

Financial Implications of COVID-19

April 15, 2020



University of Massachusetts

Amherst • Boston • Dartmouth • Lowell • Medical School • UMassOnline

Agenda

- Financial Implication of COVID-19
- Overview of Federal CARES Act
- Past Financial Crises
- Next Steps

Financial Implications of COVID-19

- Beginning mid-March University A&F teams began assessing the financial impact of COVID-19
- Initial efforts focused on estimating the value of room & board adjustments; including the timing and logistics for implementation
- Process initiated to gather preliminary estimates for the impact; when reviewed in conjunction with latest year-end projection, initial solutions developed
- Analysis of Federal CARES Act continues to assess both the impact and timing

Preliminary Estimate: Impact on Refunding Room & Board

Refunding 100% of student fees for unused housing and dining results in University-wide refunds of \$70M.

(Dollars in Thousands)

Preliminary Refunding Impact						
Campus	First Day	Exams End	Weeks	Spring Break	Weeks Remain	Estimated Refund (2)
Amherst	01/21/20	05/07/20	16	Ends 3/20	7	42,700
Boston (1)	01/27/20	05/22/20	17	Ends 3/20	9	1,694
Dartmouth	01/21/20	05/07/20	16	Ends 3/13	8	10,977
Lowell	01/21/20	05/09/20	16	Ends 3/13	8	15,753
Total						71,124

(1) Does not reflect Boston P3 housing

(2) Does not reflect that some students will stay on campus and may not receive any refund

Preliminary Estimate: FY20 Operating Margin Impact

- Projected Operating Margin as of 12/31/2019 exceeding budget helps offset some of the COVID-19 estimated impacts
- Preliminary estimates as of 4/3/2020 includes:
 - **Room & Board:** Estimates for adjustments reflective of some students remaining on campuses
 - **Other Impacts:** Estimates for other lost revenue along with other cost increases & decreases
 - **Initial Solutions:** Estimates for initial solutions to offset the identified impacts; does not include an assumption for Federal CARES Act funding
 - **Operating Margin:** Reflects the operating margin including preliminary estimates for both impacts and initial solutions
- Analysis continues to:
 - Review and update estimates for impacts and solutions
 - Assess the value and timing of Federal CARES Act funding

Preliminary Estimate: FY20 Operating Margin Impact

Preliminary estimates as of 4/3/2020; does not include an assumption for Federal CARES funding.

(Dollars in Thousands)

Q2 FY2020 PROJECTION (as of 12/31/2019)

COVID-19 IMPACT: PRELIMINARY ESTIMATES (as of 4/3/2020)

Campus	Q2 FY2020 PROJECTION (as of 12/31/2019)		Q2 FY2020 PROJECTION (as of 12/31/2019)		COVID-19 IMPACT: PRELIMINARY ESTIMATES (as of 4/3/2020)					
	Total Revenue	Total Expenses	OM\$	OM%	Room & Board (1)	Other Impacts	Total Impacts	Initial Solutions	Operating Margin \$	Operating Margin %
Amherst	1,378,046	1,357,814	20,232	1.5%	(41,650)	(13,800)	(55,450)	15,500	(19,718)	-1.5%
Boston	440,609	440,609	0	0.0%	(1,694)	(717)	(2,411)	2,411	0	0.0%
Dartmouth	255,658	255,658	0	0.0%	(10,977)	2,473	(8,504)	2,000	(6,504)	-2.7%
Lowell	502,402	499,626	2,776	0.6%	(14,620)	(510)	(15,130)	6,785	(5,569)	-1.1%
President's Office	130,921	127,861	3,060	2.3%	-	(628)	(628)	2,432	4,864	3.7%
Subtotal	2,707,635	2,681,567	26,068	1.0%	(68,941)	(13,182)	(82,123)	29,128	(26,927)	-1.0%
Medical School (2)	910,033	887,599	22,434	2.5%	-	(41,472)	(41,472)	20,520	1,482	0.2%
Total	3,537,250	3,488,748	48,502	1.4%	(68,941)	(54,654)	(123,595)	49,648	(25,445)	-0.7%

(1) Estimate of refunds with an assumption for students who may remain on campus and not receive a refund

(2) UMMS is evaluating the costs of supporting clinical affiliates, partnering with State emergency response teams, developing new research & expanding manufacturing in response to critical needs.

