total Enrollment	40,621	42,236	43,088	43,625	44,831	45,217	45,918
Number Changes	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	
Undergrad	1,317	745	340	1,051	110	568	
Grad	298	107	197	155	276	133	
Total Enrollment	1,615	852	537	1,206	386	701	
Percentage Changes	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	
Undergrad	4.2%	2.3%	1.0%	3.1%	0.3%	1.6%	
Grad	3.3%	1.2%	2.1%	1.6%	2.8%	1.3%	
Total Enrollment	4.0%	2.0%	1.2%	2.8%	0.9%	1.6%	



# U-Arizona: Long-Term Number and Percentage Changes in Enrollment

Source: <https://uair.arizona.edu/content/enrollment>



Number Changes	2014 to 2017	2017 to 2020	2014 to 2020
Undergrad	2,402	1,729	4,131
Grad	602	564	1,166
Total Enrollment	3,004	2,293	5,297
Percentage Changes	2014 to 2017	2017 to 2020	2014 to 2020
Undergrad	7.6%	5.2%	12.2%
Grad	6.7%	6.1%	12.5%
Total Enrollment	7.4%	5.4%	12.3%

# U-Arizona Enrollment by Campus

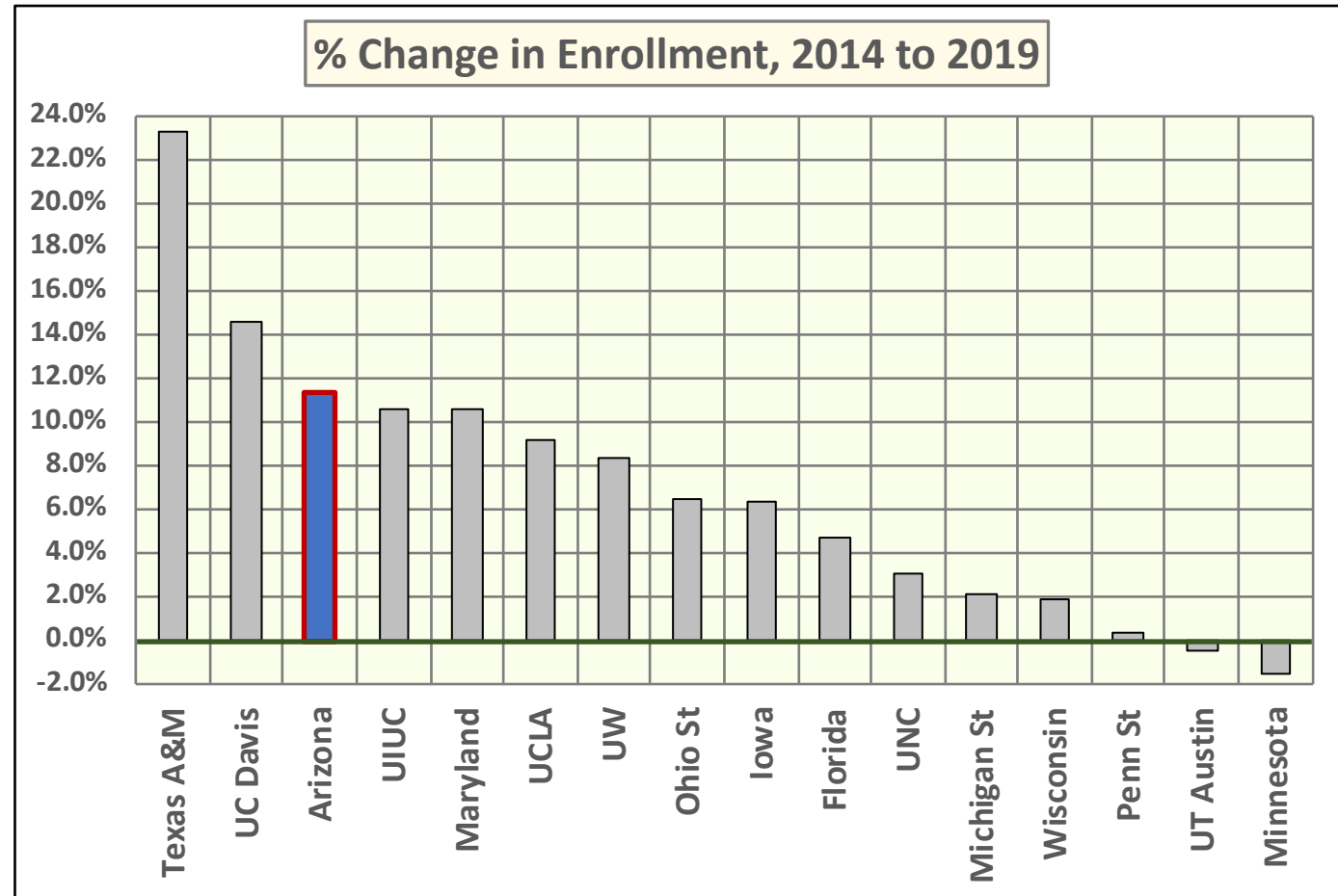
Source: <https://uair.arizona.edu/content/enrollment>

Headcount	2014	2015	2016	2017	2018	2019	2020	# Change 2014 to 2020
Main	40,360	41,919	42,179	40,431	39,752	39,268	38,623	(1,737)
Online	0	0	362	2,078	2,862	3,603	4,477	4,477
Distance	0	0	0	155	698	866	1,187	1,187
Phoenix	253	311	328	497	578	650	701	448
Community	0	0	0	0	476	401	519	519
South	8	6	219	464	465	429	411	403
Total	40,621	42,236	43,088	43,625	44,831	45,217	45,918	5,297
Percent of total	2014	2015	2016	2017	2018	2019	2020	
Main	99%	99%	98%	93%	89%	87%	84%	
Online	0%	0%	1%	5%	6%	8%	10%	
Distance	0%	0%	0%	0%	2%	2%	3%	
Phoenix	1%	1%	1%	1%	1%	1%	2%	
Community	0%	0%	0%	0%	1%	1%	1%	
South	0%	0%	1%	1%	1%	1%	1%	
Total	100%	100%	100%	100%	100%	100%	100%	

# UA Enrollment Growth from 2015 to 2019 vs. Peer Institutions

Source: IPEDS (Integrated Postsecondary Education Data System of the U.S. Dept. of Education)

Headcount	2014	2019	% Change
Texas A&M	55,697	68,679	23.3%
UC Davis	33,307	38,167	14.6%
Arizona	40,621	45,217	11.3%
UIUC	44,942	49,702	10.6%
Maryland	37,272	41,200	10.5%
UCLA	40,795	44,537	9.2%
UW	43,762	47,400	8.3%
Ohio St	57,466	61,170	6.4%
Iowa	29,748	31,656	6.4%
Florida	49,878	52,218	4.7%
UNC	29,127	30,011	3.0%
Michigan St	49,317	50,351	2.1%
Wisconsin	42,677	43,463	1.8%
Penn St	46,615	46,810	0.4%
UT Austin	52,059	51,832	-0.4%
Minnesota	51,526	50,734	-1.5%
Peer Mean	44,279	47,195	6.6%
UA vs. Mean	(3,658)	(1,978)	4.7%
UA Rank (of 16)	12	10	3



# BGSU Tuition and Fee Price

Sources: Common data set and <https://www.collegetuitioncompare.com> (2021)

	2014	2015	2016	2017	2018	2019	2020	2021
Tuition	\$9,096	\$9,096	\$9,096	\$9,096	\$9,096	\$9,096	\$9,278	
Fees	\$1,630	\$1,630	\$1,700	\$1,961	\$1,961	\$2,009	\$2,038	
Tuition and Fees	\$10,726	\$10,726	\$10,796	\$11,057	\$11,057	\$11,105	\$11,316	\$11,528
Room & Board	\$8,244	\$8,244	\$8,496	\$8,690	\$8,918	\$9,168	\$10,396	
Grand Total	\$18,970	\$18,970	\$19,292	\$19,747	\$19,975	\$20,273	\$21,712	
Percentage Changes	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	
Tuition and Fees	0.0%	0.7%	2.4%	0.0%	0.4%	1.9%	1.9%	
Room & Board	0.0%	3.1%	2.3%	2.6%	2.8%	13.4%		
Grand Total	0.0%	1.7%	2.4%	1.2%	1.5%	7.1%		

# BGSU Discount Rate

Source: Audited financial statements

	2014	2015	2016	2017	2018	2019
Tuition and Fees. Gross	211,177,776	205,981,519	215,776,853	219,999,373	218,792,389	220,759,038
Scholarship Allowances	60,844,395	59,267,958	61,706,782	61,853,835	63,567,490	63,371,332
Tuition and Fees, Net	150,333,381	146,713,561	154,070,071	158,145,538	155,224,899	157,387,706
Discount Rate	28.8%	28.8%	28.6%	28.1%	29.1%	28.7%

Tuition and Fees, Gross – Allowances = Tuition and Fees Net

Discount rate:

