THURSDAY, AUGUST 27, 2020
AUDIT, COMPLIANCE & FINANCE COMMITTEE MEETING

Executive Session 10:15-11:20am

Public Session

ITEMS FOR DISCUSSION

1. *Annual University Financial Overview – Mike Papadakis, Kristine Devine, Mark Larmore, Jake Wozniak, Vish Srinivasan* 11:20-11:40am

2. *FY21 Operating Budget Overview– Mike Papadakis, Kristine Devine, Mark Larmore* 11:40-11:50am

3. *FY21 Capital Investment Plan and FY21 Ohio State Energy Partners Capital Plan – Mike Papadakis, Jay Kasey* 11:50am-12:00pm

4. *FY21 Compliance & Integrity Program Assessment – Gates Garrity-Rokous* 12:00-12:10pm

ITEMS FOR ACTION

5. Consent Agenda 12:10-12:15pm

   a. Approval of FY21 Operating Budget
   b. Approval of FY21 Capital Investment Plan
   c. Approval of FY21 Ohio State Energy Partners Capital Plan
   d. Approval to Increase Professional Services and Construction Contracts
   e. Approval of Expense Repayment Endowment Fund
   f. Approval of In-State Tuition for Graduate School for Non-Residential Students Completing a Bachelor's Degree at an Ohio Public Institution
   g. Approval of Internal Audit Charter
   h. Approval for Recognition, Non-Disturbance and Attornment Agreement

6. Written Reports (Background Only) – Public
   a. University Financial Scorecards
   b. Consolidated Financial Statements for the Year Ending June 30, 2020
   c. Efficiency Scorecard
   d. Major Project Updates
   e. Audit & Compliance Scorecard
   f. FY20 Internal Bank Update
   g. External Audit Update
   h. Draft Audit, Compliance & Finance Committee Charter

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Annual University Financial Overview

Audit, Compliance & Finance Committee | August 27, 2020

Financial Overview – Fiscal 2020

Our overall financial position remains strong. Our size, diversity of operations, and discipline enabled us to retain fiscal strength during this unprecedented disruption.

- FY20 cashflow was outpacing historical trends until March of 2020 when campus shut down due to COVID and Wexner Medical Center operations shifted to address the pandemic health care needs of the community.
- Federal stimulus funds of $170M helped to offset increased costs and provided $15M of emergency student financial aid.
- Financial controls implemented, including a hiring pause and business-essential only spend, curtailed 4th quarter cash outflows.
- Dramatic shift to tele-medicine mitigated some revenue loss and provided needed services at the WMC.
- 90% (~18K) of our full-time University employees (21K) shifted to work-from-home essentially overnight.
- Liquidity continues to be strong and is being continually monitored.
- The fiscal year ended with a positive net cashflow of $248M.
- AA/AA/Aa1 bond rating is evidence of financial strength. (Affirmed in June 2020)

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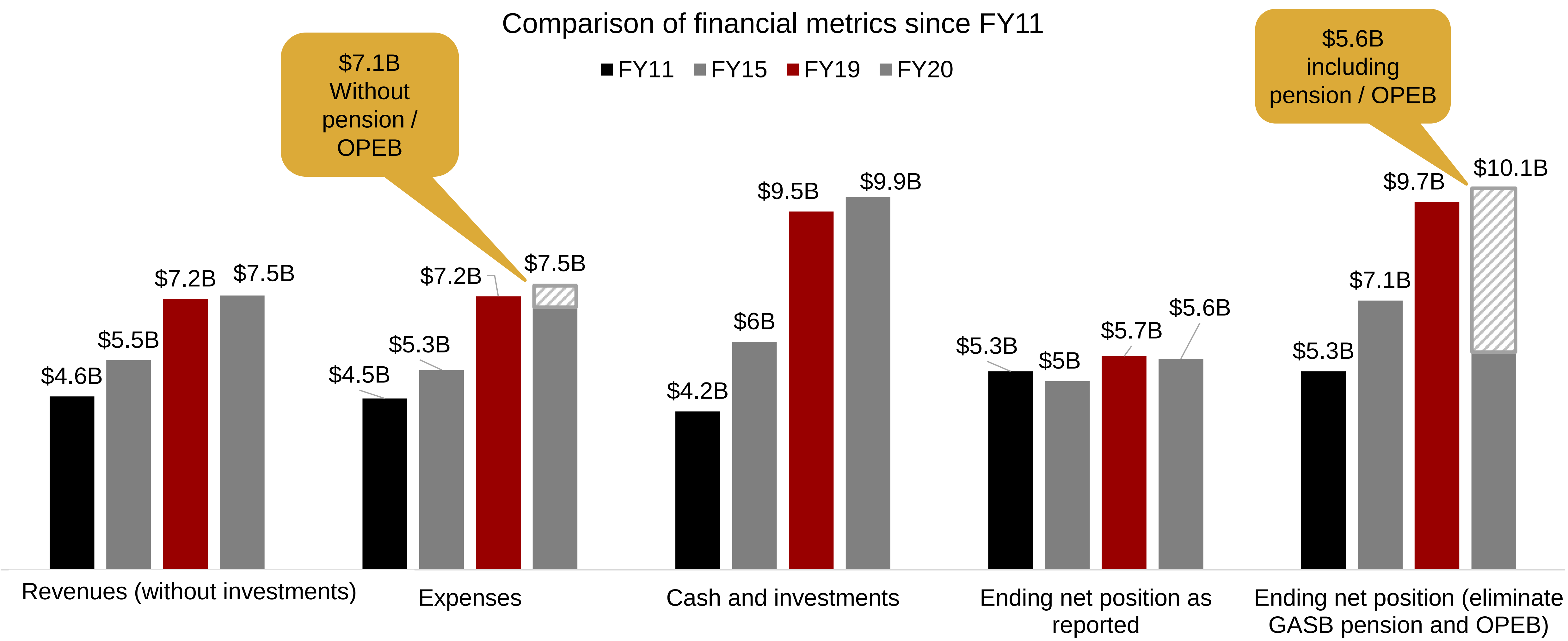
Financial Metrics Demonstrate Positive Momentum



Consolidated Balance Sheet

Assets and Liabilities ($ in billions)		FY20 Total		FY19 Total
Total Cash and Investments	$	9,865	$	9,476
Capital Assets, net	$	5,836	$	5,410
Pension and OPEB assets and deferred outflows	$	763	$	1,208
Other Assets	$	966	$	1,069
Total Assets	$	17,430	$	17,163
Debt	$	3,267	$	3,220
Pension and OPEB liabilities and deferred inflows	$	5,271	$	5,283
Other liabilities	$	3,310	$	3,006
Total Liabilities	$	11,848	$	11,509

Net Position ($ in billions)		FY20 Total		FY19 Total
Ending net position (eliminate pension and OPEB)	$	10,089	$	9,729
Ending net position - pension and OPEB	$	(4,507)	$	(4,075)
Final Ending Net Position	$	5,582	$	5,654

Increase primarily due to HS Medicare Advance stimulus payment of $275M and CARES stimulus payment of $143M.

From the total, significant capital improvement projects include Comprehensive Energy Management Plan Improvements of $119M, University improvements of $210M, and WMC capital improvements of $133M.

Pension assets declined due to the change in OPERS discount rate from 3.96% to 3.16%, which was partially offset by investment returns of +17.23% for pension and +19.59% for OPEB.

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Consolidated Income Statement

Total Revenue ($ in billions)		2020		2019
University	$	3,345	$	3,403
Health System & OSUP	$	3,882	$	3,707
Total Revenues (w/o investments)	$	7,227	$	7,110
Investment income	$	240	$	232
Total Revenues (w/ investments)	$	7,467	$	7,342

Total Expenses ($ in billions)		2020		2019
University	$	3,516	$	3,308
Health System & OSUP	$	3,594	$	3,395
Total Expenses (w/o pension and OPEB)	$	7,110	$	6,703
Net Margin	$	357	$	639
Pension and OPEB expense	$	429	$	480
Total Expenses (w/ pension and OPEB)	$	7,539	$	7,183
Change in Net Position	$	(72)	$	159

Fiscal year 2020 was trending up for the first three quarters. The fourth quarter was negatively impacted by the COVID-19 pandemic, resulting in a decrease in sales and services and auxiliary revenue due to campus closure.

Overall strong growth in revenue year over year through first 3 quarters was impacted by COVID-19. CARES funding of $155M helped offset 4th quarter COVID impact to overall volumes in admissions, patient days, surgeries, and outpatient visits.

Investment income consists of $56M LTIP return, net of expenses, and $184M from short and intermediate term portfolios, self insurance funds and other investment returns.

University expenses increased due to strategic investments in faculty & staff and legal settlements. These increases were offset in the 4th quarter with a focus on business essential spend and a hiring pause in response to the campus shutdown resulting from COVID-19.

Operating expenses increased due to increases in number of staff & physicians (+14%) representing investment in growth of healthcare services and the higher cost of drugs. Pricing increases specifically seen in Chemotherapy and COVID related supplies, drugs and services.

Net change in expense is due to the impact of changes in investment returns and discount rates for OPERS.

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Consolidated Cash Flow Statement

Cash Flow From: ($ in billions)	2020		2019	
Operating Activities	$	40	$	38
Financing Activities	$	942	$	773
Capital Financing Activities	$	(804)	$	(715)
Investing Activities	$	70	$	(8)
Net change in cash	$	248	$	88
Beginning Cash and Cash Equivalent Balance	$	2,201	$	2,113
Ending Cash Balance	$	2,449	$	2,201

Cash flow received from financing activities increased due to the receipt of $170M in CARES Act assistance.

Main driver was a $77M increase in capital project investments in FY20.

Investing activities decreased by $34M due to the purchase, sale and maturities of investments, offset by an increase of $114M in investment income.

Highlights: Patient Care

As the Wexner Medical Center grows, metrics show expenses per AA outpaced revenue growth due to the impact of decreased volumes from COVID-19.

- **Revenue per adjusted admit**: Flat
  - Revenue shortfall offset by CARES Act funding of $143.3M
- **Expense per adjusted admit**: 5.0% increase

VOLUME METRICS

- **Admissions**: 3.4% decrease (February YTD 4.5% increase)
- **Patient Days:** 4.6% decrease (February YTD 3.1% increase)
- **Surgeries**: 4.2% decrease (February YTD 8.7% increase)
- **Outpatient visits**: 2.5% increase (February YTD 12.0% increase)
- **Chemotherapy:** 0.9% increase (February YTD 3.7% increase)
- **Radiation Oncology:** 9.4% increase (February YTD 18.5% increase)

Medical Center Income Statement

Revenue ($ in millions)		2020		2019
Patient Revenue	$	9,965	$	10,077
Total Deductions	$	6,875	$	6,961
Net Patient Revenue	$	3,090	$	3,116
Other Revenue	$	125	$	124
Total Operating Revenue	$	3,215	$	3,240

Expenses ($ in millions)		2020		2019
Operating Expenses	$	2,741	$	2,613
Depreciation	$	172	$	164
Interest	$	32	$	35
Total Expense		2,945		2,812
Medical Center Investments	$	(174)	$	(150)
Income from Investments	$	22	$	6
Other Gains (Losses)	$	163	$	-
Change in Net Position	$	281	$	284

Net patient revenue decreased due to COVID-19, with impacts to the volume in admissions, patient days, surgeries, and outpatient visits.

Operating expense increases were primarily due to higher cost of drugs, specifically an increase at the James for chemotherapy and COVID related supplies, drugs and services.

Increase due to the Health and Human Services CARES stimulus payment of $143M.

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OSU Physicians Income Statement

REVENUE ($ in millions)	2020	2019
Total revenue	$ 483	$ 461
EXPENSES ($ in millions)	**2020**	**2019**
Operating expenses	$ 576	$ 527
Depreciation	$ 3	$ 4
Medical Center Investments	$ (103)	$ (98)
Total expenses	$ 476	$ 433
Margin ($ in millions)	**2020**	**2019**
Net Position	$ 7	$ 28

OSU Physicians experienced growth year over year, trending ahead of prior year by $47M through March, then revenues declined in the 4th quarter.

Operating expenses increased primarily due to increases in the number of staff and physicians (+14%) representing investment in growth of healthcare services. Expense mitigation efforts began in April in response to the rapid decline in revenue.

Growth in Medical Center Investments was proportionate to the increase in providers and services.

Total expenses were offset by federal government subsidies of $12M under the CARES Act Provider Relief Fund.

FY20 net position reflects efforts by OSUP to mitigate COVID impact through expense moderation and planned recovery efforts.

