Financial Implications of COVID-19

April 15, 2020
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.

<table>
<thead>
<tr>
<th>Campus</th>
<th>First Day</th>
<th>Exams End</th>
<th>Weeks</th>
<th>Spring Break</th>
<th>Weeks Remain</th>
<th>Estimated Refund (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amherst</td>
<td>01/21/20</td>
<td>05/07/20</td>
<td>16</td>
<td>Ends 3/20</td>
<td>7</td>
<td>42,700</td>
</tr>
<tr>
<td>Boston (1)</td>
<td>01/27/20</td>
<td>05/22/20</td>
<td>17</td>
<td>Ends 3/20</td>
<td>9</td>
<td>1,694</td>
</tr>
<tr>
<td>Dartmouth</td>
<td>01/21/20</td>
<td>05/07/20</td>
<td>16</td>
<td>Ends 3/13</td>
<td>8</td>
<td>10,977</td>
</tr>
<tr>
<td>Lowell</td>
<td>01/21/20</td>
<td>05/09/20</td>
<td>16</td>
<td>Ends 3/13</td>
<td>8</td>
<td>15,753</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>71,124</strong></td>
</tr>
</tbody>
</table>

(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)

<table>
<thead>
<tr>
<th>Campus</th>
<th>Q2 FY2020 PROJECTION (as of 12/31/2019)</th>
<th>COVID-19 IMPACT: PRELIMINARY ESTIMATES (as of 4/3/2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Revenue</td>
<td>Total Expenses</td>
</tr>
<tr>
<td>Amherst</td>
<td>1,378,046</td>
<td>1,357,814</td>
</tr>
<tr>
<td>Boston</td>
<td>440,609</td>
<td>440,609</td>
</tr>
<tr>
<td>Dartmouth</td>
<td>255,658</td>
<td>255,658</td>
</tr>
<tr>
<td>Lowell</td>
<td>502,402</td>
<td>499,626</td>
</tr>
<tr>
<td>President's Office</td>
<td>130,921</td>
<td>127,861</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>2,707,635</strong></td>
<td><strong>2,681,567</strong></td>
</tr>
<tr>
<td></td>
<td><strong>910,033</strong></td>
<td><strong>887,599</strong></td>
</tr>
<tr>
<td>Medical School (2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,537,250</strong></td>
<td><strong>3,488,748</strong></td>
</tr>
</tbody>
</table>

(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.

CARES Act ($2 trillion)

Education Stabilization Appropriation ($30.75 billion)

Governor’s Education Relief Fund ($2.95 billion) (Both higher ed. & K-12)

Higher Education Emergency Relief Fund ($14.24 billion)

Elem. & Secondary Ed. Emergency Relief Fund ($13.5 billion) (Granted to states, 90% sub-granted to local districts)

90% ($12.5 billion) awarded through formula (75% Pell recipient enrollment, 25% non-Pell enrollment)

7.5% ($992 million) to HBCUs and MSIs

2.5% ($331 million) to small institutions with unmet need

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

<table>
<thead>
<tr>
<th>Campus</th>
<th>Estimated Total (Dollars in Thousands)</th>
<th>Minimum for Emergency Financial Aid to Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amherst</td>
<td>18,335</td>
<td>9,168</td>
</tr>
<tr>
<td>Boston</td>
<td>12,185</td>
<td>6,092</td>
</tr>
<tr>
<td>Dartmouth</td>
<td>6,288</td>
<td>3,144</td>
</tr>
<tr>
<td>Lowell</td>
<td>8,900</td>
<td>4,450</td>
</tr>
<tr>
<td>Medical School</td>
<td>310</td>
<td>155</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>46,019</strong></td>
<td><strong>23,009</strong></td>
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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