Numerator = Allowances

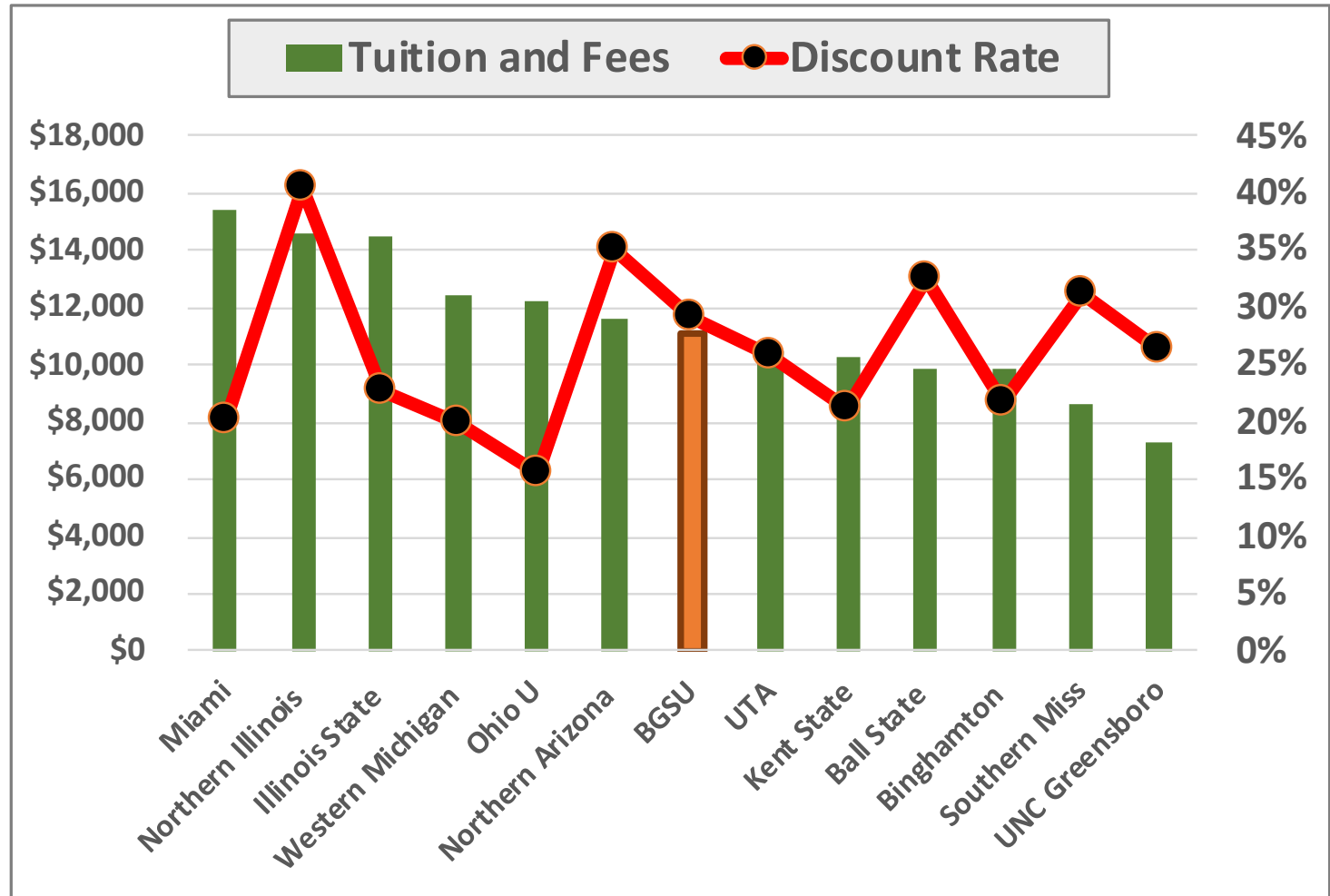
Denominator = Tuition and Fees, Gross

The administration will likely claim the rate is much higher,  
as they tend to report the rate only for first-year students

# BGSU: Tuition and Fee Price and Discount Rate of Peer Institutions

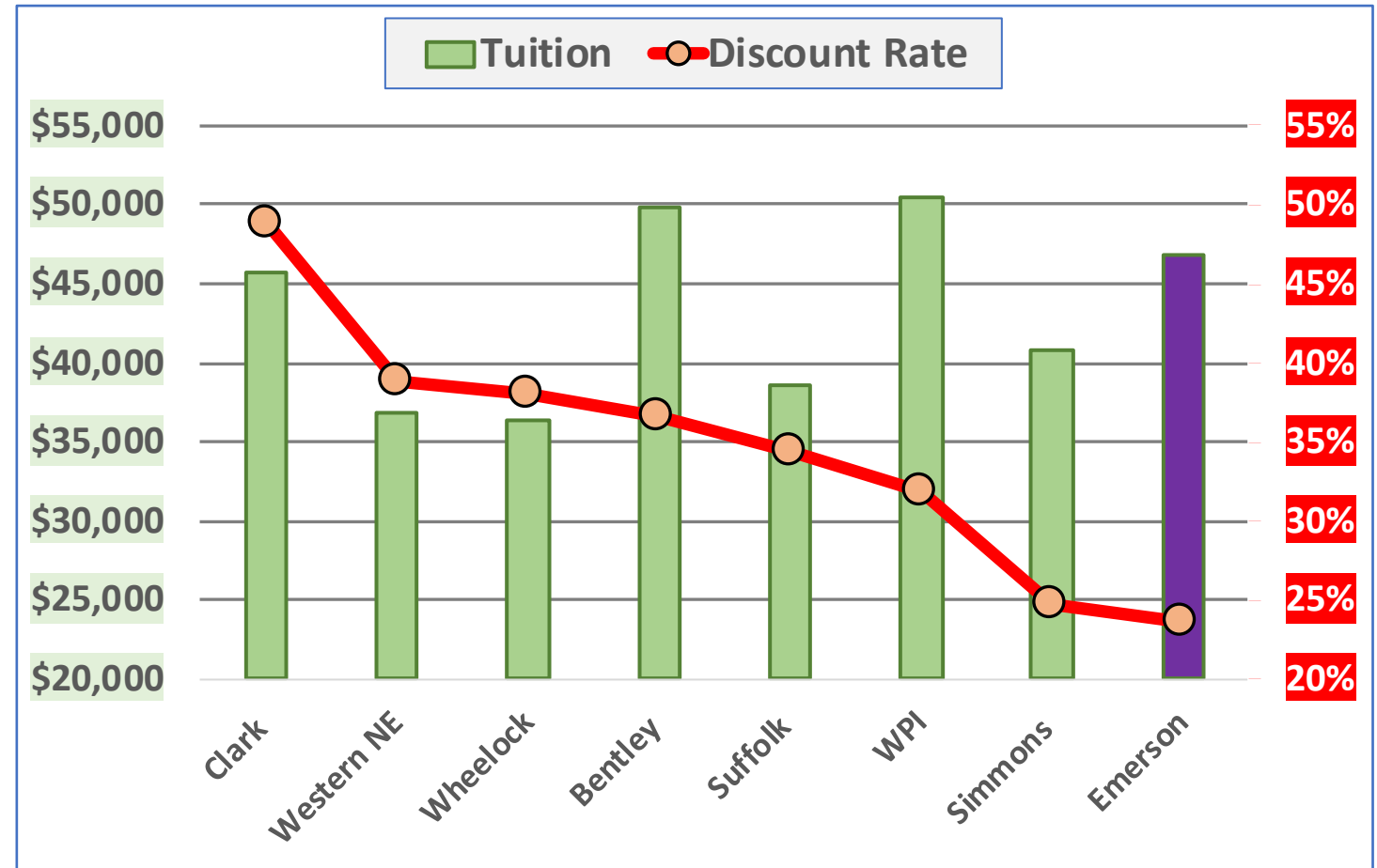
Source: IPEDS (Integrated Postsecondary Education Data System of the U.S. Dept. of Education); 2018 rate;  
2019 tuition and fees

Institution Name	Tuition and Fees	Discount Rate
Miami	\$15,380	20.1%
Northern Illinois	\$14,617	40.5%
Illinois State	\$14,516	22.7%
Western Michigan	\$12,483	20.0%
Ohio U	\$12,192	15.6%
Northern Arizona	\$11,564	35.1%
BGSU	\$11,105	29.1%
UTA	\$10,496	25.9%
Kent State	\$10,312	21.3%
Ball State	\$9,896	32.5%
Binghamton	\$9,853	21.7%
Southern Miss	\$8,624	31.1%
UNC Greensboro	\$7,331	26.4%
Peer Average	\$11,439	26.1%
<b>BGSU Rank (of 13)</b>	<b>7</b>	<b>5</b>



## Emerson: Discount Rates of Peer Institutions: 2018 per IPEDS

Institution Name	Discount Rate	Tuition
Clark	48.9%	\$45,730
Western NE	38.8%	\$36,804
Wheelock	38.0%	\$36,350
Bentley	36.6%	\$49,880
Suffolk	34.5%	\$38,566
WPI	31.9%	\$50,530
Simmons	24.8%	\$40,850
Emerson	23.6%	\$46,852
Peer Average	36.2%	\$42,673
Emerson vs. Avg.	-12.6%	\$4,179
Emerson rank (of 8)	8	3



## Moody's Report on Higher Education Tuition Revenue

### June 4, 2020

- Higher education enrollments could increase between 2 and 4 percent in fall 2020, according to a new report by Moody's Investors Service. The new forecast follows past enrollment trends during economic downturns and recessions.
- "The countercyclical nature of enrollment for both traditional-aged and older students typically yields gains when unemployment grows and students seek to broaden their skill set," a press release said.
- But even if enrollment increases, **net tuition revenue and other student revenue for the 2021 fiscal year will likely decline between 5 and 13 percent**, depending on student demand, affordability and the severity of the economic downturn, the report says.
- "Factors such as a potential new wave of the coronavirus and students deferring a year to get the full on-campus experience stand to curb the potential enrollment increases this fall," Dennis Gephardt, vice president at Moody's and lead author of the report, said in a statement.