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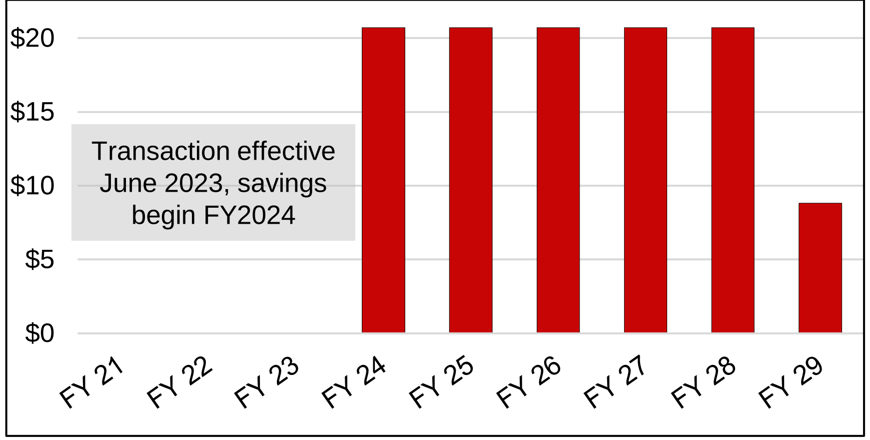
Series 2013A Bond Refunding Summary (Effective June 2023 via Fixed Rate Swaps)

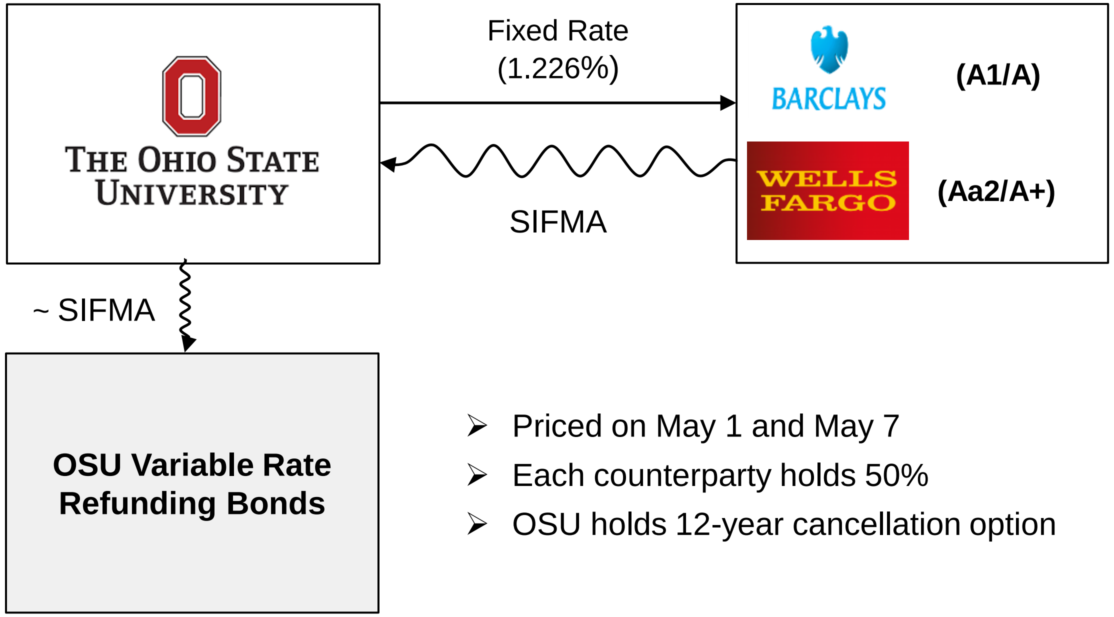
Highlights

- The university was able to take advantage of historically low interest rates by advance refunding its series 2013A Bonds (callable 6/1/23 at par) using a forward starting swap.
- The swap becomes effective June 2023 at which time OSU begins making fixed payments and receiving floating rate payments. The university's cost of capital = the swap's fixed rate of 1.226% as the two variable rate legs offset.
- Savings are achieved by replacing the average coupon of the 2013 Bonds (4.54%) with the swap's fixed rate.
- OSU can exit the trade anytime at the then current market value or at par after the date of the cancellation option.

Annual Debt Service Savings ($ in millions)



OSU Swap Mechanics



- Priced on May 1 and May 7
- Each counterparty holds 50%
- OSU holds 12-year cancellation option

Summary of Results	Total
Notional Amount	$328.8M
Fixed Swap Rate	1.226%
Present Value Savings	$105.1M
PV Savings Percent	32.1%
Gross Savings	$114.1M

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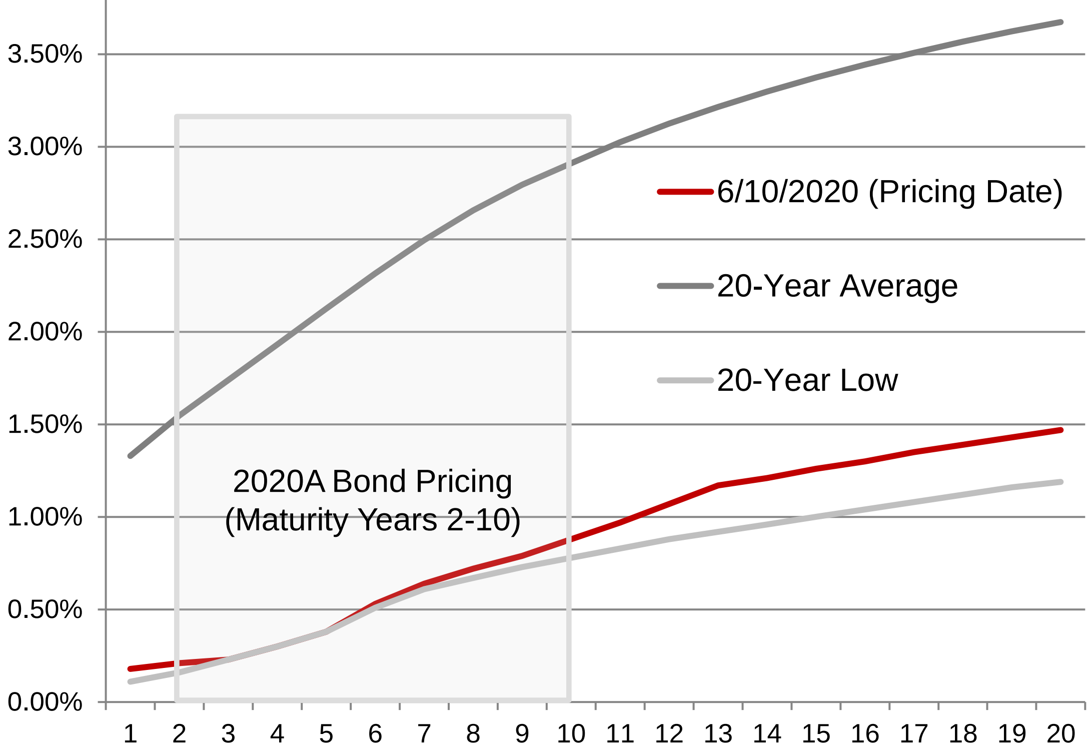
Series 2020A Bond Transaction Summary (Fix-Out of Variable Rate Debt)

- To take advantage of fixed rate bond yields at/near historical lows the university in June issued $186 million in fixed rate bonds to refund $227 million of its variable rate bonds.
- Over the last 20 years, the university has paid an average rate of 1.30% on its variable rate bonds. The 2020A Bonds fixed-out variable rate debt from FYs 2022-2030 at 0.85%.
- Priced fixed rate bonds ~1.8% below historical average fixed rates and within 10 basis points of historical lows.
- Reduced from 18% to 11% the percentage that variable rate debt comprises of the university's total outstanding debt.
- Positions the university for the issuance of variable rate refunding bonds in 2023 and for the use of variable rate debt in future financings that may occur in higher interest rate environments.

AAA Tax-Exempt Bond Yield Curve
Historical vs. Current



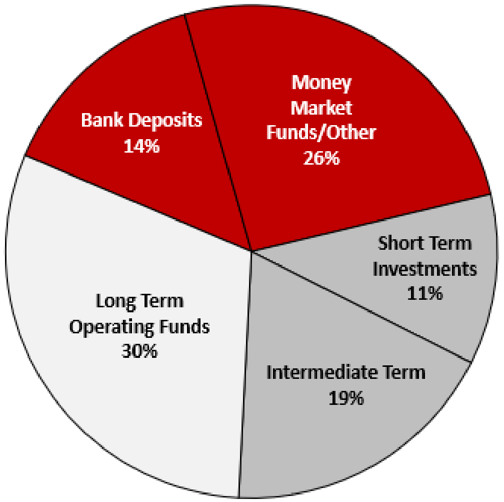
Series 2020A Refunding Summary Statistics					
Refunding Par	Refunded Par	Interest Cost	Fixed-out Maturities	Est. Gross Savings	Est. PV Savings
$186M	$227.2M	0.85%	2022-2030	$7.6M	$6.7M

Maturity Year	2-Year	3-Year	4-Year	5-Year	6-Year	7-Year	8-Year	9-Year	10-Year
Pricing Yield	0.21%	0.23%	0.30%	0.38%	0.53%	0.64%	0.72%	0.79%	0.88%
Pricing vs. Average	-134 bps	-151 bps	-163 bps	-174 bps	-179 bps	-185 bps	-194 bps	-200 bps	-203 bps
Pricing vs. Low	+5 bps	+0 bps	+0 bps	+0 bps	+2 bps	+3 bps	+5 bps	+6 bps	+10 bps

University Operating Funds (as of 6/30/2020)

Overview – University Cash and Investments are structured in two portfolios:

- **Operating Fund Portfolio - $3.8B**
  - Tier 1 = $2.2B Cash & Cash Equivalents
    - Investment Objective – Liquidity and principal preservation.
    - Composition- Collateralized bank deposits, AAA rated MMFs and the State of Ohio local government investment pool.
  - Tier 2 = $1.6B Short and Intermediate Term Investments
    - Investment Objective – Return and principal preservation.
    - Composition – A+/A1 Portfolio of fixed income securities, separately custodied, and externally managed - treasuries, agencies, asset backed securities and high-grade corporate credits.
- **Long-Term Operating Fund Portfolio (Endowment) - $1.65B**
  - Tier 3 = $1.65B of equity investments managed as a part of the endowment strategy.



FY20 Performance

- COVID-19 has had a material impact on fed policy, and interest rates.
- Despite the effects of COVID, Short & Intermediate Term Investment returns exceeded benchmark returns, and the portfolio did not experience any defaults during this period.
- Short & Intermediate Term Investment returns have exceeded benchmark returns each of the last 5 years.
- The university's operating funds grew by a total of $332M.
- FY21 interest earnings are projected to decline significantly and are expected to be less than half of FY20 amounts.

Operating Fund Portfolio

Tier 1 - Cash and Cash Equivalents	Market Value	1 yr Avg Yield	3 yr Avg Yield	5 yr Avg Yield
Consolidated Yield	$2.2B	1.34%	1.55%	1.05%
Composite Benchmark		*0.91%*	*1.10%*	*0.73%*
Excess Yield		0.43%	0.45%	0.32%

Tier 2 - Short & Intermediate Term Investments	Market Value	1 yr Return	3 yr Return	5 yr Return
Consolidated Short Term	$614M	3.08%	2.50%	2.08%
Consolidated Intermediate Term	$1.01B	4.44%	3.30%	2.61%
Consolidated Return	$1.6B	3.92%	3.00%	2.40%
Composite Benchmark		*3.22%*	*2.47%*	*1.76%*
Excess Return		0.70%	0.53%	0.64%

Operating Fund Portfolio Market Value **$3.8B**

Investments

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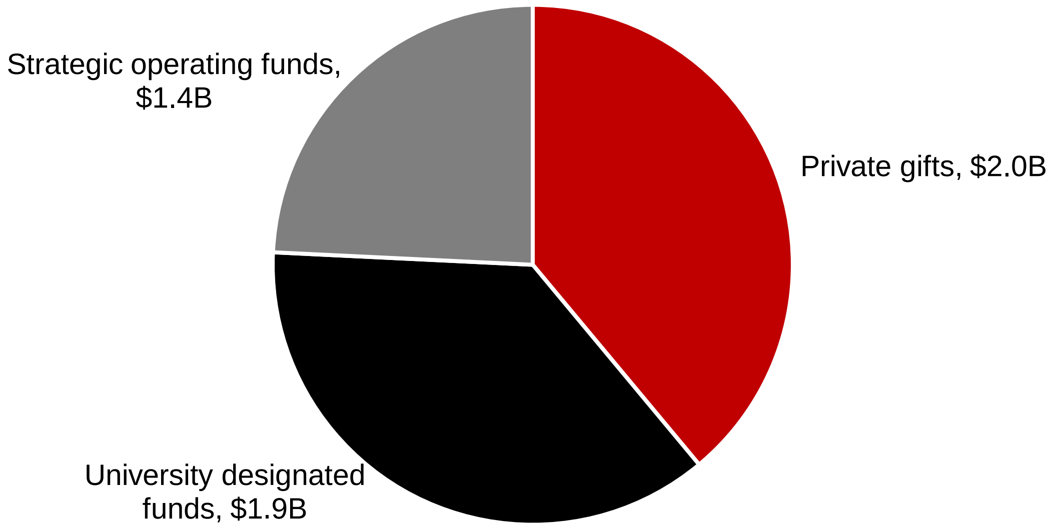
Overview: Long-Term Investment Pool

- Every dollar we invest in the LTIP supports our academic mission without expanding our reliance on tuition or tax dollars.
- The LTIP contains more than 5,900 endowments funded by private gifts, strategic investments by the university, and long-term savings to protect the financial health of the university and Wexner Medical Center.
- Asset allocation within policy guidelines: 64.7% global equities; 27.7% global fixed income; 7.6% real assets.
- Challenging year for Long Term Investment Pool with one-year return of 1.1% versus benchmark return of 4.6%.

