

July 23, 2020

NEWSLETTER
UT Financial Update

The Administration presented financials dated May 31, 2020 to the UT Board of Trustees (BOT) last month on June 22, 2020 and to the UT-AAUP last week on July 17, 2020. These financials show that the UT General Fund Budget had an operating margin surplus of over \$30 million as of May 31, 2020.

We have been promised and are waiting for the June 30, 2020 financials. We have been told that the \$30 million surplus on May 31, 2020 will further improve by June 30. This \$30 million surplus does not include the Summer session which also had a surplus.

Throughout April and on May 1, 2020, the Administration presented financials to the Faculty Senate and the UT-AAUP showing a \$20 million deficit for the General Fund for the FY ending June 30, 2020.

This means there has been a \$50+ million positive swing from a May 1, 2020 deficit of \$20 million to a June 30, 2020 surplus of \$30 million for the General Fund operating margin.

We do not have an explanation for this turn-around except that the reported April-May deficit presented to the Faculty Senate and to the UT-AAUP was not accurate.

The General Fund operating margin was adjusted by the Administration to a \$14.4 million surplus based on a \$6.7 million debt source payment and a \$9 million interfund transfer to the Auxiliary Fund. Even with these adjustments, the turnaround from May 1, 2020 to May 31, 2020 is over \$34.4 million. Again, this does not include any surpluses for June or the Summer sessions.

The Administration also presented combined FY-20 financials as of May 31, 2020 that include all three budgets – General Fund, Auxiliary, and UTM. UTM had a FY-20 deficit of \$35 million through May 31, 2020 resulting in an overall combined FY-20 deficit of \$18.5 million as of May 31, 2020. This was to be adjusted by June 30, 2020 to a zero deficit with funds from the Foundation and another fund, UTMAC.

The General Fund positive operating margin supports the UT-AAUP position that there is no General Fund financial emergency within the meaning of our CBA Article 19 (T/TT) or Article 27 (Lecturer CBA).

The 2% faculty pay increase went forward on July 1, 2020 for 12-month faculty and will go forward on August 17, 2020 for 9-month faculty. Based on current finances, we see no faculty lay-offs or terminations.

We are concerned about the UT financial position in October which will be dependent on UTMC. We were again told last week there is **no firewall** between UTMC and the General Fund.

The Board of Trustees has approved a temporary three-month operating budget for July, August, and September 2020. This budget shows a \$3.37 million deficit for UTMC and a General Fund surplus of \$2.88 million. The Auxiliary Fund has a surplus of \$491,000.

During September, the Administration will submit to the BOT a combined budget for the entire FY-21 fiscal year. The UTMC budget will be critical in view of its increasing deficits over the past five years since the Affiliation Agreement.

The return of the COVID-19 virus could also be a factor. During the last four months of FY-20, UTMC was losing over \$1 million a week because of the virus.

A return of the virus could also impact the Auxiliary Budget which is a cash cow based on dorm and food service revenues. If the University loses these revenues, the losses could exceed \$20 million.

The Administration has once again adjusted their forecast of the UNIVERSITY CASH POSITION for the Fall 2020 semester.

The **previous forecast was a cash decrease of over \$111.27 million from August 31, 2020 to December 31, 2020 with 8.2 days of cash on hand** and Board of Trustees designated reserves of \$150 million.

The Administration's **most recent forecast is a cash decrease of about \$70 million from August 31, 2020 to December 31, 2020 with 21.4 days of cash on hand** and Board of Trustees designated revenues of \$160 million.

We have not received any explanation for the \$70 million cash decrease from August 31 to December 31. It is an overall UNIVERSITY CASH POSITION that includes all three budgets. We do know that two of these budgets, the General Fund and the Auxiliary Fund, are operating in the black. We know that the third budget, UTMC, is operating in the red.

The General Fund temporary budget for July, August, and September does not include the \$17 million improvement in the Ohio SSI. The SSI was budgeted to be cut \$22 million, but will only be cut \$5 million. On a 12-month basis, this \$17 million improvement adds \$4+ million to the General Fund surplus of \$2.88 million for July, August, and September 2020.

The General Fund could be impacted by enrollment budgeted for an FTE decline of 7.5%, a decrease in revenue of \$14 million. The FTE enrollment is currently down about 9.4%, a further decrease of \$4 million. However, the enrollment has been improving over the past four weeks and we could be close to the budgeted 7.5% by August 17th.

The UT General Fund has done and is doing well. We, the UT-AAUP faculty, represent only about 17% of the General Fund budget (salaries plus benefits), but we are driving the revenue stream.

Our concerns are the possible impact of COVID-19 and the UTMC deficit. **As the Administration has finally confessed, there is no firewall between UTMC and our General Fund.**

UTMC has received a recent subsidy of about \$7 million from the State of Ohio and there could be more over the next few months. We should know more in September or October about the impact of COVID-19, the UTMC deficits, and possible State support for UTMC.

Meanwhile, faculty will receive the 2% pay increase as scheduled and there is no financial emergency under Articles 19 (T/TT CBA) and 27 (Lecturer CBA).

UT-AAUP Executive Board