## Fitch Report on Tuition

### June 9, 2020

- **Private Colleges Expected to Feel Enrollment Revenue Pinch More Than Publics**
- Fitch expects annual enrollment declines ranging from 5 percent to 20 percent for many colleges and universities this fall. Private colleges in competitive regions and those that are already experiencing weak demand are likely to be more affected than institutions that draw students from a wider geographic range and collect revenue from more types of sources.
- The ratings agency evaluated likely effects on revenue of enrollment declines of 5 percent, 10 percent and 20 percent. Most colleges and universities Fitch rates can absorb a 5 percent enrollment decline, it found.
- **An enrollment drop of 10 percent would mean a median estimated revenue decline of 4 percent, while a decline of 20 percent would mean a median revenue decline of 9 percent.**

## U-Arizona: Basis for the Estimated Tuition Revenue Declines in 2021

<b>Enrollment Estimates (includes privates)</b>	<b>Low Estimate</b>	<b>High Estimate</b>	
Moody's	2%	4%	
Fitch	-20%	-5%	
<b>Average</b>	<b>-9%</b>	<b>-1%</b>	
<b>Tuition Revenue Estimates</b>	<b>Low Estimate</b>	<b>High Estimate</b>	
Moody's	-13%	-5%	
Fitch	-9%	-4%	
<b>Average</b>	<b>-11%</b>	<b>-5%</b>	
<b>My Estimates</b>	<b>Worst Case</b>	<b>Most Likely</b>	<b>Best Case</b>
Enrollment Change	-9%	-5%	-1%
Tuition Revenue Change	-13%	-9%	-5%

# U-Arizona: Estimated 2021 Losses from Tuition and Fee Revenue

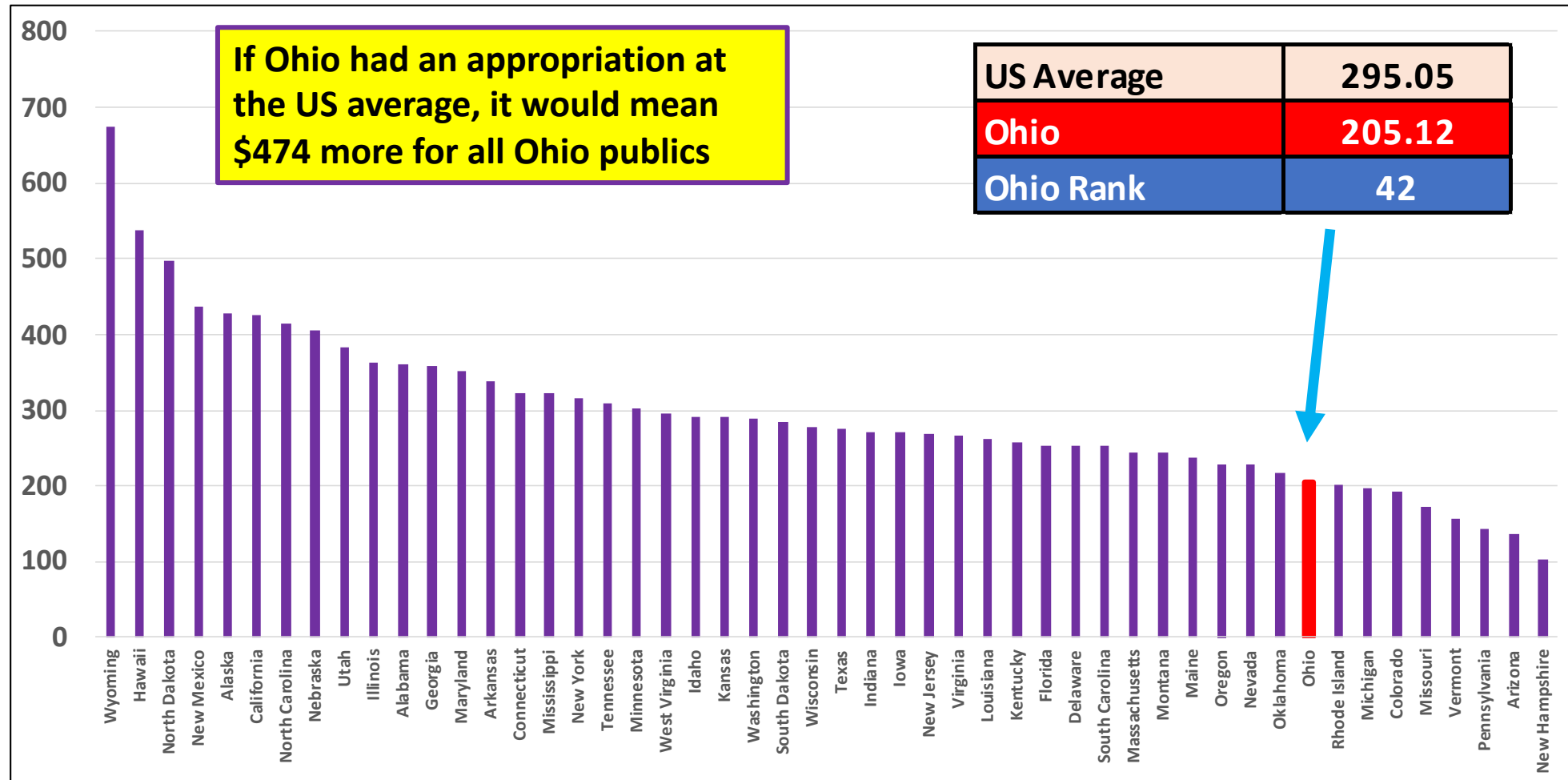
CARES Act Funding per <https://www.insidehighered.com/news/2020/04/10/listing-funds-each-college-can-expect-receive-under-federal-stimulus>

	Best Case	Most Likely	Worst Case	Admin Projection 5/3/2020
<b>Estimated % Loss in Tuition and Fee Revenue</b>	<b>-5%</b>	<b>-9%</b>	<b>-13%</b>	<b>-14.2%</b>
Estimated 2020 Tuition and Fee Revenue	650,000,000	650,000,000	650,000,000	650,000,000
Estimated 2021 Tuition and Fee Revenue Loss	(32,500,000)	(58,500,000)	(84,500,000)	(92,000,000)
CARES Act Mitigation:				
CARES Act grant	30,953,447	30,953,447	30,953,447	0
Only 1/2 can be used in general	15,476,724	15,476,724	15,476,724	0
<b>Net Tuition and Fee Loss 2021</b>	<b>(17,023,277)</b>	<b>(43,023,277)</b>	<b>(69,023,277)</b>	<b>(92,000,000)</b>

- The estimated percentage losses come from Moody's and Fitch's estimates
- The admin's estimated losses do not have a clear rationale
- The admin ignored the CARES Act, which is real money
- Arizona surveyed about half its 4,000 international students and determined that 89 percent of those who responded remain in the U.S., Inside Higher Education, May 26, 2020.
- Therefore, the admin's estimated losses of international revenue of \$33M is likely overstated

# 2020 State Appropriation per Capita

Source: Grapevine <https://education.illinoisstate.edu/grapevine/tables/>

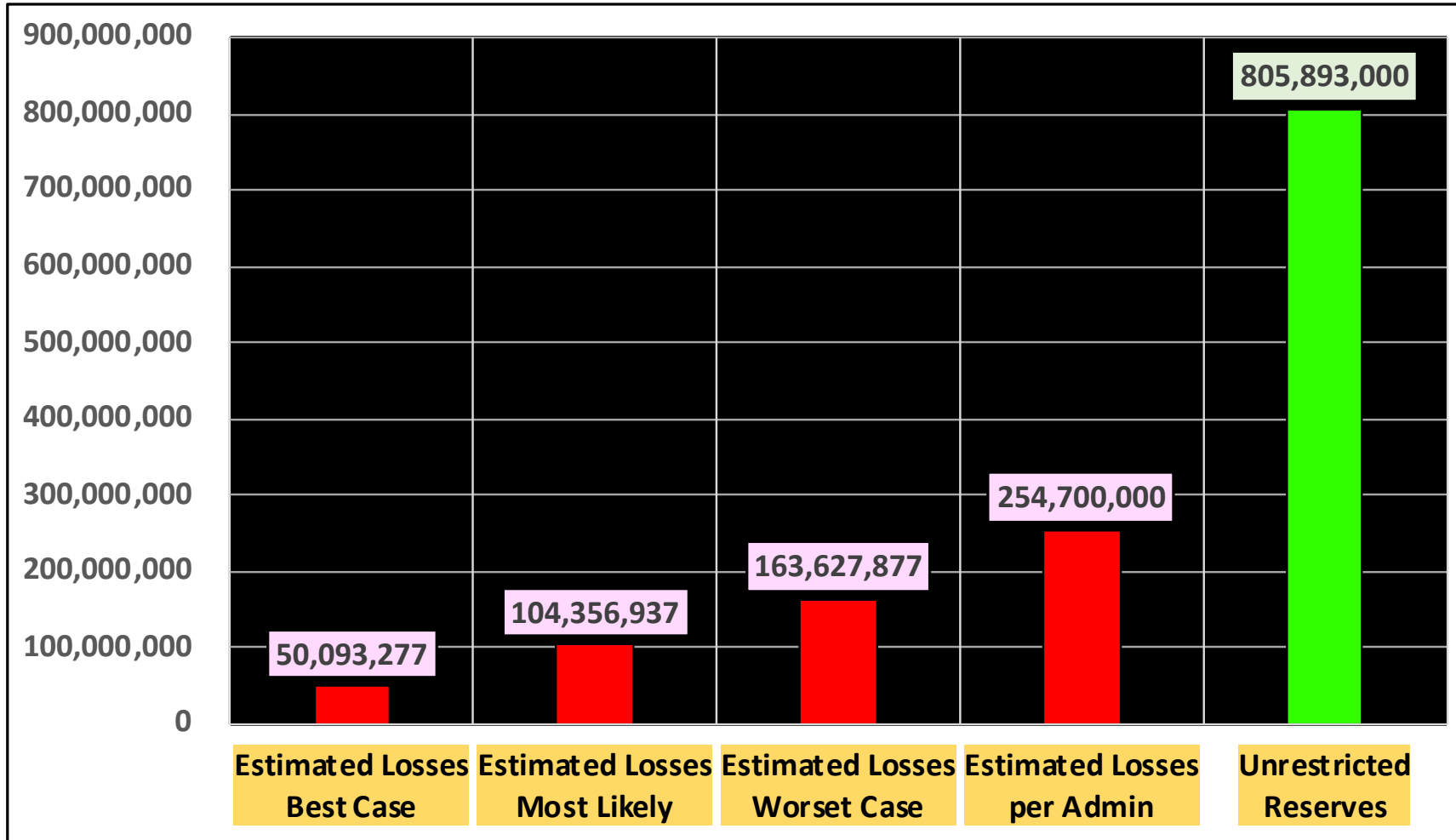


# Effects of the Coronavirus on the State of Ohio Tax Revenues for 2021

Source: Ohio Office of Budget and Management, Monthly Financial Report, June 10, 2020