LTIP market value: $5.3 billion as of June 30, 2020



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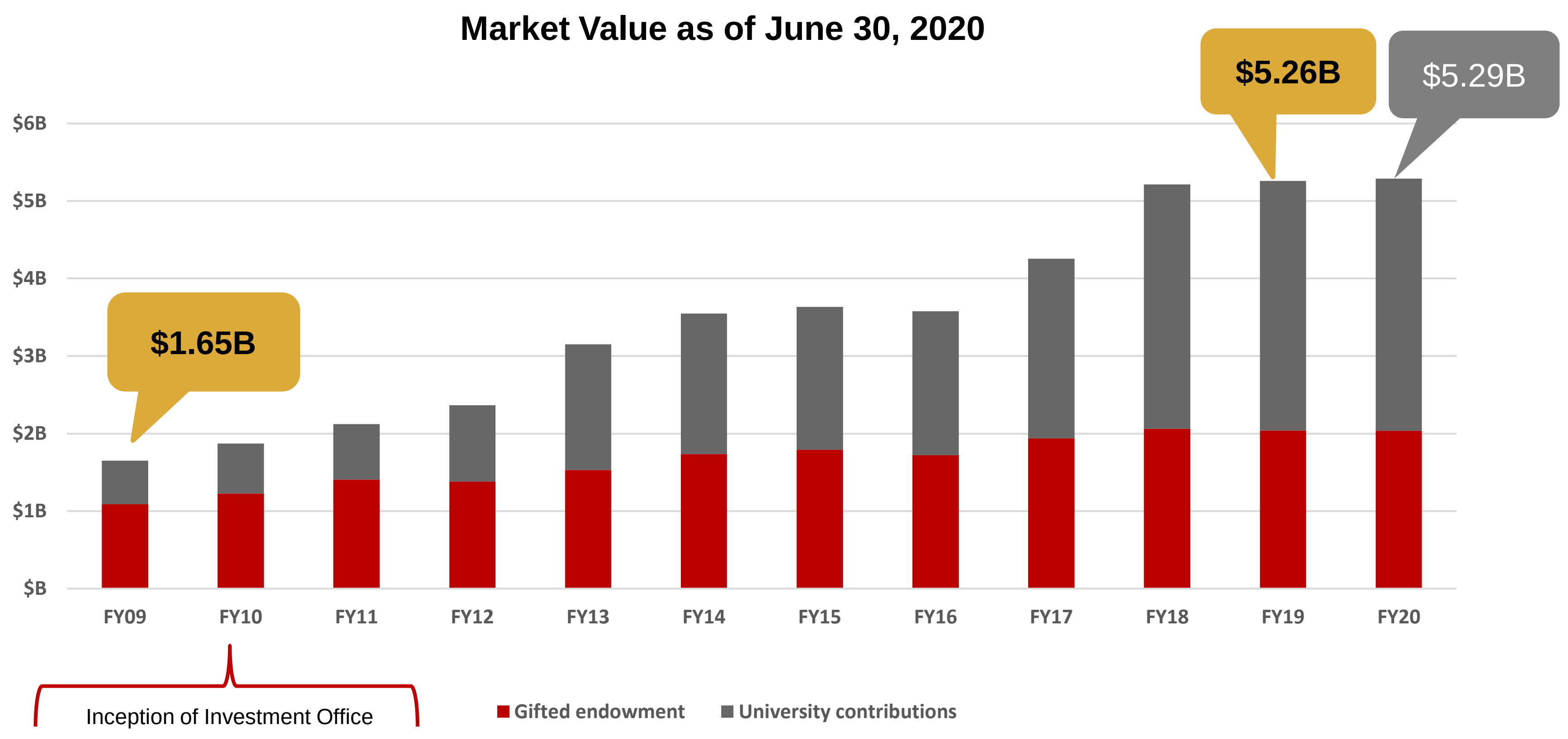
LTIP Balance

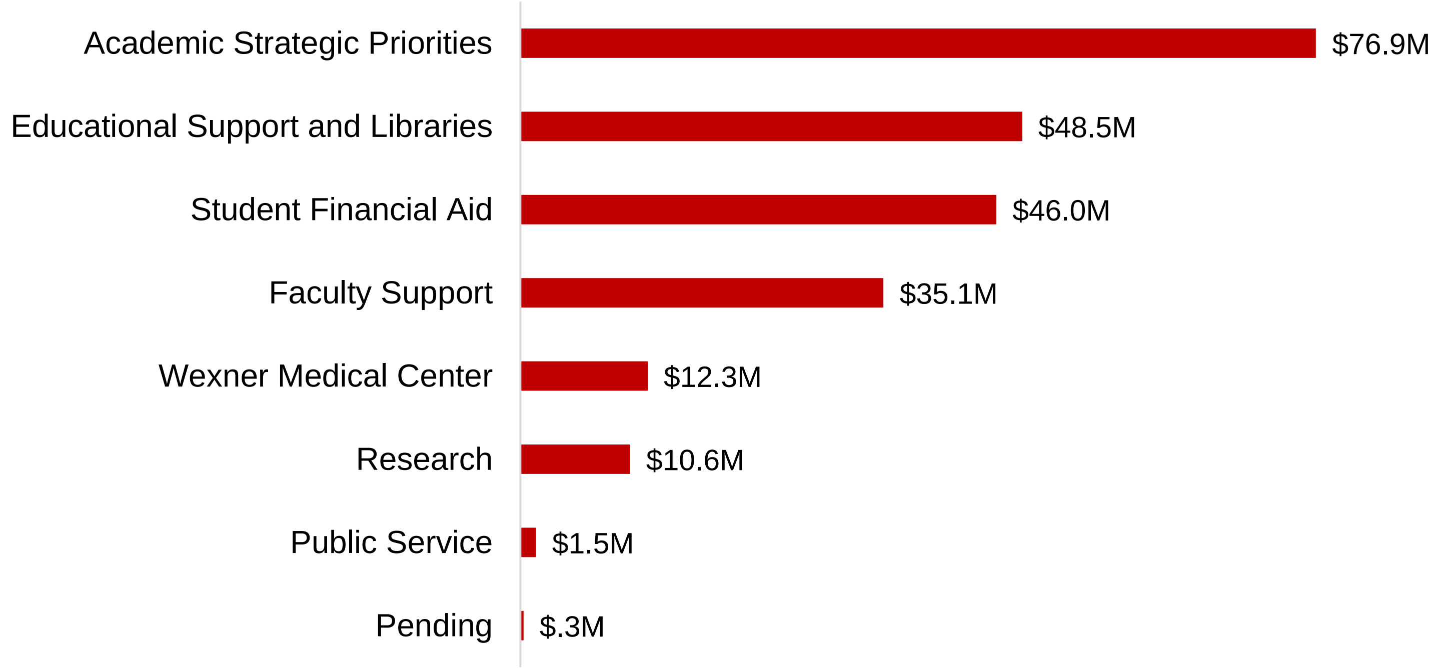
Gifts and investment returns drive growth



Distributions from the LTIP

- Annual payments are determined based on a seven-year average
  - 4.5% distributed on an annual basis
  - Policy provides steady, reliable funding for campus priorities

FY20 distributions: $231.2M



Conclusion

Financial State of the University

- University's stability and fiscal strength provides resiliency during times of disruption.
- Administrative efficiencies re-direct funds to our core mission of access, affordability, academic excellence and patient care during a period of business disruption and revenue dilution.
- Scale and diversity of enterprise distinguished by ability to successfully pivot and navigate through unprecedented disruption:
  - Transitioned 12,000 courses online and transitioned thousands of employees to telework in a week;
  - Bursars Office adapted quickly to process 46,000 transactions over one weekend to issue refunds;
  - No disruption in service to Payroll or Financial Planning & Analysis as all shifted 100% online providing pre-COVID levels of service across campus;
  - Purchasing staff redeployed to support WMC and sourcing 100,000 PPE Welcome Back kits.
- Continued AA/AA/Aa1 bond rating evidence of financial strength.
  - Multi-year debt issuance program, economically advantageous refunding opportunities.

Appendix

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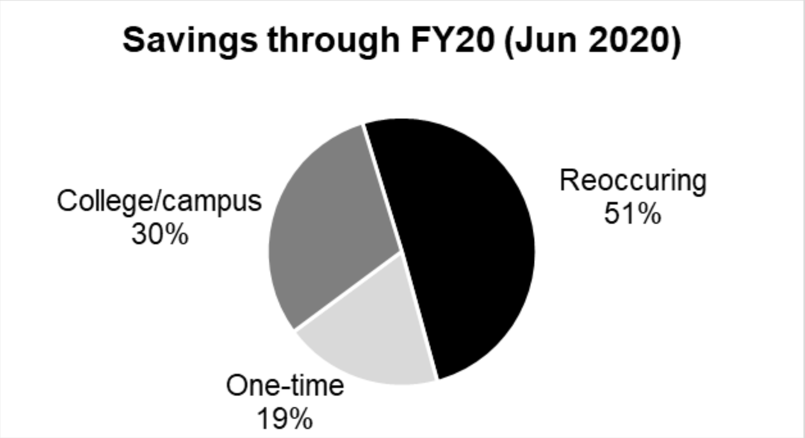
Operational Efficiency Scorecard

The university set a 5-year, $200 million goal for non-WMC efficiencies

FY20 goal	$200M		
Progress to date	**Total**	**% of goal**	**Status**
Through FY18	$114.2M	57%	Yellow
Through FY19	$167.8M	84%	Green
Through FY20	$219.6M	110%	Green

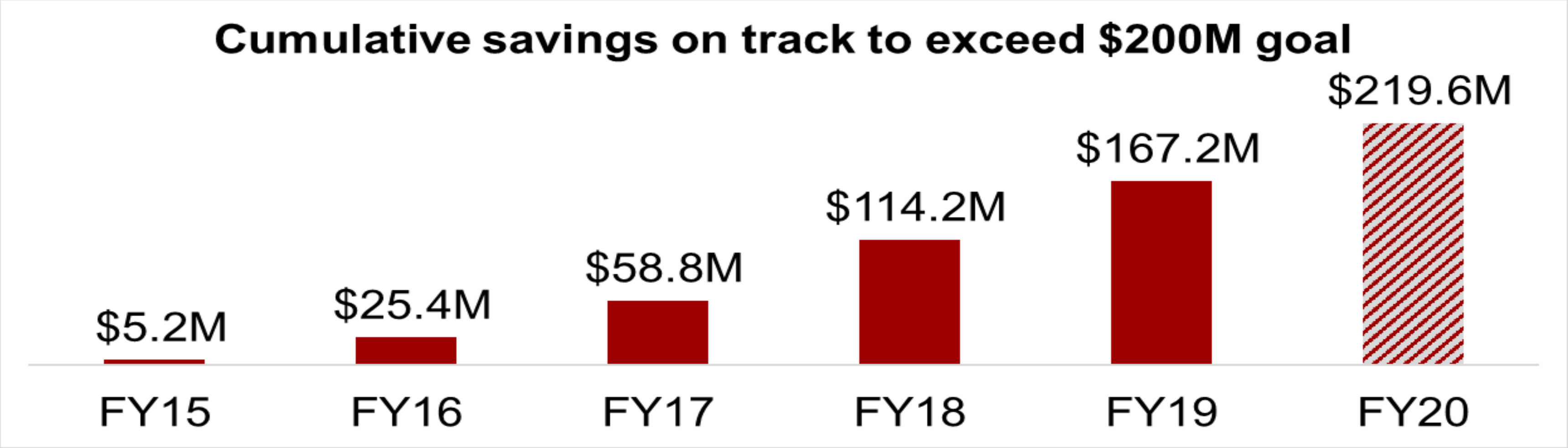


OTHER EFFICIENCY HIGHLIGHTS

The university's 2020 goals focused on savings that could be redeployed to student financial aid and other strategic initiatives. Other initiatives reduce the cost of capital projects and operating costs at colleges and the Wexner Medical Center.