What's Next: Closing the Projected Deficit

Multi-year solutions starting in FY20 – implementation includes:

- Federal CARES Act for Higher Education & Research (\$46 million)
- Non personnel spending reductions
- Additional efficiency & effectiveness measures
- Prioritizing capital expenditures
- Debt refinancing opportunities
- Comprehensive workforce strategy
- State (Federal CARES Act and rainy day)

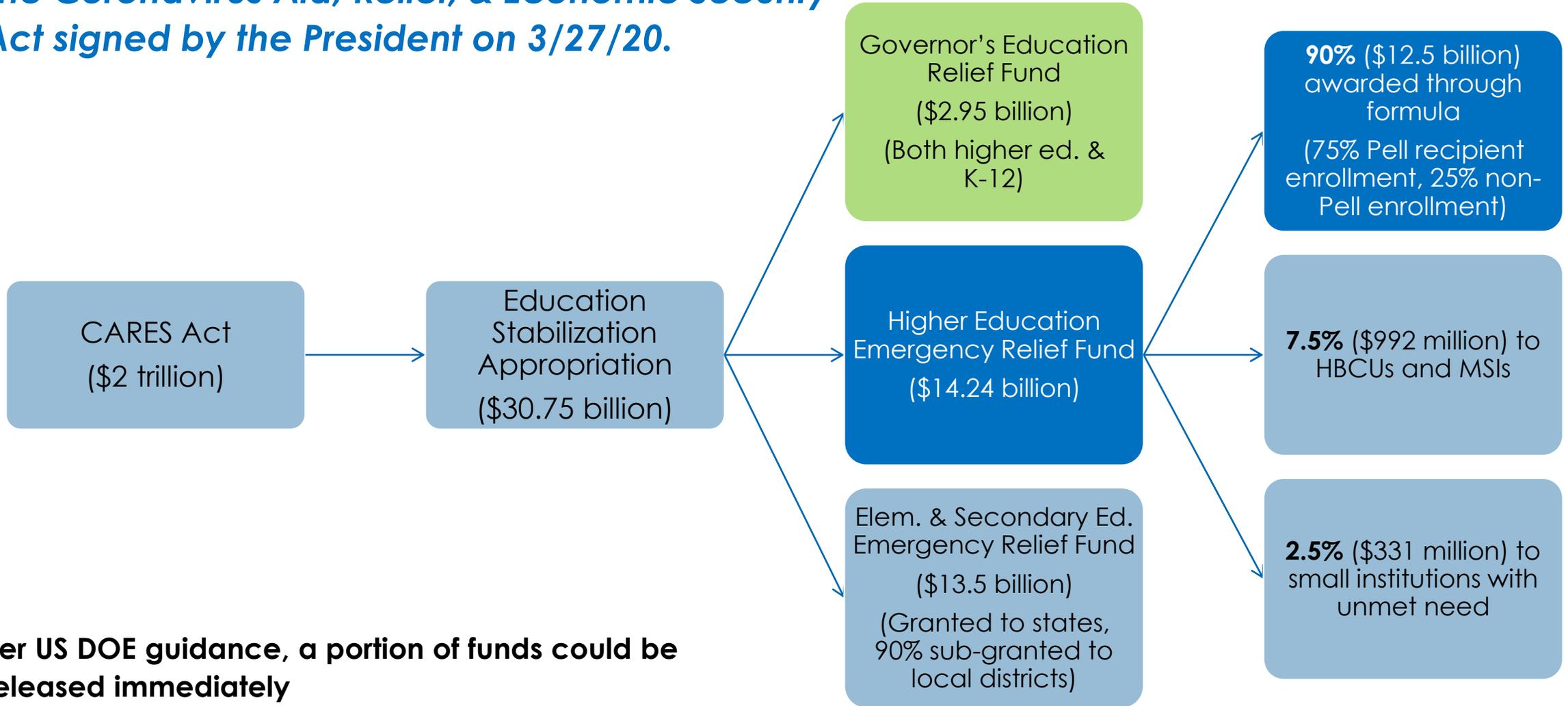
FY21 Planning Update

- **FY21 Budget:** Revisiting all major assumptions used to develop the FY21 original forecast; scenario development necessary on assumptions including:
 - Enrollment
 - State Appropriation
 - Tuition & Fees
 - Room & Board
 - State parameters for salaries & fringe
 - Staffing levels
- **Admissions:** Real-time admissions data to assess deposits as we approach deadlines:
 - In and out of state admissions data available
 - International admissions data being developed

Overview of Federal CARES Act

CARES Act Funding for Higher Education

The Coronavirus Aid, Relief, & Economic Security Act signed by the President on 3/27/20.



Per US DOE guidance, a portion of funds could be released immediately

US Department of Education (DOE): Allocation of 90% Funding Share (\$12.5B)

- Per US DOE guidance, a portion of CARES funds could be released immediately.
- US DOE utilized the most recent data from the Integrated Postsecondary Education Data System (IPEDS) and Federal Student Aid (FSA) for this allocation.

CARES Act Stimulus Funding		
<i>(Dollars in Thousands)</i>		
Campus	Estimated Total Stimulus	Minimum for Emergency Financial Aid to Students
Amherst	18,335	9,168
Boston	12,185	6,092
Dartmouth	6,288	3,144
Lowell	8,900	4,450
Medical School	310	155
Total	46,019	23,009

Source: U.S. Department of Education

Past Financial Crises

Experience from Past Recessions

Past experience:

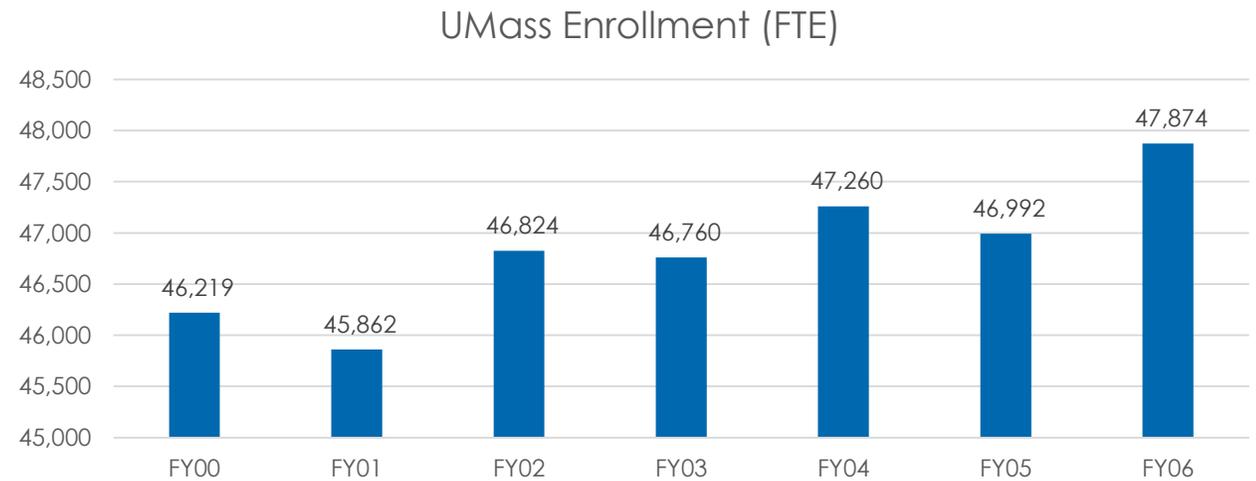
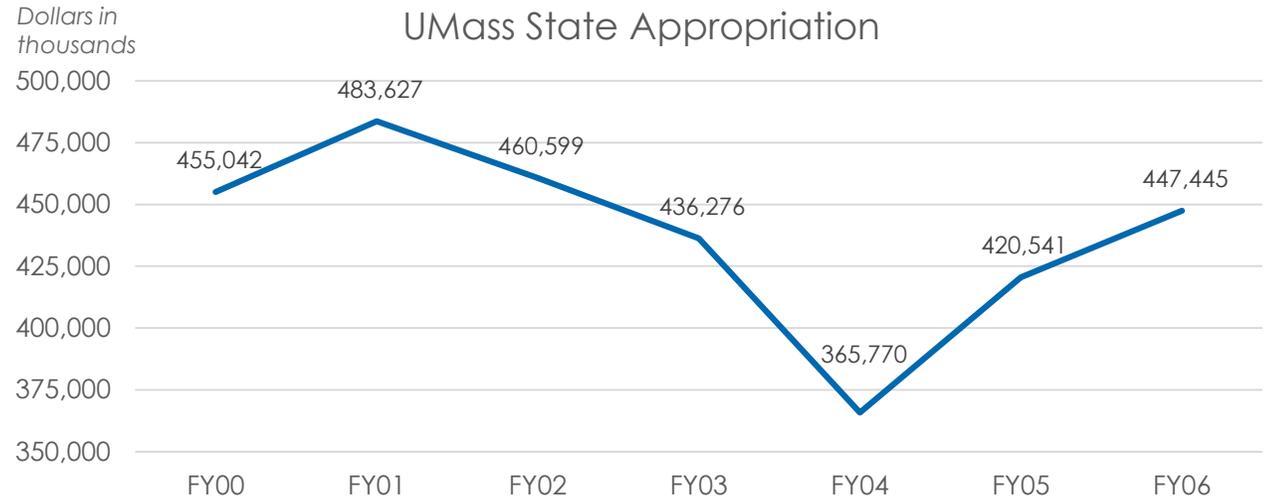
- Multi-year decline in State appropriations
 - Return to pre-recession levels takes many years (non-inflation adjusted dollars)
 - State used Federal stimulus to mitigate drastic cuts (*Great Recession of 2008-10*)
- Enrollment increased
 - Per-student state funding declined
- Tuition rate increases shifted cost from State to students and families

As we look forward:

- Plan for challenging State fiscal environment
- Tuition must be affordable
- Enrollment at risk
 - Fast-emerging demographic shift from the Great Recession of 2008-2010
 - Unknown COVID-19 impacts
- UMass online addresses emerging needs
- Efficiency maximization & cost containment
- Innovative stewardship to ensure financial sustainability