In Millions	July 2019 Estimates	June 2020 Estimates	\$ Change	% Change
Sales Tax	11,181	9,712	(1,469)	-13.1%
Personal Income tax	9,187	8,527	(660)	-7.2%
Business Taxes	1,653	1,490	(163)	-9.9%
All Other Taxes	2,329	2,329	0	0.0%
Total Taxes	24,350	22,058	(2,292)	-9.4%

## U-Arizona Potential Losses in Context: Estimated Combined 2020 and 2021 Losses vs. Unrestricted Reserves



# Cleveland State: Reserves vs. Estimated Losses

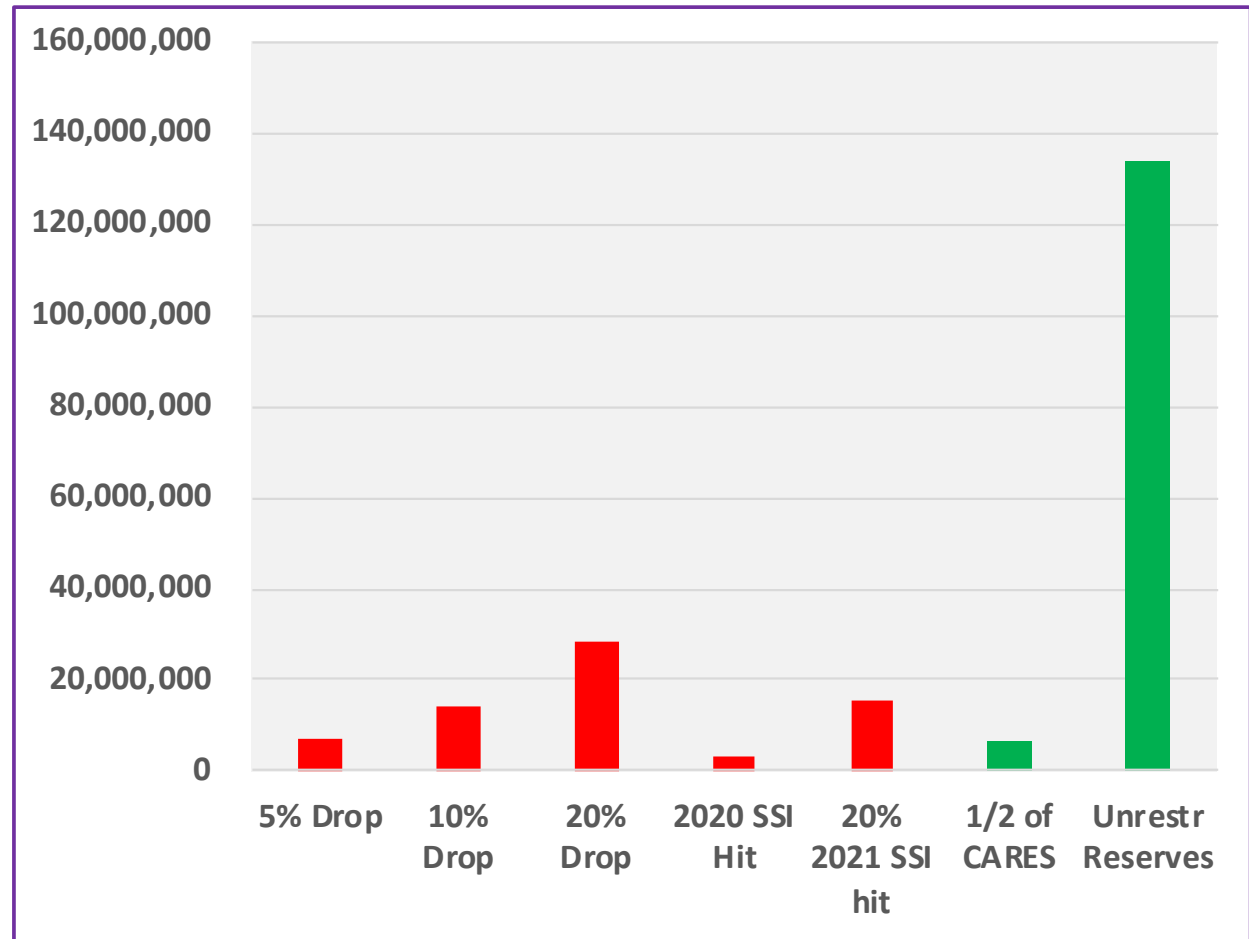
Source for CARES Act:

<https://www.insidehighered.com/news/2020/04/10/listing-funds-each-college-can-expect-receive-under-federal-stimulus>

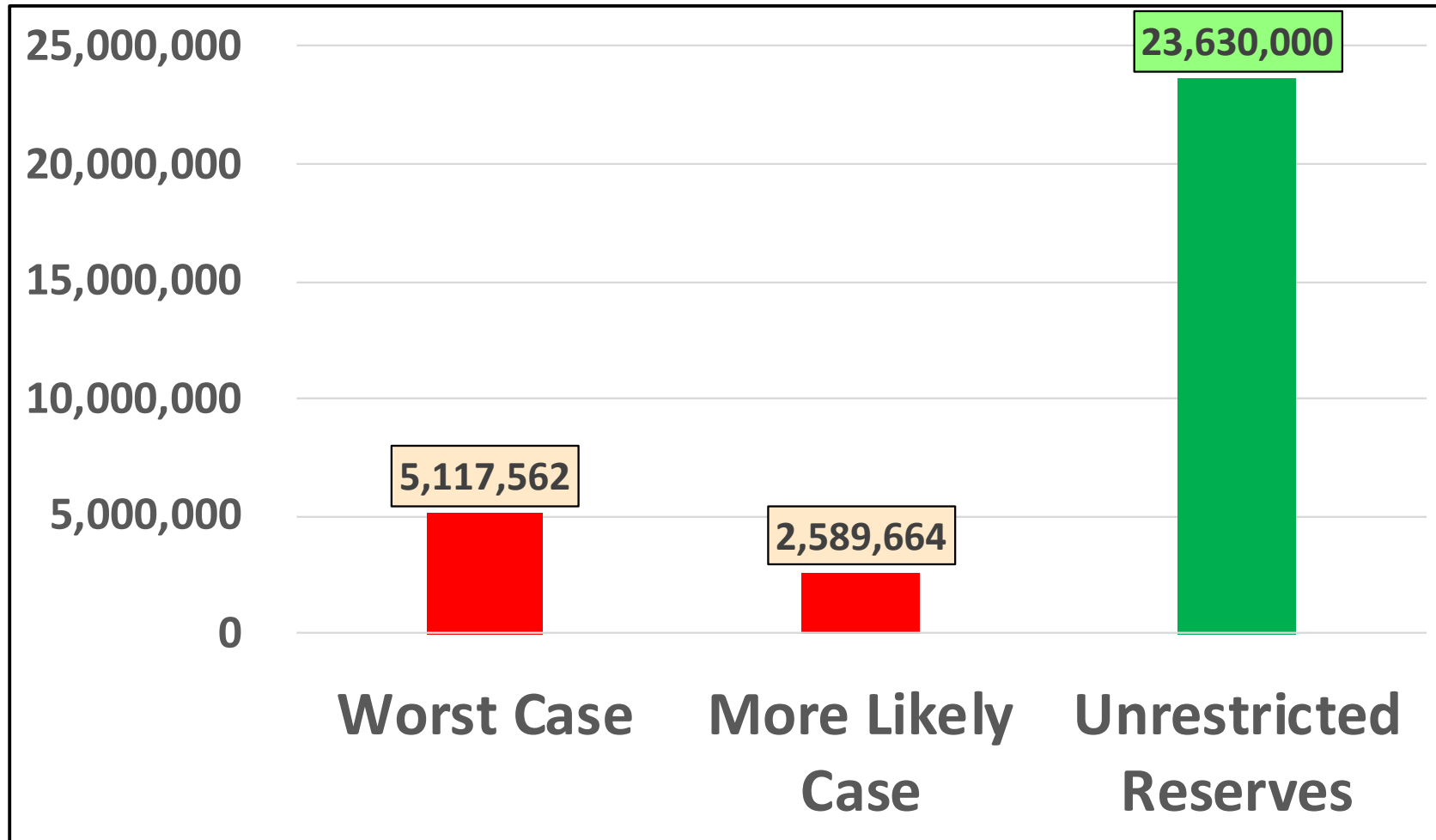
Potential Future Item	Estimatd \$\$ Effect
5% enrollment decline	7,143,155
10% enrollment decline	14,286,310
20% enrollment decline	28,572,619
2020 SSI Hit	3,015,894
20% 2021 SSI hit	15,519,463
CARES Act Money in	12,226,765
1/2 Totally Free	6,113,383
Unrestricted reserves at end of 2019	133,882,931