	Progress through FY20	Status	Notes
Strategic procurement	$451.6M compared with FY12	Green	Savings largely benefit colleges and units through discounted rates on goods and services
Wexner Medical Center	$657.3M since FY15	Green	Margin improvement has increased days cash on hand metric from 81 days to 193 days
Capital projects	$99.0M In FY18 thru FY20 YTD	Green	Costs avoided by improving project accounting, capturing bid favorability, budget reductions

University Efficiency Program



OTHER EFFICIENCY HIGHLIGHTS

The university's 2020 goals focused on savings that could be redeployed to student financial aid and other strategic initiatives. Other initiatives reduce operating costs and the cost of capital projects.

	Progress through FY20	Status	Notes
Strategic procurement	$451.6M compared with FY12		Savings largely benefit colleges and units through discounted rates on goods and services
Wexner Medical Center	$657.3M since FY15		Margin improvement has increased days cash on hand metric from 81 days to 193 days
OE@OSU	$134M saved or avoided since FY14		More than 1000 belts trained in Lean Six Sigma methodology
Capital projects	$99.0M In FY18 and FY19		Costs avoided by improving project accounting, capturing bid favorability, budget reductions

New Resource Scorecard

The university set a 5-year, $200 million goal for innovative funding

FY20 goal	$200M	
Major projects	**Upfront total**	**Annual funding through FY20**
NIKE extension	$22.5M	$6.4M
Comprehensive Energy Management	$1.07B	$99.1M
Coca-Cola extension	$6M	$550,000
Total	**$1.1B**	**$106.1M**

OTHER NEW RESOURCE HIGHLIGHTS

The university continues to benefit from innovative funding work that pre-dated the 2020 goal. Examples include:

Project	New resource metric	Notes
Parking	$176.4M distributed FY13-FY20	Supports 200+ scholarships per year, 137 Discovery Themes faculty hires, Arts District and more
Affinity relationships	160+ internships per year	Relationships with Nationwide, Huntington and other partners support the campus in various ways

FY 2021 Financial Plan

Michael Papadakis, Mark Larmore and Kris Devine

Audit, Compliance & Finance Committee | August 27, 2020

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FY2021 Financial Plan Highlights

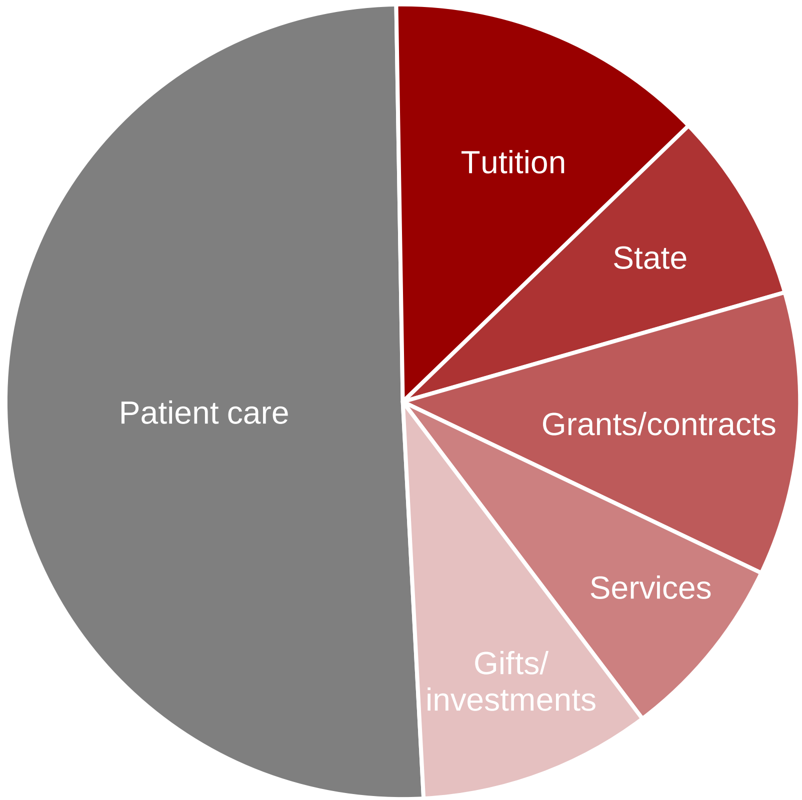
Strategic Pillar	Highlights
Teaching and Learning	• Digital Flagship investment $12 million per cohort • Institute for Teaching and Learning $4 million
Access Affordability and Excellence	• Investing $50 million in Buckeye Opportunity Program, President's Affordability Grants and the Land Grant Opportunity Scholarship Program
Research and Creative Expression	• Funding $28 million for the Discovery Themes Initiative • Focusing on building external relationships to grow the portfolio of federally funded research and industry strategic partnerships
Academic Health Care	• Launching of the Healthy State Alliance with Mercy Health • Construction of first proton therapy treatment facility in central Ohio (set to open in FY2023)
Operational Excellence and Resource Stewardship	• Continued reinvestment of efficiency savings into core academic mission • $175 million in targeted budget reductions on the University side to counteract revenue dilution • Health System includes a net $77.2 million in targeted budget efficiencies to mitigate softer volumes in first half of FY21 as COVID-19 recovery continues

Financial Plan overview

Consolidated budget reflects bottom-up and top-down, with eliminations

Patient care

- Health System
- OSU Physicians



Academics

- Colleges
- State funding
- Research
- Earnings
- Advancement

Assumptions: University Sources

Factor	Assumptions & Explanation

Tuition	• Price Changes:
	  • Tuition Guarantee – Cap 2.0%, CPI 2.1%
	  • Non-Resident Surcharge – 4.8%
	  • Int'l Surcharge – 0.0%
	  • Graduate – base fees 0.0%; 5 colleges increasing differential fees; 3 units implementing new programs
	  • Program, Technology & UG Course Fees – No Increase
	• Volume decreases due to decreased continuing undergraduate and graduate students partially offset by a larger incoming new first year student class. Decreases in continuing students driven by large class graduating in FY 2020, less time to degree, increased sensitivity around student debt, and uncertainty around course delivery methods and university experience due to the pandemic
	• Mix decreases from larger Ohio resident and reduced international enrollment of new first year students (decreased mix by 2%)

State Share of Instruction	• 4.38% decrease from initial FY 2021 pre-pandemic state appropriation
Exchange Grants and Contracts	• $55M in CARES Act funding • Modest increases in federal and private grants and contracts (increase of 3%) • Decreases in state and local grants and contracts (decreases of 20% and 5%, respectively)
Sales and Services	• 2.5% increase for Housing and Dining for new guarantee cohort • No fall sports; no events / concerts during remainder of calendar year 2020
Advancement Receipts	• Continuation of Fundraising Campaign – $550M in New Fundraising Activity | $249M in cash receipts
Investment Income	• 8% LTIP Return • 4.5% endowment distributions

Assumptions: University Uses

Factor	Assumptions & Explanation
Salaries and Benefits	• Merit – 0.0% • Composite Benefit Rates – flat
Student Aid	• Continuation of existing aid for Land Grant Opportunity Scholarships, National Buckeye Program, Buckeye Opportunity Program • Decreases in CARES Act funded student aid
Supplies and Services	• Pandemic cost containment and continued efficiencies • Increased expenses related to COVID-19 response (PPE, cleaning supplies, sanitizers, etc.)

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Assumptions: Health System

FACTOR	Assumptions & Explanation
Payor mix and price implications	2% Payor shift to Medicare - aging population; Managed care 3% average rate increase
Admissions/outpatient visits	Admissions: 8% increase from FY20; 4% decrease from pre-COVID budget Outpatient Visits: 14% increase from FY20; 3.3% decrease from pre-COVID budget
Surgeries	Inpatient: 13.4% increase from FY20; 1.8% decrease from pre-COVID budget Outpatient: 17.2% increase from FY20; 1.9% decrease from pre-COVID budget Total: 15.7% increase from FY20; 1.9% decrease from pre-COVID budget
Case mix index	Projected CMI increase in Ross, other hospitals constant year over year
Length of stay	Decrease of 0.8%
Total beds	Total beds available of 1,485 with expanded bed capacity at UH East mid-year
Salary/wages	Merit increase deferral for non-union employees; 2.5% increase for union contracts
Benefits	31% of salaries
Pharma/drugs	Drug cost inflation of 5% cancer / 3% non-cancer
Interest	Decrease 7.6% with no incremental debt issued
Depreciation	Increase 4.0% from FY20
Annual Capital Expenditures	Routine - $136M Strategic - $428M
Medical Center Investments	$180M

Consolidated financial overview – Modified Cash Flow

The Health System and OSUP account for 50% of consolidated revenue

Total Sources ($ thousands)	FY19 Actual	FY20 Unaudited	FY21 Plan	FY20-FY21 $ Diff	FY20-FY21 % Diff
Tuition & Fees (gross)	1,188,569	1,192,489	1,137,578	(54,911)	-4.6%
State Share of Instruction	383,220	377,449	379,322	1,873	0.5%
Other Operating Appropriations	86,459	84,389	84,389	-	0.0%
Exchange Grants & Contracts	778,422	806,437	811,652	5,215	0.6%
Non-Exchange Grants & Contracts	84,473	264,717	166,979	(97,738)	-36.9%
Sales & Services - Auxiliaries	376,899	338,047	205,313	(132,733)	-39.3%
Sales & Services - Departmental	166,681	152,920	148,906	(4,014)	-2.6%
Sales & Services - Health System	3,239,926	3,214,279	3,490,140	275,861	8.6%
Sales & Services - OSU Physicians	480,879	482,954	537,535	54,581	11.3%
Current Use Gifts	160,102	167,233	155,379	(11,854)	-7.1%
Endowment Distributions	235,563	250,218	266,323	16,106	6.4%
Interest Income	108,342	113,021	48,236	(64,785)	-57.3%
Other Revenues	44,862	42,848	41,091	(1,757)	-4.1%
Total Sources	**7,334,398**	**7,487,000**	**7,472,842**	**(14,158)**	**-0.2%**

Total Uses ($ thousands)	FY19 Actual	FY20 Unaudited	FY21 Plan	FY20-FY21 $ Diff	FY20-FY21 % Diff
Total Personnel Expense	**3,765,162**	**4,010,432**	**4,062,915**	**52,484**	**1.3%**
Fee Authorizations	119,560	113,097	113,097	-	0.0%
Student Aid	404,645	435,160	430,886	(4,275)	-1.0%
Supplies, Services & Other	2,196,521	2,110,880	2,176,825	65,945	3.1%
Debt Service	184,029	190,580	194,910	4,330	2.3%
Total Non-Personnel Expense	**2,904,755**	**2,849,718**	**2,915,717**	**66,000**	**2.3%**
Total Uses	**6,669,917**	**6,860,149**	**6,978,633**	**118,483**	**1.7%**
Sources Less Uses, Operating	**664,481**	**626,851**	**494,210**	**(132,641)**	**-21.2%**
Depreciation	**420,506**	**420,017**	**458,617**	**38,600**	**9.2%**
Sources Less Uses, After Depreciation	**243,975**	**206,834**	**35,592**	**(171,242)**	**-82.8%**