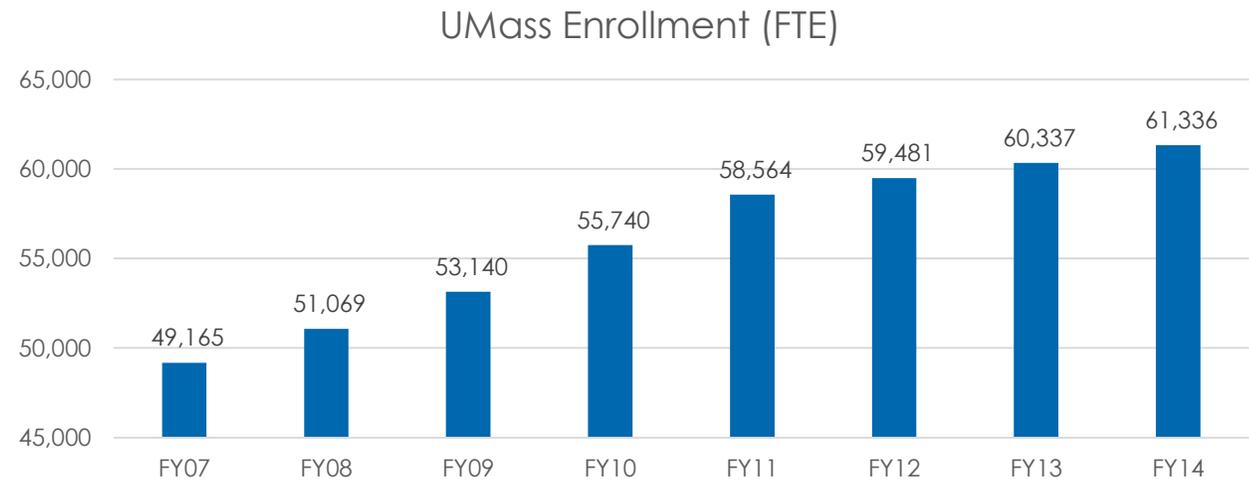
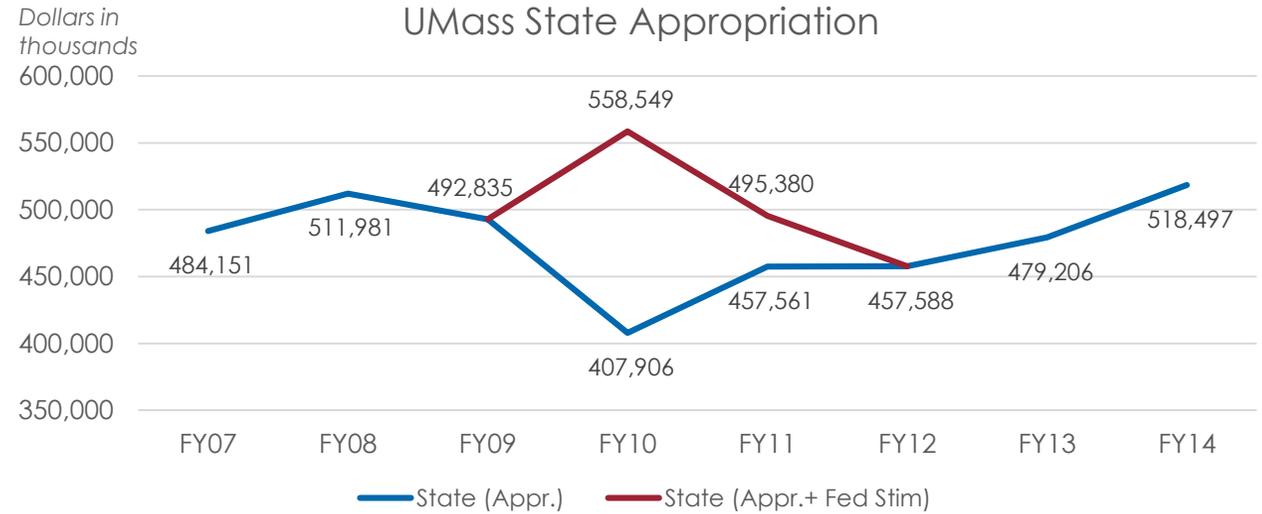
2001 Recession

- **State Appropriations:** Decreased three years in a row totaling \$117 million or 24% between FY01-FY04
- **Enrollment:** Increased from FY01-FY04 by 1,398 FTEs or 3%
- **Tuition and fees:** Increases offset reductions in state appropriations



2008 Recession

- **State Appropriations:** Decreased from FY08-FY10 totaling \$104 million or 20%
- **Federal stimulus funding:** Resulted in a real increase of \$65.7 million (13.3%) from FY09-FY10 and a decrease of \$63.2 million (-11.3%) from FY10-FY11
- **Enrollment:** Increased from FY08-FY10 by 4,671 FTEs or 9%
- **Tuition and fees:** Increased to offset reductions to state appropriations



Next Steps for FY20 & FY21

- Implement FY20 solutions to close projected budget gap
- Analyze and implement existing Federal CARES act as it becomes available
 - Strategize and advocate for additional funding
- Monitor and plan for enrollment impacts of COVID-19
- Develop FY21 budget for the next Board meeting:
 - Monitor State budget process and assumptions
 - Scenario planning on major assumptions