It has been reported that there could be a 20% hit to SSI in 2021

<https://www.cbpp.org>

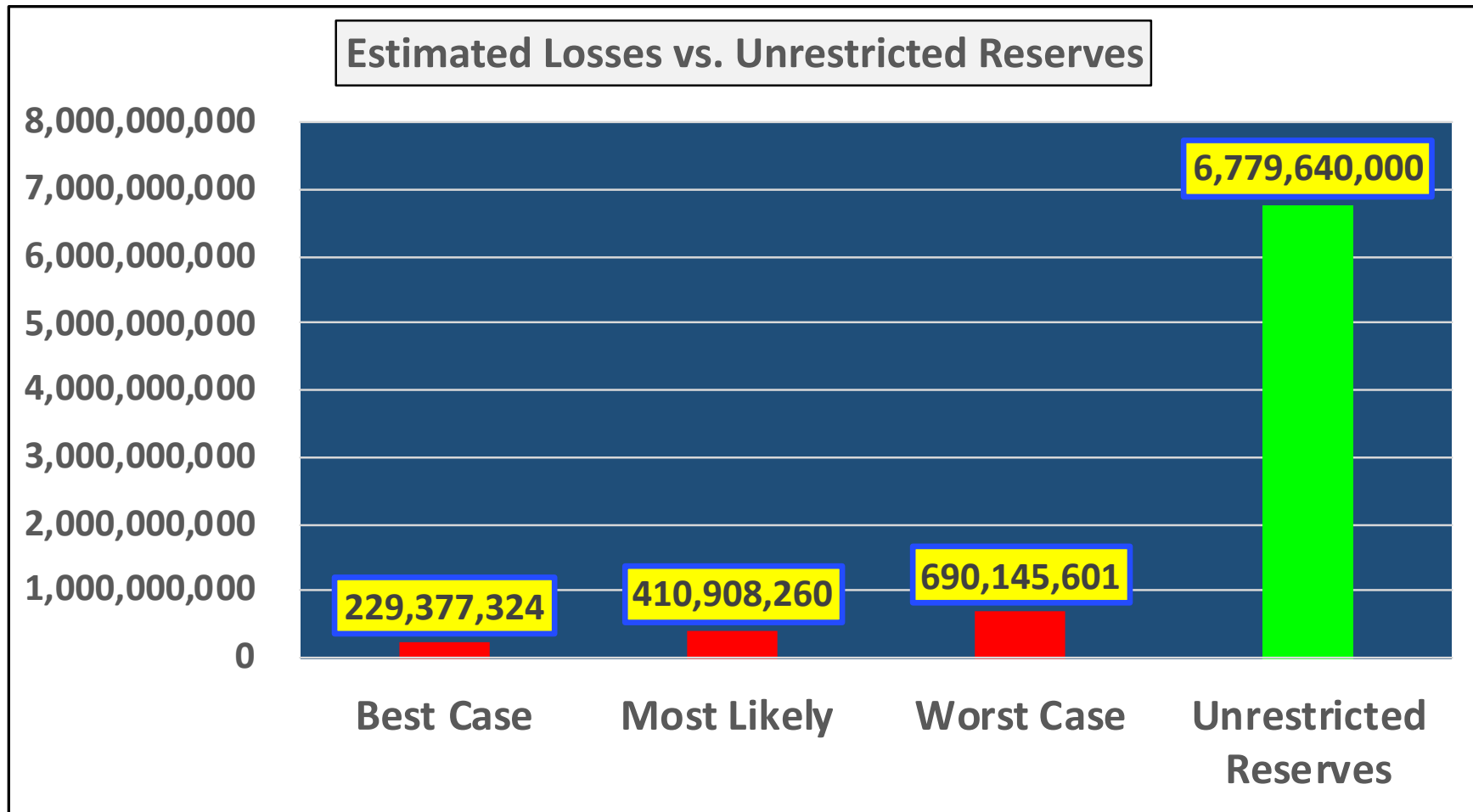


## Oregon Tech: Estimated Hit in Context

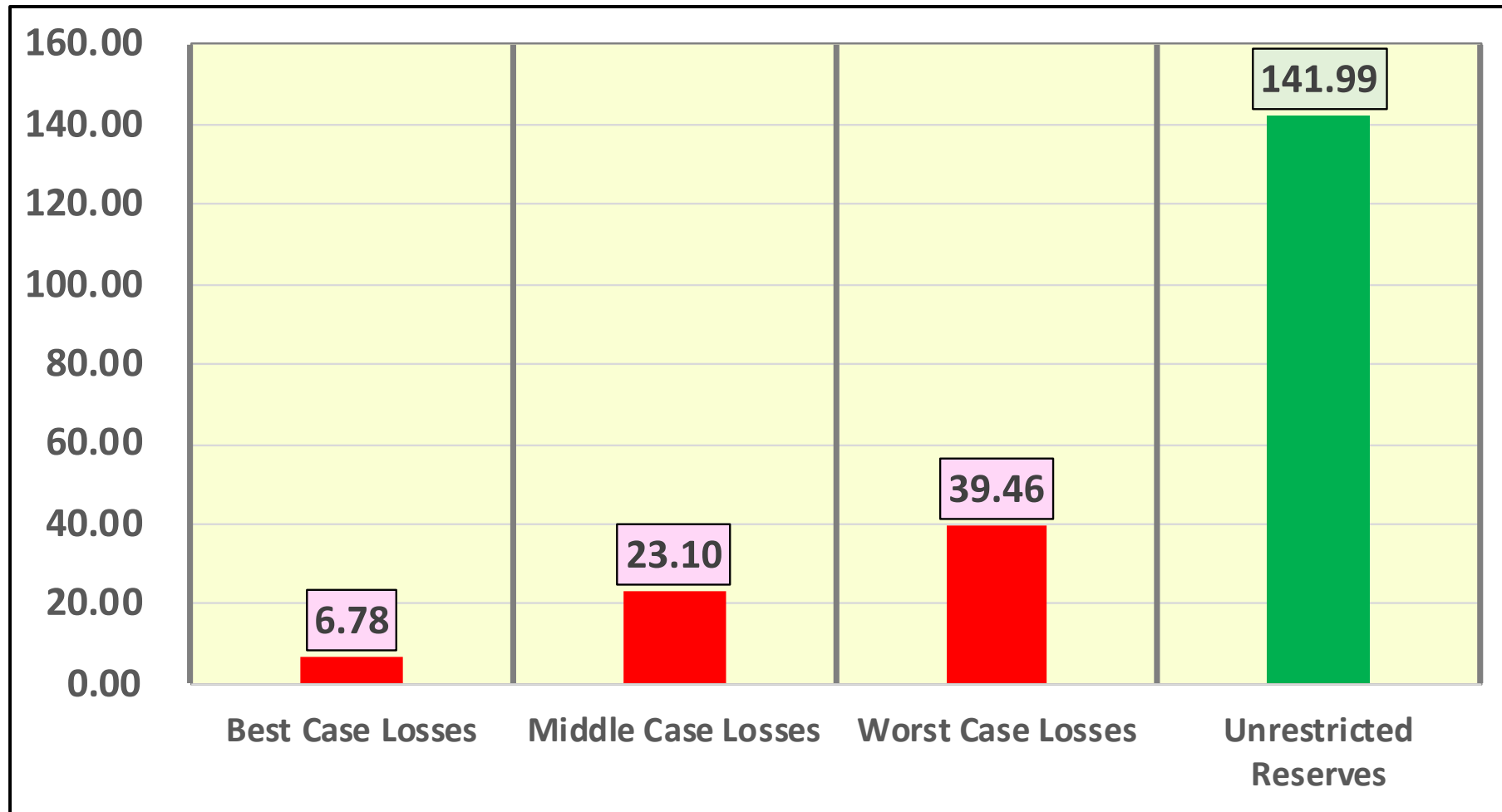




# University of Michigan: Graph of Estimated Losses and Reserves



## Emerson: Potential Losses vs. Reserves Graphically



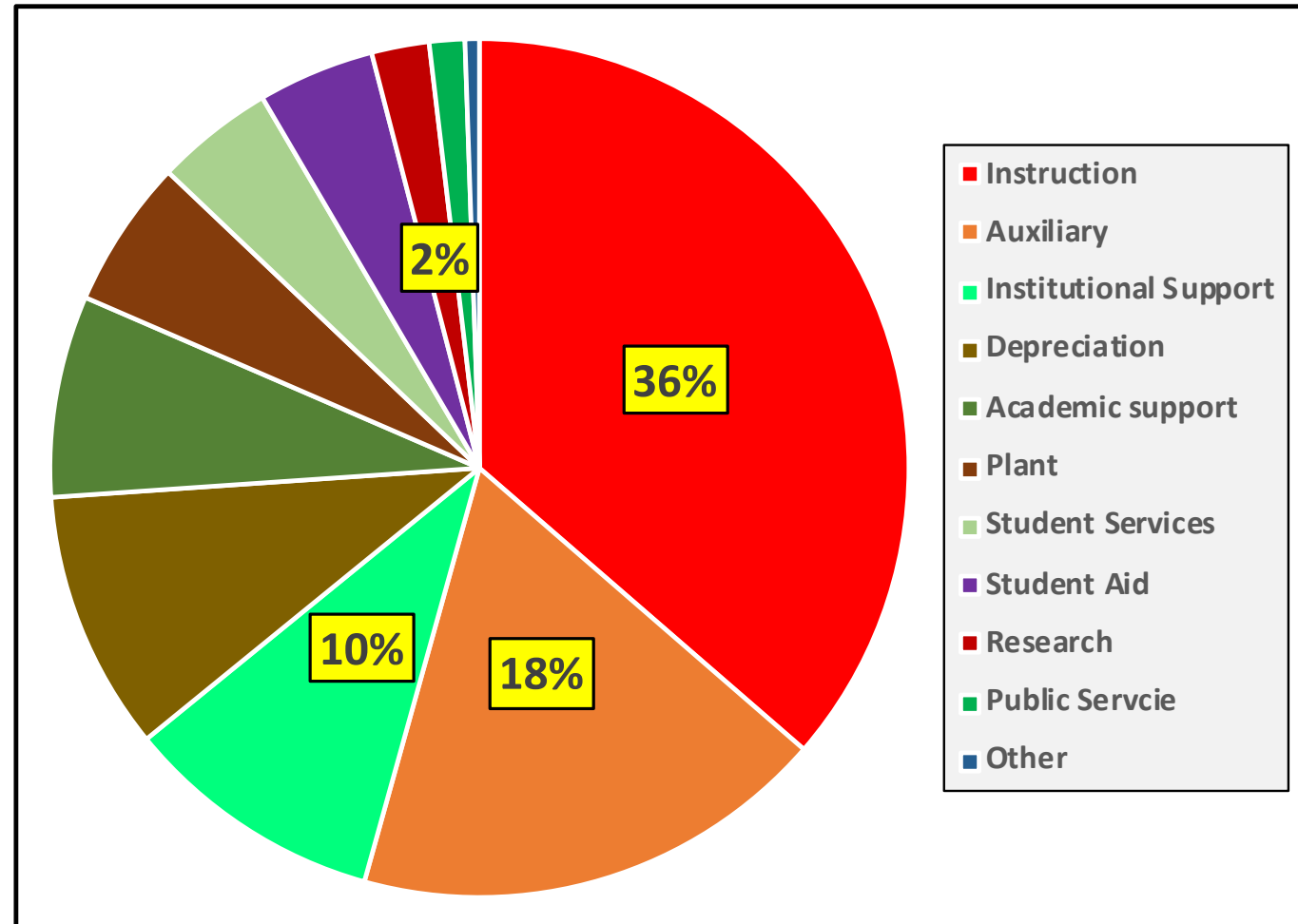
**Expense and Priority  
Analysis  
(with a peak at athletics)**

# BGSU 2019 Expense Distribution

Source: Audited financial statements

2019	\$\$	% of Total
Instruction	140,206,636	36.4%
Auxiliary	69,196,349	17.9%
Institutional Support	37,798,497	9.8%
Depreciation	37,744,247	9.8%
Academic support	29,262,234	7.6%
Plant	21,580,110	5.6%
Student Services	17,204,284	4.5%
Student Aid	16,930,807	4.4%
Research	8,359,843	2.2%
Public Service	5,150,090	1.3%
Other expenses	2,076,951	0.5%
Total Operating Expenses	385,510,048	100.0%

- Institutional support is upper-level admin;
- Public service, academic support, and student services have elements of both administration and non-administration (non-union) items
- Auxiliaries includes housing, dining, student union, parking, bookstore, and athletics




# How Expenses are Reported by/to IPEDS

Instruction IPEDS	2014	2015	2016	2017	2018	2019
Instruction - Salaries	89,255,169	87,944,847	90,092,413	91,562,545	90,750,001	95,918,972
Instruction - fringes	21,922,415	22,091,373	Not reported	Not reported	Not reported	Not reported
Instruction - plant	9,373,335	8,976,007	Not reported	Not reported	Not reported	Not reported
Instruction - Depreciation	11,155,550	10,157,198	Not reported	Not reported	Not reported	Not reported
Instruction - Interest	1,698,809	1,338,627	Not reported	Not reported	Not reported	Not reported
Instruction - Other	14,507,416	11,267,173	59,763,977	70,666,510	44,547,293	72,708,302
Instructon total per IPEDS	147,912,694	141,775,225	149,856,390	162,229,055	135,297,294	168,627,274
Instruction total per Audit	122,127,377	121,303,393	125,133,730	139,217,048	125,133,730	140,206,636

- The total per IPEDS and the total per Audit do not match
- Because of the change in reporting structure , as well as the inconsistencies, we will focus on the salary-only component of expenses

# Actual IPEDS Finance Expenses, UCONN 2015 per IPEDS

 <b>Fiscal Year: July 1, 2014 - June 30, 2015</b> <b>Report Total Operating AND Nonoperating Expenses in this section</b>								
Expense Natural Classifications								
	1	2	3	4	5	6	7	8
Expense Functional Classifications	Total amount	Salaries and wages	Employee fringe benefits	Operation and maintenance of plant	Depreciation	Interest	All other	PY Total Amount
<u>Instruction</u>	622,737,909	313,356,930	141,630,152	35,699,252	25,472,134	12,432,688	94,146,753	570,016,432
<u>Research</u>	168,867,749	64,019,871	23,212,721	11,600,307	19,908,982	5,899,955	44,225,913	177,341,189
<u>Public service</u>	79,215,382	37,200,549	15,350,684	4,677,286	6,500,805	6,965,523	8,520,535	96,549,953
<u>Academic support</u>	195,857,355	75,903,284	41,642,708	20,358,291	16,087,168	3,885,714	37,980,190	185,816,790
<u>Student services</u>	68,148,252	20,842,663	11,731,859	18,473,244	8,776,130	2,926,928	5,397,428	64,397,727