THE OHIO STATE UNIVERSITY

Academic enterprise

THE OHIO STATE UNIVERSITY

FY 2021 Financial Plan by Fund Group

Not all margins are fungible

Total Sources ($ thousands)	Unrestricted [General and Designated]	Earnings	Restricted Endowment and Development	Restricted Grants and Contracts	Total University
External Sources					
Tuition & Fees (gross)	1,137,578	-	-	-	1,137,578
State Share of Instruction	379,322	-	-	-	379,322
Other Operating Appropriations	-	-	-	84,389	84,389
Exchange Grants & Contracts	116,100	-	-	695,552	811,652
Non-Exchange Grants & Contracts	-	-	-	144,738	144,738
Sales & Services - Auxiliaries	-	205,313	-	-	205,313
Sales & Services - Departmental	-	148,906	-	-	148,906
Current Use Gifts	-	-	155,379	-	155,379
Endowment Distributions	64,535	-	201,788	-	266,323
Interest Income	39,405	-	-	-	39,405
Other Revenues	-	41,091	-	-	41,091
Total External Sources	**1,736,939**	**395,310**	**357,167**	**924,678**	**3,414,095**
Internal Sources					
Net Transfers from Health System	-	-	-	150,000	150,000
Total Internal Sources	**-**	**-**	**-**	**150,000**	**150,000**
Total Sources	**1,736,939**	**395,310**	**357,167**	**1,074,678**	**3,564,095**
Total Uses ($ thousands)	**Unrestricted [General and Designated]**	**Earnings**	**Restricted Endowment and Development**	**Restricted Grants and Contracts**	**Total University**
Salaries	888,603	226,660	38,223	377,805	1,531,290
Benefits	244,061	61,359	8,937	102,709	417,066
Total Personnel Expense	**1,132,663**	**288,019**	**47,161**	**480,514**	**1,948,356**
Fee Authorizations	97,732	936	1,539	12,890	113,097
Student Aid	272,265	27,498	46,555	84,568	430,886
Supplies, Services & Other	138,059	130,763	138,495	387,979	795,296
COVID-19 Expense (non-student aid)	-	-	-	49,150	49,150
Debt Service	79,862	79,862	-	-	159,725
Total Non-Personnel Expense	**587,918**	**239,059**	**186,589**	**534,587**	**1,548,153**
Total Uses	**1,720,581**	**527,078**	**233,750**	**1,015,101**	**3,496,510**
Sources Less Uses, Operating	**16,358**	**(131,768)**	**123,417**	**59,578**	**67,585**
Depreciation Expense					**253,493**
Sources Less Uses, Incl Depreciation					**(185,908)**

- Unrestricted [General and Designated] funds generate a modest margin of $16.4 million which is mainly used for operating reserves and strategic investments.
- Earnings funds generate a negative margin of $132 million, due to dedensification of housing and dining, anticipated changes to athletic program revenues and loss of revenue due to no or reduced events through calendar 2020.
- Restricted Endowment and Development funds generate a margin of $123 million mainly due to timing differences between gift receipt and actual spending.
- Restricted grants and contracts generate a margin of $60 million due to timing of reimbursements on research projects.

THE OHIO STATE UNIVERSITY

Highlights: University-only sources

Total Sources ($ thousands)	FY19 Actual	FY20 Unaudited	FY21 Plan	FY20-FY21 $ Diff	FY20-FY21 % Diff
External Sources					
Tuition & Fees (gross)	1,188,569	1,192,489	1,137,578	(54,911)	-4.6%
State Share of Instruction	383,220	377,449	379,322	1,873	0.5%
Other Operating Appropriations	86,459	84,389	84,389	-	0.0%
Exchange Grants & Contracts	778,422	806,437	811,652	5,215	0.6%
Non-Exchange Grants & Contracts	84,780	101,977	144,738	42,760	41.9%
Sales & Services - Auxiliaries	376,899	338,047	205,313	(132,733)	-39.3%
Sales & Services - Departmental	166,681	152,920	148,906	(4,014)	-2.6%
Current Use Gifts	160,102	167,233	155,379	(11,854)	-7.1%
Endowment Distributions	235,563	250,218	266,323	16,106	6.4%
Interest Income	108,342	89,725	39,405	(50,320)	-56.1%
Other Revenues	44,862	42,848	41,091	(1,757)	-4.1%
Total External Sources	**3,613,900**	**3,603,732**	**3,414,095**	**(189,637)**	**-5.3%**
Internal Sources					
Net Transfers from OSU Health System	199,712	255,579	150,000	(105,579)	-41.3%
Total Internal Sources	**199,712**	**255,579**	**150,000**	**(105,579)**	**-41.3%**
Total Sources	**3,813,611**	**3,859,311**	**3,564,095**	**(295,216)**	**-7.6%**

Source Drivers

	Price	Volume	Mix
Tuition & Fees	↑	↓	↓
Housing & Dining	↑	↓	↑

Price: Delivery of fully online courses during summer reduced revenue by $23.6M
Volume: 5.3% decrease; decline in continuing undergraduate students due to COVID-19 outweighs larger incoming new first year student class
Mix: Larger Ohio resident and decreased international enrollment of new first year students decreased non-resident proportion by 2%

- $55M in CARES Act assistance expected in FY21, a $40M increase over CARES receipts in FY20
- Modest increases in federal and private grants (~3%)

- $130M decline in athletics due to revised athletics seasons; assumes no fall sports
- $3M decline in student life from FY20; equal to $38M decline from a normalized fiscal year due to lower occupancy rates from COVID-19 dedensification efforts
- $6M decline in business advancement from FY20, due to reliance on event revenue; plan anticipates no events through December 2020

Highlights: University-only uses

Total Uses ($ thousands)	FY19 Actual	FY20 Unaudited	FY21 Plan	FY20-FY21 $ Diff	FY20-FY21 % Diff
Salaries	1,512,118	1,572,248	1,531,290	(40,958)	-2.6%
Benefits	376,782	428,136	417,066	(11,069)	-2.6%
Total Personnel Expense	**1,888,900**	**2,000,384**	**1,948,356**	**(52,028)**	**-2.6%**
Fee Authorizations	119,560	113,097	113,097	-	0.0%
Student Aid	404,645	435,160	430,886	(4,275)	-1.0%
Supplies, Services & Other	992,228	867,192	795,296	(71,896)	-8.3%
COVID-19 Expense (non-student aid)	-	-	49,150	49,150	n/a
Debt Service	133,291	133,144	159,725	26,581	20.0%
Total Non-Personnel Expense	**1,649,724**	**1,548,593**	**1,548,154**	**(440)**	**0.0%**
Total Uses	**3,538,624**	**3,548,977**	**3,496,510**	**(52,467)**	**-1.5%**
Sources Less Uses, Operating	**274,987**	**310,334**	**67,585**	**(242,749)**	**-78.2%**
Depreciation	**248,586**	**240,259**	**253,493**	**13,234**	**5.5%**
Sources Less Uses, After Depreciation	**26,401**	**70,075**	**(185,908)**	**(255,983)**	**-365.3%**

- No increase in faculty and staff salary guidelines for FY 2021
- Cost containment efforts continue, including a hiring pause through the end of FY 2020, and a critical look at open and new positions.
- Only moving forward with strategic hires that advance the mission of the university.

Continued strategic investments in access and affordability offset by decrease in student aid available from CARES Act funding sources

- Non-COVID-19 supplies and services expense decreases by $72M due to limiting spending to business-essential items; an additional $73M was saved during the fourth quarter of FY20.
- $49M related to the institutional response to COVID-19, including personal protective equipment

Wexner Medical Center

THE OHIO STATE UNIVERSITY

Wexner Medical Center:

Includes Health System, OSU Physicians, College of Medicine and Office of Health Sciences

	Actual 2020	Budget 2021	% Change
OPERATING STATEMENT (in thousands)			
Total Operating Revenue	$ 4,183,500	$ 4,542,323	8.6%
Operating Expenses			
Salaries and Benefits	2,333,646	2,471,323	5.9%
Supplies and Pharmaceuticals	813,026	869,789	7.0%
Services	477,618	494,455	3.5%
Depreciation	194,906	208,527	7.0%
Interest/Debt	42,930	40,243	-6.3%
Other Operating Expense	(13,503)	150,386	-1213.7%
Medical Center Investments	3,659	13,043	256.4%
Total Expense	3,852,283	4,247,766	10.3%
Excess of Revenue over Expense	$ 331,217	$ 294,557	-11.1%
Financial Metrics			
Adjusted Admissions	127,332	139,233	9.3%
Total Revenue per AA	$ 25,243	$ 25,067	-0.7%
Total Expense per AA	$ 23,124	$ 22,084	-4.5%

Source Drivers

	Price	Volume	Mix
Total Revenue	↔	↑	↔
Total Expense	↓	↑	↔

Compliance and Integrity Report

FY2021 Compliance and Integrity Program Assessment

Audit, Compliance, and Finance Committee
August 27, 2020

OFFICE OF UNIVERSITY COMPLIANCE AND INTEGRITY
THE OHIO STATE UNIVERSITY

Regulation of Higher Education

Increasing pressures experienced across all areas of university operation

- Among most extensively regulated industries in the United States
- Hundreds of applicable laws and regulations; hundreds of federal, state, and local regulators
- Many applicable laws tied to the receipt of federal funds (e.g., Title IX, Clery Act, Human Research, etc.)
- Many other laws of general application (e.g., Export Controls, ADA, False Claims Act, etc.)
- Increasing regulatory demands and expectations
  - New federal and state laws
  - Growing complexity of requirements
  - More aggressive enforcement initiatives
- Increasing regulatory burden leading to increase in university costs

Regulatory Expectations for Compliance Programs

New DOJ Guidance increases expectations for program effectiveness

June 2020 Guidance from U.S. Department of Justice

- Guidance seeks to address three fundamental questions:
    - Is compliance program well designed?
    - Is program operating earnestly and in good faith?
    - Does program work in practice?
- Explicitly focuses on need for continuous program improvement to establish effectiveness
- Emphasizes that an entity's ability to respond once to a regulation is insufficient; regulators will focus on how a compliance program evaluates and improves that response over time

Key Takeaways

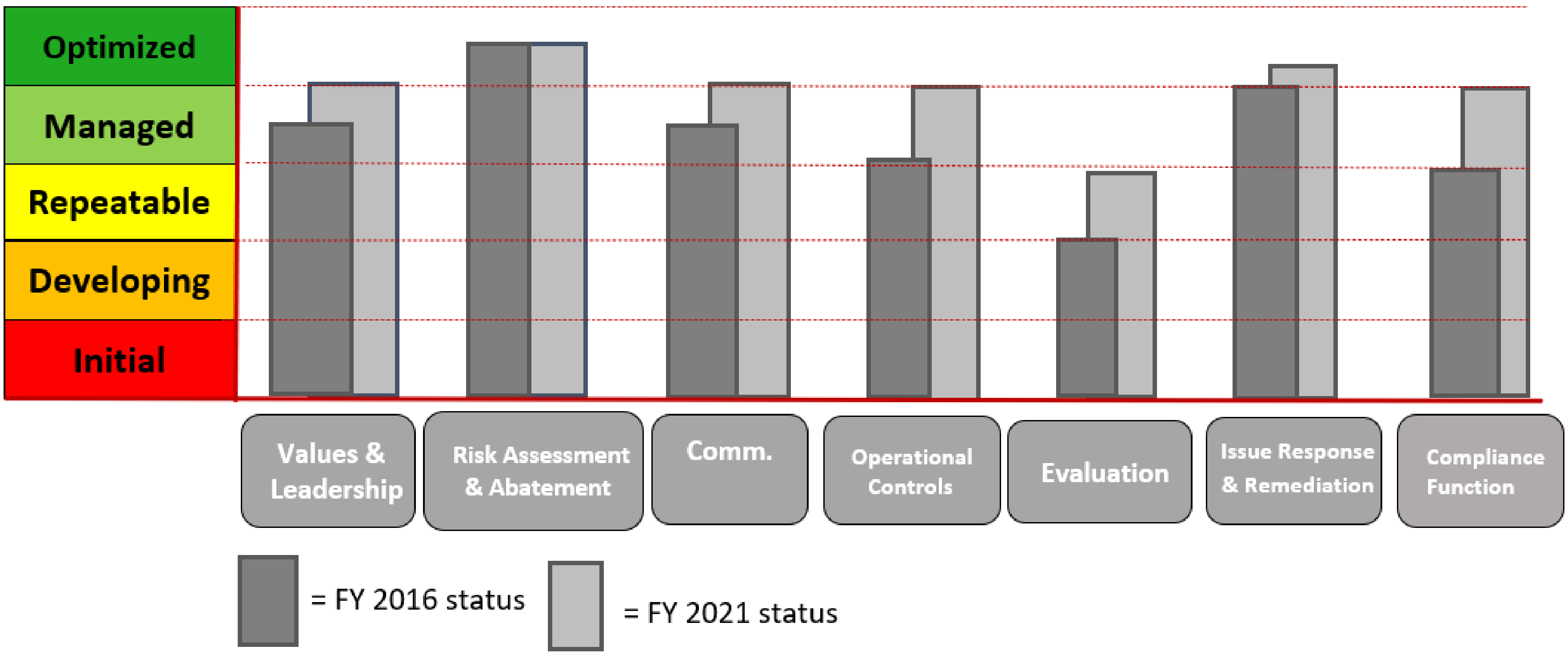
- Pandemic forces decisions on resource allocation priorities
- Increased expectations can best be met by re-emphasizing programmatic approach toward meeting compliance requirements

OSU Compliance and Integrity Program

Consistent framework across university develops effectiveness

FY2021 Program Assessment Overview

Significant progress made since 2016; opportunities for improvement remain



Documented, consistent methodology supports effectiveness

- Scalable approach supports consistent assessment/reporting of unit-level programs
- Efforts underway to partner with peer institutions, to support external benchmarking

Program Assessment: Detailed Results

Compliance Area	Current Status	Next Steps	FY 2020	FY 2021
Ethical Values & Leadership Engagement	• Strong practice of values-based decision-making • Values & Ethics survey issued to entire university • Compliance Council implemented to improve governance and reporting • Compliance committees operating effectively in key units (e.g., OSUWMC, Research, Athletics)	• Deliver survey report and implement action plans including integration of values and leadership training efforts • Continue to improve Compliance Council oversight of compliance risks • Improve integration of unit compliance committee reporting into Compliance Council		
Risk Assessment & Abatement	• Extended pre-existing regulatory inventory to an "early warning system" (EWS) to identify/ communicate COVID-related regulatory changes • Strong process for reporting and assessing compliance risks and planning risk mitigation	• Extend EWS process to non-COVID regulatory changes • Integrate unit-level compliance risk mitigation through Compliance Council • Continue alignment with university Risk Management processes		
Communication (Policies & Training)	• Strong policy process supported significant policy revisions needed for Enterprise Project • Learning Management System (BuckeyeLearn) supports extensive training delivery • Training governance and enforcement remains largely decentralized	• Continue efforts to simplify policies and align policies with university values, through revisions • Continue training simplification efforts • Improve training enforcement processes and effectiveness assessments on core compliance training		

Program Assessment: Detailed Results (cont.)