<u>Institutional support</u>	200,132,308	78,014,957	49,329,404	28,135,274	19,963,866	8,001,838	16,686,969	163,804,633
<u>Operation and maintenance of plant (see instructions)</u>	0	41,436,215	35,191,961	-172,196,412	9,434,690	2,601,107	83,532,439	0
<u>Auxiliary enterprises</u>	262,672,610	89,868,127	43,992,410	27,432,198	18,259,173	7,525,949	75,594,753	266,681,719
<u>Hospital services</u>	335,090,407	108,677,655	58,639,458	18,125,245	8,229,253	0	141,418,796	299,005,808
<u>Independent operations</u>	274,931,632	143,724,095	89,755,755	7,695,315	5,090,548	0	28,665,919	254,535,013
Other expenses and deductions CV=[C19-(C01+...+C13)]	1,473,870	0	0	0	0	0	1,473,870	3,822,860
<b>Total expenses and deductions</b>	<b>2,218,286,038</b>	<b>973,044,346</b>	<b>510,477,112</b>	<b>0</b>	<b>137,722,749</b>	<b>50,239,702</b>	<b>546,802,129</b>	<b>2,090,818,843</b>

# Actual IPEDS Finance Expenses, UCONN 2019 per IPEDS

## Part C-1 - Expenses by Functional Classification

Fiscal Year: July 1, 2018 - June 30, 2019					
Report Total Operating AND Nonoperating Expenses in this section					
Line No.	Expense: Functional Classifications	Total amount	Prior Year Total Amount	Salaries and wages	Prior Year Salaries and wages
		(1)		(2)	
01	Instruction	601,754,152	601,534,574	323,409,668	325,350,144
02	Research	181,631,401	171,627,945	72,671,832	69,848,801
03	Public service	120,051,038	102,758,318	41,579,501	35,348,313
05	Academic support	181,059,623	178,184,015	76,776,210	75,414,213
06	Student services	47,887,699	46,667,586	23,751,749	23,401,099
07	Institutional support	169,525,208	154,649,418	78,101,124	74,284,042
10	Scholarships and fellowships expenses, net of discounts and allowances (from Part E, line 11)	11,049,908	8,595,456		
11	Auxiliary enterprises	310,050,859	311,236,568	92,649,113	92,454,939
12	Hospital services	433,139,477	418,521,998	143,812,180	138,804,873
13	Independent operations	170,455,413	256,384,769	95,350,442	135,027,318
14	Other Functional Expenses and deductions CV=[C19-(C01+...+C13)]	379,388,023	340,917,922	0	0
19	Total expenses and deductions	2,605,992,801	2,591,078,569	948,101,819	969,933,742

## BGSU: Salary-Only Component of Expenses per IPEDS, 2016 to 2019

					2016 to 2019	
Salary-Only	2016	2017	2018	2019	\$ Change	% Change
Instruction	90,092,413	91,562,545	90,750,001	95,918,972	5,826,559	6.5%
Research	3,649,957	3,850,972	4,223,338	4,077,143	427,186	11.7%
Public Servcie	1,457,889	2,211,485	2,382,008	2,193,242	735,353	50.4%
Academic support	18,804,579	17,880,716	16,752,848	18,356,286	(448,293)	-2.4%
Student Services	9,585,970	10,629,723	9,595,481	10,684,751	1,098,781	11.5%
Institutional Support	19,166,858	19,759,772	21,670,213	23,161,006	3,994,148	20.8%
Auxiliary	16,203,457	16,328,270	15,855,798	15,050,070	(1,153,387)	-7.1%
Total Salaries	158,961,123	162,223,483	161,229,687	169,441,470	10,480,347	6.6%
Salary-Only	2016	2017	2018	2019		
Instruction	56.7%	56.4%	56.3%	56.6%		
Research	2.3%	2.4%	2.6%	2.4%		
Public Servcie	0.9%	1.4%	1.5%	1.3%		
Academic support	11.8%	11.0%	10.4%	10.8%		
Student Services	6.0%	6.6%	6.0%	6.3%		
Institutional Support	12.1%	12.2%	13.4%	13.7%		
Auxiliary	10.2%	10.1%	9.8%	8.9%		
Total Salaries	100.0%	100.0%	100.0%	100.0%		
Instruction + Research	59.0%	58.8%	58.9%	59.0%		



## Instruction, Research and Institutional Support Salaries Only as a Percent of Total Salaries for BGSU vs. Peers (IPEDS, 2018)

Institution	Instruction	Research	Instruction + Research	Institutional Support
Kent State	51.3%	3.0%	54.3%	16.0%
<b>BGSU</b>	<b>56.3%</b>	<b>2.6%</b>	<b>58.9%</b>	<b>13.4%</b>
Ball State	51.5%	2.9%	54.4%	12.9%
Miami -Oxford	49.1%	2.6%	51.7%	12.9%
Northern Arizona	45.6%	9.1%	54.7%	12.1%
Illinois State	62.5%	3.7%	66.2%	11.5%
Binghamton	52.5%	6.2%	58.8%	11.0%
Ohio U	46.7%	7.6%	54.3%	10.9%
Northern Illinois	47.6%	4.7%	52.3%	10.3%
UNC-Greensboro	56.1%	4.3%	60.5%	10.2%
Texas-Arlington	49.0%	16.1%	65.2%	9.5%
Western Michigan	52.0%	2.7%	54.7%	9.4%
Southern Miss	45.6%	14.2%	59.8%	8.5%
Peer Mean	50.8%	6.4%	57.2%	11.3%
BGSU vs. Peer Mean	5.5%	-3.8%	1.7%	2.2%
<b>BGSU Rank (of 13)</b>	<b>2</b>	<b>12</b>	<b>5</b>	<b>2</b>

- BGSU is 2<sup>nd</sup> highest in instruction, but when research is added, BGSU is 5<sup>th</sup>
- BGSU is 2<sup>nd</sup> highest in institutional support; this table reports the % of total salaries going to each function
- Institutional support is pure, upper-level administration

## Emerson vs. Peer Institutions: Salaries as a Percent of total Salaries, 2018 per IPEDS

Institution	Instruction	Research	Instruction + Research	Institutional Support	All Other Functions
WPI	59.0%	9.1%	68.1%	15.0%	17.0%
Simmons	59.5%	0.2%	59.8%	19.6%	20.7%
Clark	50.2%	6.8%	57.0%	15.9%	27.1%
Suffolk	51.5%	0.1%	51.6%	21.4%	26.9%
Western NNE	51.3%	0.0%	51.3%	18.5%	30.2%
Bentley	48.8%	1.9%	50.7%	19.8%	29.5%
Wheelock	50.1%	0.0%	50.1%	23.4%	26.5%
Emerson	46.3%	1.2%	47.4%	15.4%	37.2%
Peer Mean	52.9%	2.6%	55.5%	19.1%	25.4%
Emerson vs. Peer Mean	-6.7%	-1.4%	-8.1%	-3.7%	11.8%
Emerson Rank (of 8)	8	4	8	7	1

Emerson is last on spending on instruction + research salaries, and next to last on institutional support

Emerson is first in all other function salaries; there could be categorization issues

## Emerson: Administrative Salaries per IRS 990 Total W-2 Compensation

Position	2015	2016	2017	2018	2019
President	\$688,980	\$720,903	\$801,715	\$780,218	\$741,127
VP Inst. Advancement			\$276,211	\$403,243	\$409,047
VP Admin & Finance	\$287,135			\$352,417	\$404,857
Sr Assoc VO Real Estate			\$271,771	\$294,898	\$385,117
Provost & VP Acad Affairs		\$255,853	\$271,253	\$300,490	\$312,896
VP & Ex Dir LA Program				\$265,748	\$275,633
Assoc VP Finance					\$263,853
VP Info Technology	\$238,135	\$245,340	\$252,413	\$257,602	\$263,256
VP Enrollment Mgmt		\$195,300	\$205,654	\$213,346	\$243,538
VP Diversity and Inclusion	\$200,974	\$218,131	\$227,054		\$240,254
VP & General Counsel	\$205,781	\$212,213	\$219,727	\$255,986	\$234,526
VP and Special Asst to Prez	\$217,704	\$210,746			
Asst VP Indiv. Giving			\$239,931		
VP Enrollment	\$209,306				

# Athletic Revenues vs. Athletic Expenses Graphically

Source: **BGSU NCAA Reports**

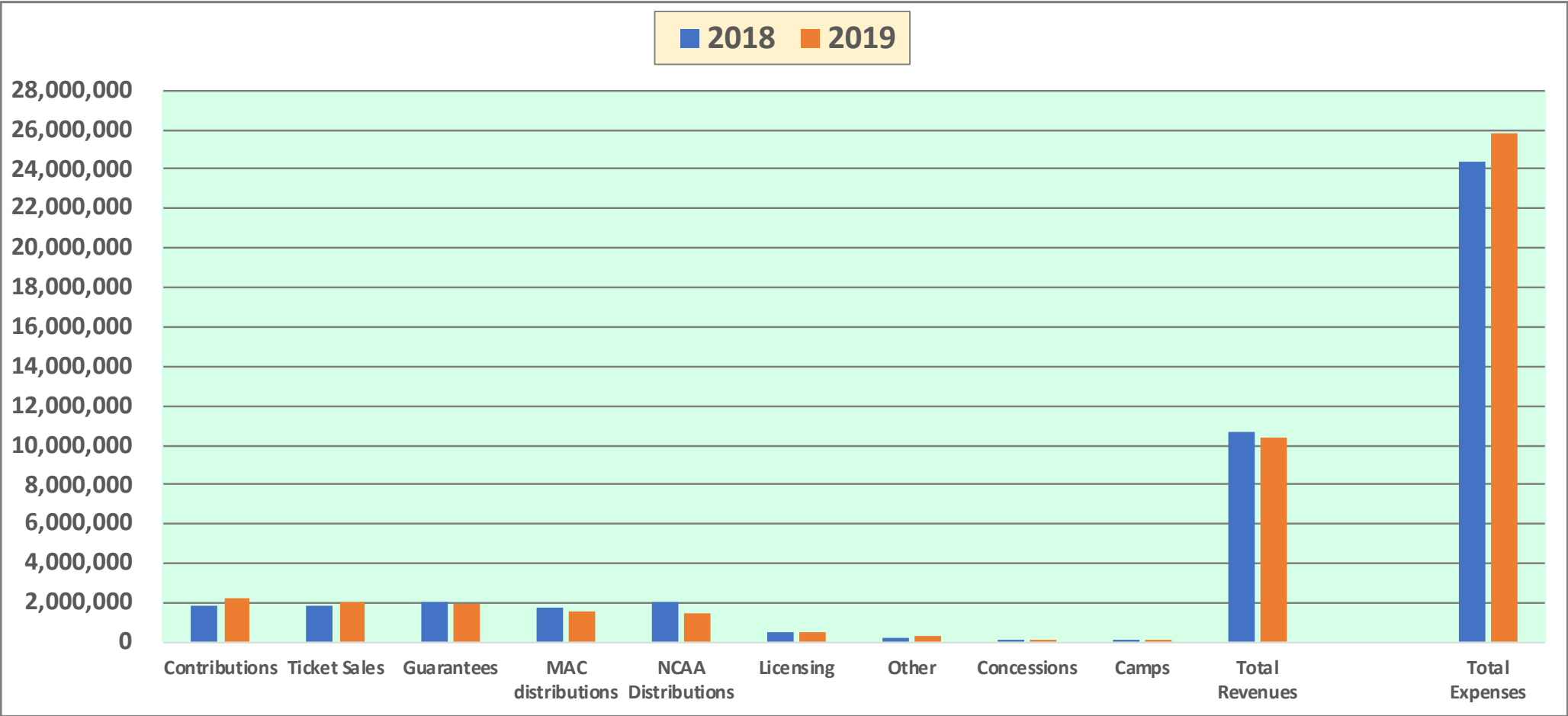
	2018	2019	\$ Change	% Change
Direct Athletic Revenues	10,653,775	10,376,006	(277,769)	-2.6%
Direct Athletic Expenses	24,393,090	25,780,899	1,387,809	5.7%
<b>Athletic Deficit</b>	<b>(13,739,315)</b>	<b>(15,404,893)</b>	<b>(1,665,578)</b>	<b>12.1%</b>
<b>How is the Deficit Covered?</b>				
Student Fees	12,780,182	12,935,182	155,000	1.2%
Direct Institutional Support	1,240,000	2,690,000	1,450,000	116.9%
Total Subsidy to Athletics	14,020,182	15,625,182	1,605,000	11.4%

The administration may claim that the student fees and direct institutional support are “revenues.” However, these are not revenues, but subsidies from the core academic mission to prop up athletics.