Compliance Area	Current Status	Next Steps	FY 2020	FY 2021
Operational Controls	• Strong controls defined by process and within units, meeting regulatory/policy requirements • Simplification of processes and identification of key controls has occurred in several top risk areas (e.g., information security and conflicts of interest)	• Leverage process mapping efforts of Enterprise Project to identify additional opportunities for control simplification • Continue existing control simplification efforts on top risks		
Evaluation (Testing & Monitoring)	• Testing protocols generally highly decentralized, with opportunities for extending more consistent risk-based testing • Strong testing processes exist in key risk areas (e.g., OSUWMC, EHS, Enterprise Security)	• Leverage existing strengths to develop consistent approach toward testing of all top compliance risks • Extend processes for corrective action tracking		
Issue Response & Remediation	• Appropriate concern reporting processes in place • Strong investigation expertise and reporting	• Continue alignment and simplification of non-EthicsPoint concern reporting channels to improve identification of systemic issues • Formalize corrective action tracking		
Compliance Function	• Compliance personnel generally have sufficient resources, independence, and access to data to perform essential functions, and is coordinated by OUCI • Resource gaps exist in key areas	• Continue integration of overall compliance organization through unit-level program assessments and formalization of matrixed reporting lines • Continue to address key resource gaps		

APPROVAL OF FISCAL YEAR 2021 OPERATING BUDGET

Synopsis: Approval of the operating budget for the fiscal year ending June 30, 2021, is proposed.

WHEREAS the State of Ohio Biennial Budget for State Fiscal Years 2020 and 2021, including funding levels for state institutions of higher education, has been signed into law; and

WHEREAS tuition and fee levels for the Columbus and regional campuses for the fiscal year ending June 30, 2021, were approved at the June 3, 2020 Board of Trustees meeting; and

WHEREAS the administration now recommends approval of the FY2021 operating budget for the university for the fiscal year ending June 30, 2021:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby approves the university's operating budget for the fiscal year ending June 30, 2021, as described in the accompanying Fiscal 2021 Financial Plan for the fiscal year ending June 30, 2021, with authorization for the President to make expenditures within the projected income.

TOPIC:

FY 2021 Operating Budget Approval

CONTEXT:

The approval of the FY 2021 Operating Budget for the fiscal year ending June 30, 2021 is the final step in establishing the budget for the University. The budget as presented is based on the student tuition and fees approved at the June 3, 2020 Board of Trustees meeting.

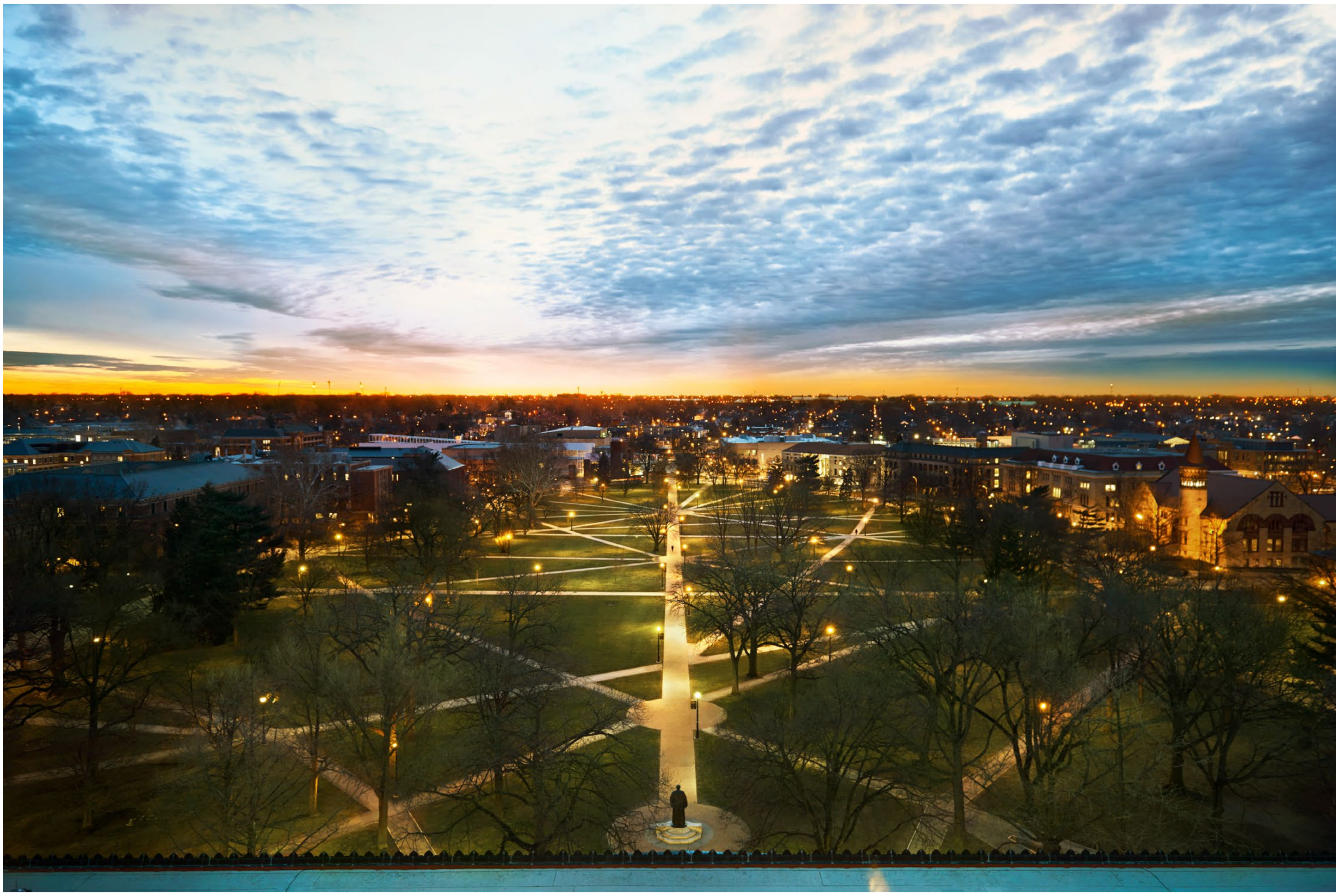
SUMMARY:

Included are the following:

- Resolution for Approval of the FY 2021 Operating Budget
- FY 2021 Financial Plan for The Ohio State University

REQUESTED OF THE AUDIT, COMPLIANCE & FINANCE COMMITTEE:

Approval of the FY 2021 Operating Budget.



The Ohio State University

FY2021 Financial Plan

Office of Business and Finance
Financial Planning and Analysis

FY 2021 Financial Plan

Chapter 1 | Executive Summary

We are pleased to submit the FY 2021 Financial Plan. This plan builds on the university's strengths and provides operating margin to be reinvested into capital projects at the university. Consistent with the higher education and the health care industries, this was a challenging planning year with the pandemic affecting nearly every revenue source. We have taken corresponding expenditure and cost containment actions during this planning cycle. Impacts on the plan relating to COVID-19 are addressed throughout the narrative.

We are presenting the Operating Plan alongside the Capital Investment Plan to provide more clarity about funding sources – which funding sources are fungible and can be spent for unrestricted purposes, and which funding sources must be spent on legally mandated or designated programs and projects.

The narratives throughout this financial plan utilize this managerial-based presentation. The full U.S. GAAP version of the plan is presented in Appendix A for comparison.

This document includes an Executive Summary, an introduction on planning at Ohio State, the full FY 2021 Operating Plan, a snapshot of the FY 2021 Capital Investment Plan, and detailed material provided in the Appendix.

Highlights of the Financial Plan

- The Consolidated FY 2021 Operating Plan projects a surplus after depreciation of $35.6 million on $7.5 billion of sources and $7 billion of uses and $458.6 million of depreciation. We anticipate sources will decrease -0.2% over FY 2020 results, driven primarily by decreases in university sales and services, tuition and fees, and interest income, offset by growth in The Ohio State University Health System and Ohio State University Physicians, Inc. (OSUP). Uses are projected to increase 1.7% driven by a 1.3% increase in personnel expenses reflecting holding salaries flat to FY 2020 and limited strategic growth in personnel as well as a 2.3% increase in non-personnel expenses. Excess sources less uses before depreciation will be invested in the university capital plan.

- The University-Only FY 2021 Operating Plan, which excludes the Health System and OSUP, projects a surplus of $67.6 million on $3.6 billion of sources and $3.5 billion of uses. We anticipate sources to decrease -7.6% over FY 2020 results. This decrease is driven by a -4.6% decrease in tuition and fee revenue, a -39.3% decrease in sales and services revenue by auxiliaries, and a -56.1% decrease in interest income, partially offset by a 5.3% increase in grants and contracts. Overall, the university-only plan projects that uses will decrease -1.5%, stemming from a -2.6% decrease in personnel expenses and no increase in non-personnel expenses. Significant cost containment efforts in FY 2021 will be partially offset by COVID-19 related expenses for personal protective equipment and back to campus safety measures.

    - The university is comprised of general funds used for teaching and other unrestricted uses, restricted funds from either grants or gifts, and earnings funds such as housing and dining. These funds are tracked and managed to ensure all restrictions are met. Of the $67.6 million surplus, $16.4 million is from general funds, ($131.8) million is from earnings funds, and the remainder are for restricted purposes.

    - Within the $3.6 billion of university-only sources are $1.7 billion in general funds, which are allocated to units based on a highly specialized modified responsibility center management model, including some funding held centrally for strategic investment. The model allocates $1.6 billion of revenue in proportion to credit hours taught. General funds also includes research indirect costs allocated primarily to the unit providing services for the grants. The model also includes assessments to colleges and support units for centrally provided services and expenses such as facilities and institutional student aid.

- The Health System FY 2021 Operating Plan projects a surplus of $274.5 million on $3.5 billion of sources, and $3.1 billion of uses. We anticipate sources will increase 8.6% and uses will increase 4.4% over FY 2020 results. This is driven by a combination of an estimated increase in adjusted admissions, outpatient growth, and some rate increases.

- The OSU Physicians, Inc. FY 2021 Operating Plan projects a surplus of $7 million on $538 million of sources and $531 million of uses. This translates to an 11.3% increase in sources and an 11.6% increase in uses over FY 2020 results.

- The consolidated University and Health System will continue to invest heavily in various capital assets. The FY 2021 Capital Investment Plan includes $928.7 million in capital expenditures, including $637 million from projects approved in prior Capital Investment Plans and $292 million related to new projects starting in FY 2021.

University Response to COVID-19

Ohio State has implemented a comprehensive response to the COVID-19 pandemic, both to protect the university community and as part of our role as a leading national flagship public research university. The university is utilizing a blend of in-person, online and blended teaching for autumn 2020 and applying guidelines for a safe and healthy return to campus, as outlined at safeandhealthy.osu.edu. We have reconfigured classrooms to allow for physical distancing, upgraded cleaning protocols and created university-wide expectations for safe and healthy behaviors.