This argument is completely bogus – athletics simply does not generate nearly enough revenue to cover its expenses

# Revenues Compared to Total Expenses

Source: **BGSU NCAA Reports**



# Individual Athletic Expenses

Source: BGSU NCAA Reports

	2018	2019	\$ Change	% Change
Athletic Aid	6,976,741	6,888,702	(88,039)	-1.3%
Coaching Salaries and Benefits	5,825,271	6,014,630	189,359	3.3%
Admin Staff Salaries and Benefits	3,981,857	3,804,505	(177,352)	-4.5%
Travel	2,200,162	2,587,105	386,943	17.6%
Sports equipment, uniforms	1,143,352	1,421,292	277,940	24.3%
Other operating expenses	1,365,341	1,294,776	(70,565)	-5.2%
Guranatees	722,500	670,164	(52,336)	-7.2%
Game expenses	470,673	633,907	163,234	34.7%
Recruiting	526,245	624,947	98,702	18.8%
Severance payment	0	431,310	431,310	
Medical expenses and insurance	378,457	406,748	28,291	7.5%
Fundraising, marketing, promotion	185,753	384,659	198,906	107.1%
Membership and dues	254,947	243,660	(11,287)	-4.4%
Student-athlete meals	157,522	200,589	43,067	27.3%
Facilities cots	102,666	126,729	24,063	23.4%
Sports camp expenses	101,603	47,176	(54,427)	-53.6%
<b>Total Athletic Expenses</b>	<b>24,393,090</b>	<b>25,780,899</b>	<b>1,387,809</b>	<b>5.7%</b>

# Football is Not Self-Supporting

Source: BGSU NCAA Reports

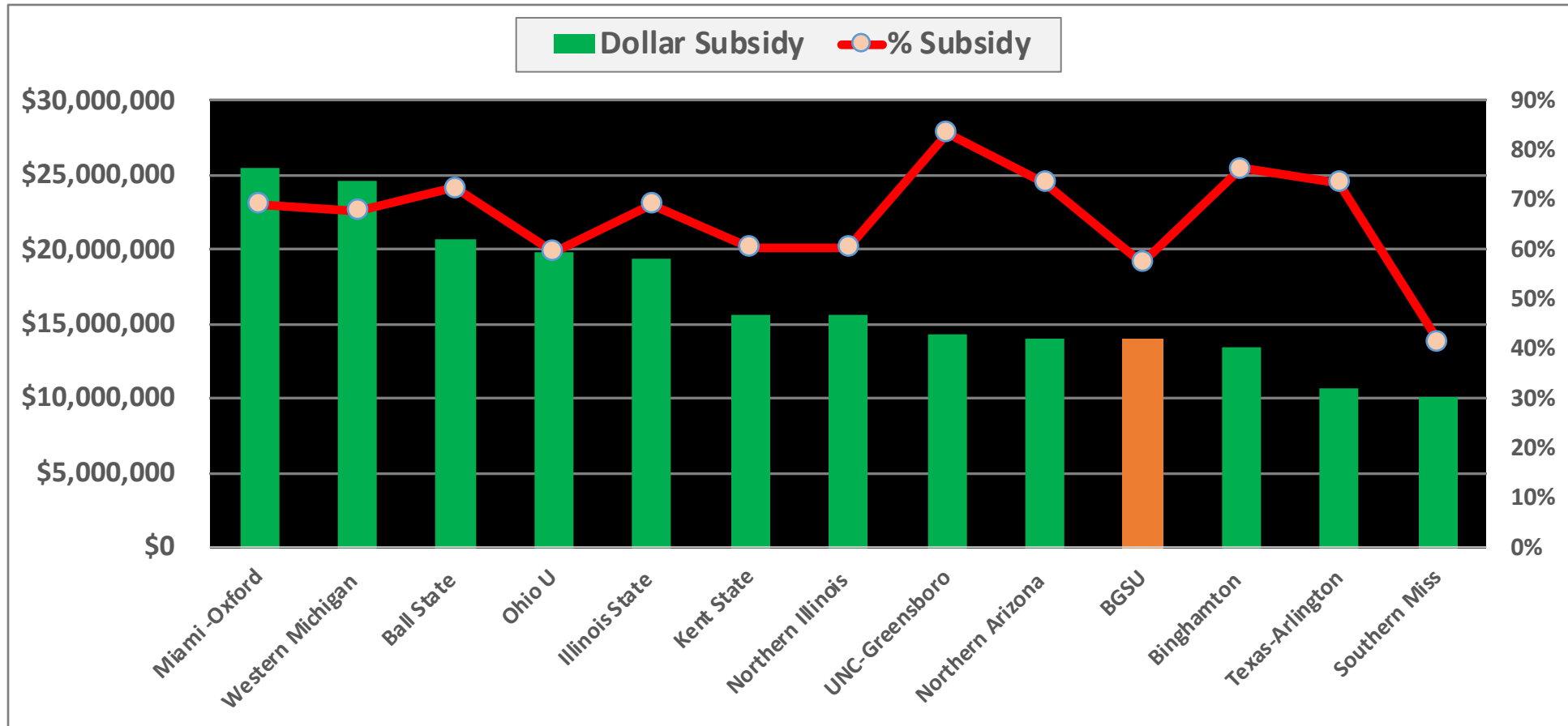
	2018	2019	\$ Change	% Change
Guarantees	1,900,000	1,800,000	(100,000)	-5.3%
Ticket Sales	1,342,545	1,380,089	37,544	2.8%
Concessions	44,822	50,600	5,778	12.9%
Contributions	24,207	42,545	18,338	75.8%
Other	3,959	17,244	13,285	335.6%
<b>Total Football Revenues</b>	<b>3,315,533</b>	<b>3,290,478</b>	<b>(25,055)</b>	<b>-0.8%</b>
	2018	2019	\$ Change	% Change
Student Aid	2,623,611	2,533,814	(89,797)	-3.4%
Coaches Salaries	1,798,550	2,200,025	401,475	22.3%
Travel	659,100	753,509	94,409	14.3%
Guarantees	575,000	499,864	(75,136)	-13.1%
Sports equipment, uniforms	252,286	446,966	194,680	77.2%
Severance payment	0	431,310	431,310	
All Other	213,155	296,798	83,643	39.2%
Admin Salaries	390,941	221,761	(169,180)	-43.3%
Recruiting	235,422	215,816	(19,606)	-8.3%
Game Expenses	113,450	118,330	4,880	4.3%
Student-athlete meals	34,371	32,055	(2,316)	-6.7%
<b>Total Football Expenses</b>	<b>6,895,886</b>	<b>7,750,248</b>	<b>854,362</b>	<b>12.4%</b>
<b>Football Deficit</b>	<b>(3,580,353)</b>	<b>(4,459,770)</b>	<b>(879,417)</b>	<b>24.6%</b>

Football is not close to self-supporting, and does not help cover any of the other sports' expenses

Even without the student aid costs, football runs a deficit every year – because ticket sales are just not large enough

# BGSU Dollar and Percent Subsidies of Peers, 2018

Source: USA Today



Dollar Subsidy = Student Fee + Direct Institutional Support; Average = \$17 Million  
Percent Subsidy = Dollar Subsidy / Athletic Expenses; Average = 67%



# U-Arizona: Dollar and Percent Subsidies of Peers, 2019

Source: USA Today

2019	Total Athletic Expenses	Subsidy	Subsidy %
UC Davis	\$39,562,673	\$30,836,161	78%
Maryland	\$108,785,924	\$25,523,336	23%
ASU	\$118,404,377	\$22,754,888	19%
UCLA	\$127,339,042	\$21,505,805	17%
Arizona	\$100,565,835	\$17,360,613	17%
UNC Chapel Hill	\$110,809,706	\$12,160,461	11%
UIUC	\$120,168,951	\$10,480,926	9%
Ohio State	\$220,572,956	\$10,066,189	5%
Minnesota	\$129,450,256	\$6,966,534	5%
Wisconsin	\$154,621,828	\$48,788,591	32%
UW	\$131,317,636	\$1,676,923	1%
UT Austin	\$204,234,897	\$0	0%
Texas A&M	\$169,012,456	\$0	0%
Penn State	\$160,369,805	\$0	0%
Iowa	\$146,282,275	\$0	0%
Florida	\$141,829,002	\$0	0%
Mich State	\$135,655,740	\$0	0%
Peer Mean	\$138,651,095	\$11,922,488	12.5%
Arizona Rank (of 17)	16	6	5

**Dollar Subsidy =**  
**Direct Athletic Revenues –**  
**Direct Athletic Expenses**

**(Student Fee + Direct**  
**Institutional Support)**

**Percent Subsidy =**  
**Dollar Subsidy /**  
**Athletic Expenses; Average**

# Summary of What Can Be Done From a Financial Standpoint

There will be a decline in enrollment and the state appropriation (public);

The issues are:

- Can the decline be alleviated?
- What financial steps should be taken?

## Administrative Solutions:

- Hiring freezes
- Furloughs
- Layoffs

## Other Strategies:

- Work together to do everything possible to enhance the student experience, even in a remote environment
- Reduce administrative spending - **now is the perfect time**
- Cut intercollegiate athletics
- Use attrition to reduce expenses
- Use a passive investment strategy to manage endowments
- Use reserves – this situation is exactly what reserves are designed to be used for
- Borrow: a different form of using reserves

# Changing the Conversation

We need to change the conversation away from:

The pandemic is terrible, and we need to cut; work with us, faculty, to determine what to cut; we all need to share in the sacrifice

## New conversation:

- Let's do everything possible to make the student experience a positive one, even in a remote environment
- Yes, the pandemic is terrible. The administration has access to unrestricted reserves to deal with this hopefully short-term problem.
- This is EXACTLY what reserves are for; if you do not use reserves now, WHEN will you EVER use them?
- Borrowing is a good alternative; if the bond rating is solid, then borrowing short-term will not hurt the bond rating or cost much in interest; yes, the funds have to be paid back, but this can be done over time, and it is a solid alternative/companion to using reserves