Beyond these measures to support the university community, Ohio State has been actively working in the broader community to address the need for health care and other solutions to COVID-19. The Wexner Medical Center is a hub for patient care and research to address COVID-19. The Infectious Diseases Institute and members of the medical center have worked closely to support the state of Ohio’s response. The Infectious Diseases Institute, the College of Public Health and other units across campus assist Ohio State’s COVID Connect Hub to make expertise and resources available to public officials on the front lines of fighting the virus. The Office of Research established a seed grant program to support COVID-19 research projects.

Strategic Context

The university's Time and Change strategic plan guides the financial decisions reflected in this financial plan. The strategic plan sets forth the aspiration of being a leading national flagship public research university.

This aspiration requires a focus on uplifting the well-being of the state, the nation, and the global community through the dissemination of knowledge. It necessitates celebrating all that makes Ohio State distinctive and making decisions that build on our unique assets and strengths. Finally, it means being recognized consistently as one of the top public research universities in the nation. To reach our goals, Ohio State's strategic plan sets forth five pillars of focus:

I

Teaching and Learning

Ohio State will be an exemplar of the best teaching, demonstrating leadership by adopting innovative, at-scale approaches to teaching and learning to improve student outcomes.

II

Access, Affordability and Excellence

Ohio State will further our position as a leading public university offering an excellent, affordable education and promoting economic diversity.

III

Research and Creative Expression

Ohio State will enhance our position among the top national and international public universities in research and creative expression, both across the institution and in targeted fields -- driving significant advances for critical societal challenges.

IV

Academic Health Care

The Ohio State University Wexner Medical Center will continue our ascent as a leading academic medical center, pioneering breakthrough health care solutions and improving people's lives.

V

Operational Excellence and Resource Stewardship

Ohio State will be an exemplar of best practices in resource stewardship, operational effectiveness, and efficiency and innovation.

The FY 2021 Financial Plan invests in these five strategic pillars to achieve our vision.

Teaching and Learning

Ohio State is integrating learning technology throughout the student experience through the Digital Flagship, a student success initiative that in which the university is collaborating with Apple. For the third year of the Digital Flagship, incoming first-year students at all campuses will receive an iPad and related technology as part of their academic toolkit, faculty members are ramping up courses specifically designed to take advantage of widespread access to this technology and the university is introducing a new coding curriculum to support our students' career credentials. The university is investing approximately $12 million per cohort for this initiative.

Meanwhile, the university continues to support teaching excellence through programs, such as the University Institute for Teaching and Learning. The institute works with faculty throughout the university to extend best practices in instruction. We anticipate investing approximately $4 million in this initiative in FY 2021, funded primarily through an endowment that the university created with proceeds from the comprehensive energy management partnership.

Access, Affordability and Excellence

Ohio State is controlling costs and providing unprecedented aid for students who demonstrate financial need. The university will mark a number of milestones in the coming year in terms of student support. Since FY 2016, the university has added more than $200 million in new need-based student aid, outpacing the $100 million goal set at the time. In all, the university will invest more than $50 million in FY 2021 in three programs: The Buckeye Opportunity Program, President's Affordability Grants, and the Land Grant Opportunity Scholarship program.

- This year will be the third for the Buckeye Opportunity Program, which ensures that financial aid covers the cost of tuition and fees for low- and moderate-income students from Ohio who receive Pell Grants.
- President's Affordability Grants support more than 15,000 low- and moderate-income students annually at all Ohio State campuses.
- Land Grant Opportunity Scholarships have been expanded to cover the full cost of attendance and doubled to 176 scholarships each year.
- A fourth incoming class of Ohio students will enter under the Ohio State Tuition Guarantee, which locks in rates for tuition, mandatory fees, room and board for four years. This program provides students and families with predictability about the cost of a four-year education.

Research and Creative Expression

The university aspires to become a national leader in research and creative expression, with the specific goal of attracting top scholars who excel in targeted research areas designed to address complex and pressing challenges. Strategies to achieve this goal include facilitating multidisciplinary research to take advantage of the breadth of expertise at the university through the Discovery Themes initiative; establishing new centers focused on current and emerging research challenges; supporting the proposal development center to increase funding for strategic initiatives; and establishing and maintaining cutting-edge facilities to support our growing community of research-intensive faculty. The FY 2021 Financial Plan includes $28 million in funding for Discovery Themes.

The Office of Research is also focusing on building external relationships that will help grow the university's portfolio of federally funded research, and on expanding strategic partnerships with industry.

Academic Health Care

The Wexner Medical Center plans to reinvest projected margin in patient care and in capital planning to support growing demand, including a new inpatient hospital, expanded ambulatory facilities, and an integrated health sciences facility. Among other investments, the Wexner Medical Center and the Arthur G. James Cancer Hospital and Richard J. Solove Research Institute are collaborating with Nationwide Children's Hospital to bring the first proton therapy treatment facility to central Ohio. The proton center, planned for Ohio State's west campus, is expected to cost approximately $100 million and open in FY 2023. The Wexner Medical Center has also partnered with Mercy Health to launch the Healthy State Alliance, which brings together two organizations with complementary missions, capabilities, and talents. The Alliance will focus early efforts on three objectives in particular: addressing the opioid epidemic and increasing access to cancer and transplant care.

Operational Excellence and Resource Stewardship

The university has exceeded the five-year, $200 million operating efficiency goal that was set for FY 2020 by at least $20 million. These administrative savings have been re-directed to the university's core academic mission through strategic initiatives such as new need-based financial aid and the Digital Flagship student-success initiative. Savings in administrative support units, whether generated centrally or through initiatives undertaken by the units, are all captured centrally. Colleges have retained some of their savings to utilize for their strategic initiatives. All deposits are reviewed to ensure they reflect savings, not avoided costs, or set aside funds.

The university has also prioritized strategic procurement to reduce costs. Since FY 2013, the university's strategic procurement program has produced $451.6 million in cumulative savings by reducing the number of vendors and negotiating preferred contracts with master vendors. The strategic procurement team has negotiated over a thousand university-wide contracts, reflecting a range of goods and services. Most of the savings from negotiated rates benefit colleges and support units, allowing them to further invest in their core missions and strategic initiatives.

Additionally, due to the overall impact of COVID-19 for FY 2021, the university is implementing $252.2M ($175M university and $77.2M Wexner Medical Center) of targeted savings across all colleges, support units and the Wexner Medical Center in the Financial Plan.

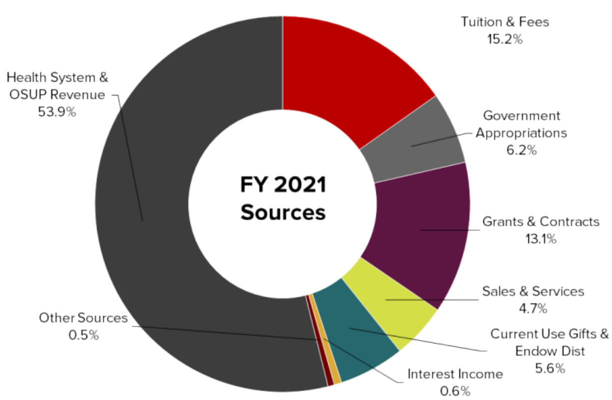
FY 2021 Operating Plan Summary

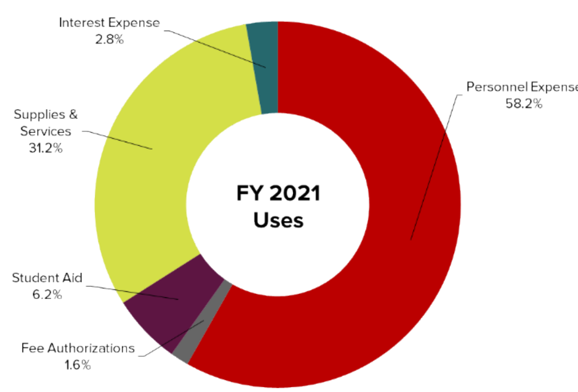
The following table shows consolidated sources and uses for FY 2021 and compares those numbers to unaudited FY 2020 and actual results for FY 2019.

Total Sources ($ thousands)	FY19 Actual	FY20 Unaudited	FY21 Plan	FY20-FY21 $ Diff	FY20-FY21 % Diff
Tuition & Fees (gross)	1,188,569	1,192,489	1,137,578	(54,911)	-4.6%
Government Appropriations	469,679	461,838	463,710	1,873	0.4%
Grants & Contracts	862,895	1,071,155	978,632	(92,523)	-8.6%
Sales & Services | University	543,580	490,967	354,219	(136,748)	-27.9%
Sales & Services | Health System	3,239,926	3,214,279	3,490,140	275,861	8.6%
Sales & Services | OSU Physicians	480,879	482,954	537,535	54,581	11.3%
Current Use Gifts & Endow Dist	395,665	417,451	421,702	4,251	1.0%
Interest Income	108,342	113,021	48,236	(64,785)	-57.3%
Other Revenues	44,862	42,848	41,091	(1,757)	-4.1%
Total Sources	**7,334,398**	**7,487,000**	**7,472,842**	**(14,158)**	**-0.2%**

Total Uses ($ thousands)	FY19 Actual	FY20 Unaudited	FY21 Plan	FY20-FY21 $ Diff	FY20-FY21 % Diff
Total Personnel Expense	**3,765,162**	**4,010,432**	**4,062,915**	**52,484**	**1.3%**
Student Aid and Fee Authorizations	524,205	548,257	543,983	(4,275)	-0.8%
Supplies, Services & Other	2,196,521	2,110,880	2,176,825	65,945	3.1%
Debt Service	184,029	190,580	194,910	4,330	2.3%
Total Non-Personnel Expense	**2,904,755**	**2,849,718**	**2,915,717**	**66,000**	**2.3%**
Total Uses	**6,669,917**	**6,860,149**	**6,978,633**	**118,483**	**1.7%**
Sources Less Uses, Operating	**664,481**	**626,851**	**494,210**	**(132,641)**	**-21.2%**
Depreciation Expense	**420,506**	**420,017**	**458,617**	**38,600**	**9.2%**
Sources Less Uses, Incl Depreciation	**243,975**	**206,834**	**35,592**	**(171,242)**	**-82.8%**

The Consolidated FY 2021 Operating Plan projects a surplus before depreciation of $494.2 million on $7.5 billion of sources and $7 billion of uses. Including depreciation expense, this margin declines to $35.6 million. We anticipate sources will decrease -0.2% over FY 2020, driven primarily by decreases in university sales & services, interest income, and tuition & fees, offset by growth in The Ohio State University Health System and Ohio State University Physicians, Inc. (OSUP). Uses are projected to increase 1.7% driven by a 1.3% increase in personnel expenses as well as a 2.3% increase in non-personnel expenses, before depreciation.





Sources

Tuition and fees are charged to students to cover the cost of instruction and university operations. All students are charged a base instructional fee based on their program of study. Non-Ohio resident and international students also pay a non-resident and/or international surcharge. Select graduate and professional programs charge a market-based differential instructional fee. Certain programs also charge a program and/or technology fee. Tuition and fees also include Student Life fees, including the Ohio Union fee, the recreation fee, the student activities fee, and other miscellaneous fees for applications, orientation, transcripts and the like.

State Operating Appropriations are divided between State Share of Instruction (SSI) and State Operating Appropriations. SSI is allocated between all Ohio public colleges based on a State of Ohio performance-based formula and is used to fund instruction, operations, and strategy. State Operating Appropriations are direct line item allocations for Ohio State University and are restricted in use.

Grants and Contracts include research projects administered through the Office of Sponsored Programs (OSP), grants and contracts administered directly by colleges and support units, and funding from federal and state government financial aid programs. These funds are highly restricted in use and are typically disbursed on a reimbursement basis.

University Sales and Services are goods and services sold to students or the general public. Housing, Dining, Athletics, and Instructional Clinical Services make up the majority of this revenue. University Sales and Services operations retain their earnings and are charged an overhead rate to fund central operations and strategy.

Health System and OSU Physicians Sales and Services are derived from patient and insurance billing. The Health System and OSU Physicians retain their earnings and are charged an overhead rate to fund central operations and strategy.

Current Use Gifts are gifts that are available for immediate use based on donor restrictions. These funds are highly restricted based on donor intent and may or may not be expended in the year received.

Endowment Distributions are received from endowed funds established for the purpose of generating a distribution into perpetuity for a donor-restricted purpose. For purposes of the Operating Plan, only distributions are counted as sources and are restricted to each endowment description.

Interest Income is generated by the university on all cash balances. The short and intermediate term interest revenue is unrestricted and used to fund operations and strategy.

Other Revenues include miscellaneous university earnings such as royalties and rental income.

Uses

Personnel Expenses are salaries, wages, and bonus payments to university employees and benefits paid on their behalf. Units pay into benefits pools based on composite rates by employee type; these rates are reviewed by faculty senate and approved by the Provost and Chief Financial Officer.

Student Aid includes all institutional, departmental, governmental, gifted and athletic financial aid.

Fee Authorizations pay for the tuition and fees for graduate teaching, research or administrative appointments.

Supplies, Services & Other covers all other operating expenses for the University. Utilities, repairs and maintenance, consulting expense, and research subcontract expense are reflected in this category.

Debt Service is interest expense and principal repayment incurred on all outstanding debt.

Chapter 2 | FY 2021 Operating Plan Scope

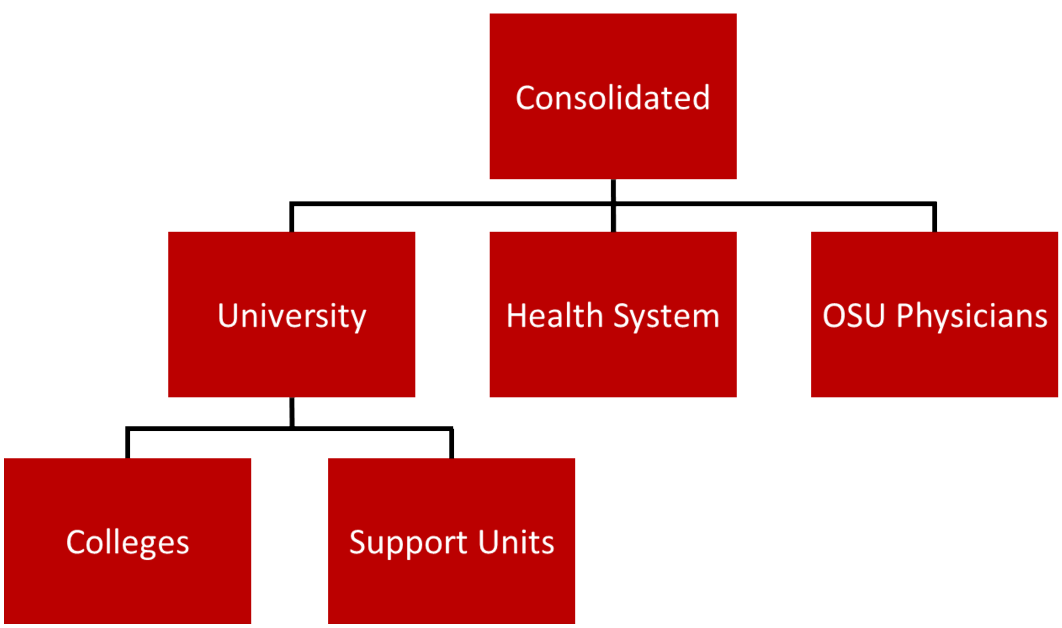
The university is a complex institution with planning units that are responsible for diverse missions: patient care, teaching introductory accounting, and automotive engineering research are all under the same umbrella. These diverse missions are funded by diverse revenue streams and our financial plan takes these differences into account.

Operating Plan Units

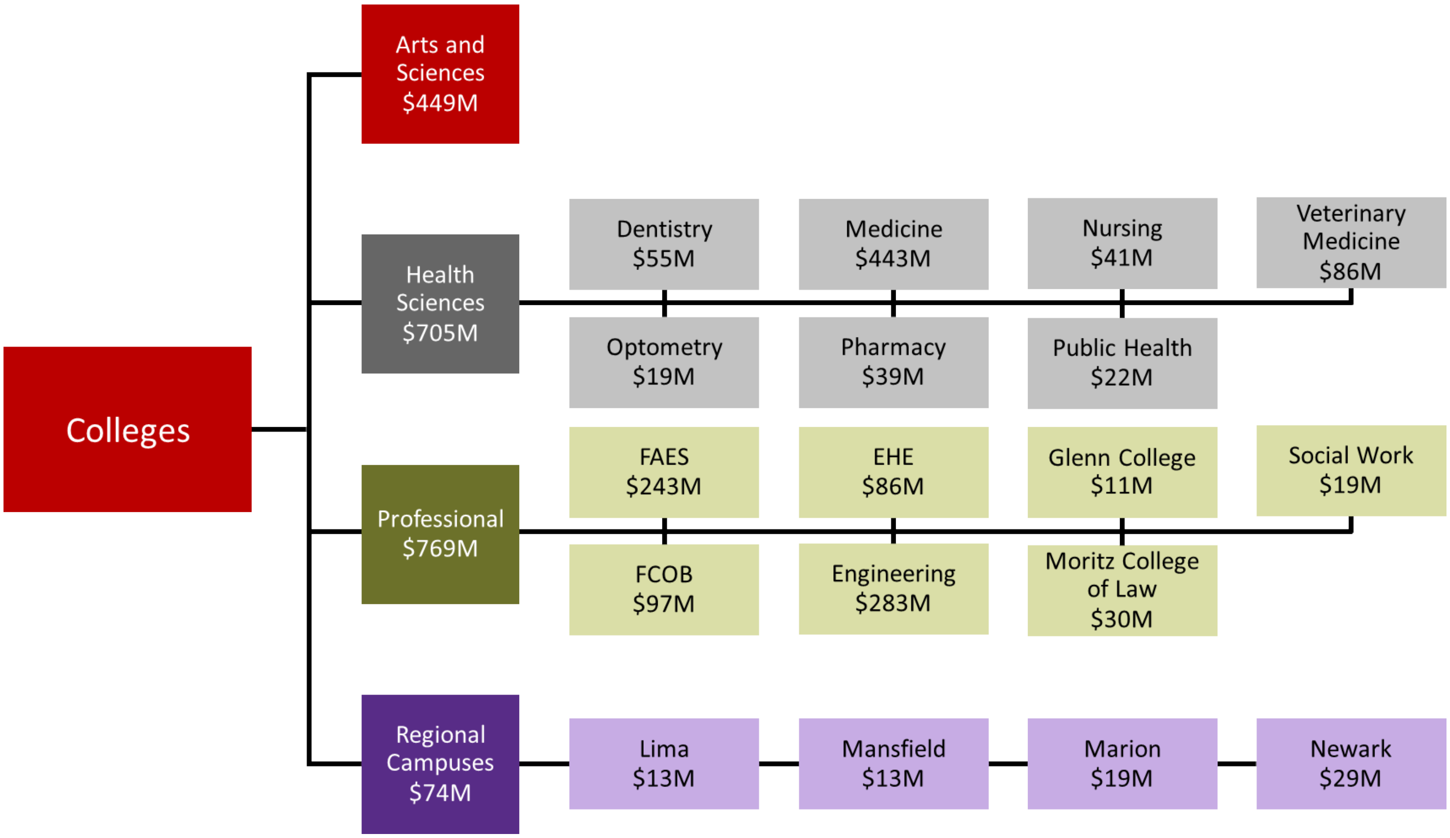
All funds operating plans are intended to represent planned revenue and expenses and are collected from each unit in the university and reviewed and consolidated by the Office of Financial Planning & Analysis. This all funds total operating plan provides the base framework for evaluating the activities of all academic and support units within the university, allowing proactive responses to changing economic issues as they arise. During FY 2021 we will continue our greater focus and attention on performing updated forecasts throughout the fiscal year, as well as facilitating the adoption of Workday.

The financial structure of units at the organization reflects our complex mission. The financial plan is put together based on a hierarchical structure where plans are collected from units and consolidated. Financial Planning & Analysis performs a bottoms-up review and consolidation and reconciles the resulting numbers with a top-down forecasted approach to arrive at the final submitted plan. Note that this hierarchy does not necessarily imply personnel reporting lines but serves as a graphical representation of how the plan is compiled and consolidated.

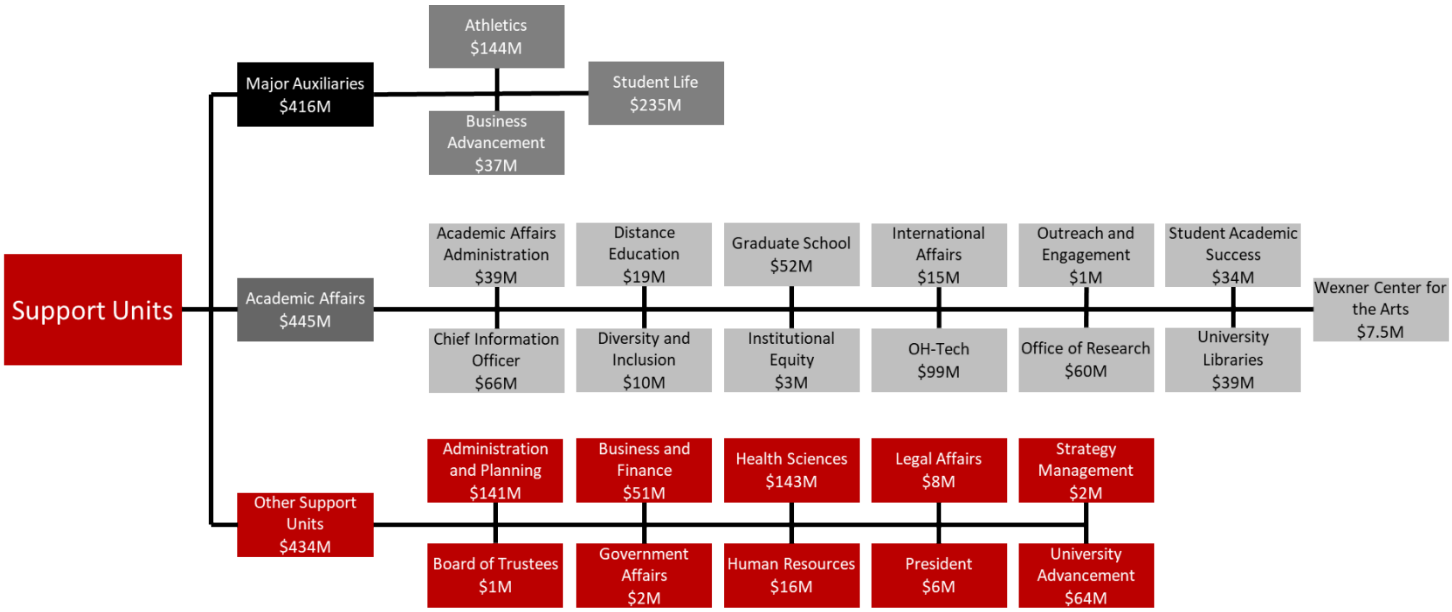
The top level of consolidation is made up of the University, Health System, and OSU Physicians. There are numerous eliminations that occur at this level that reflect transfers of funds between these three entities. In turn, the University is split between Colleges and Support Units; the Health System is split between five hospitals, dozens of ambulatory care facilities, and other administrative units; and OSU Physicians is split into 19 physicians practices. The Health System and OSU Physicians are discussed in greater detail in Chapters 6 and 7.



For the University consolidation, colleges are broken out into their respective Executive Dean clusters, Arts and Sciences, Health Sciences Colleges, Professional Colleges and Regional Campuses. Figures below represent sources before transfers for all funds.

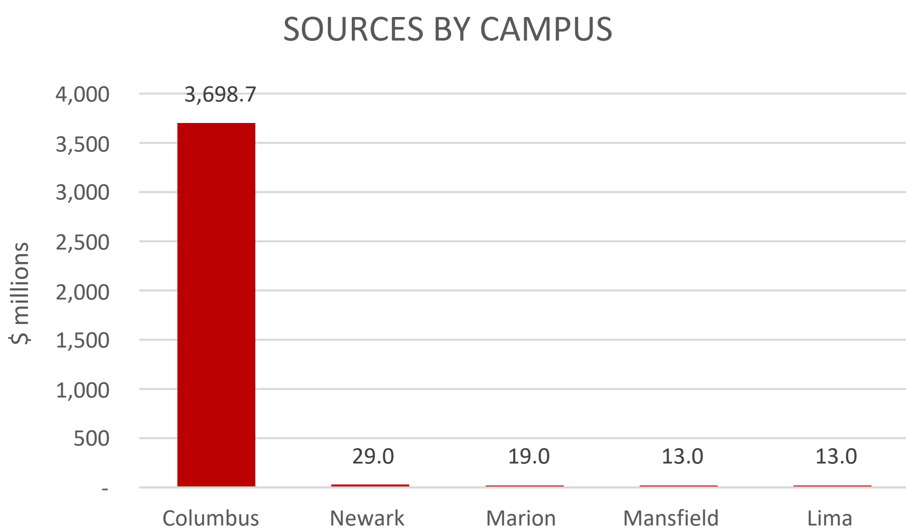


Support Units included are as follows:

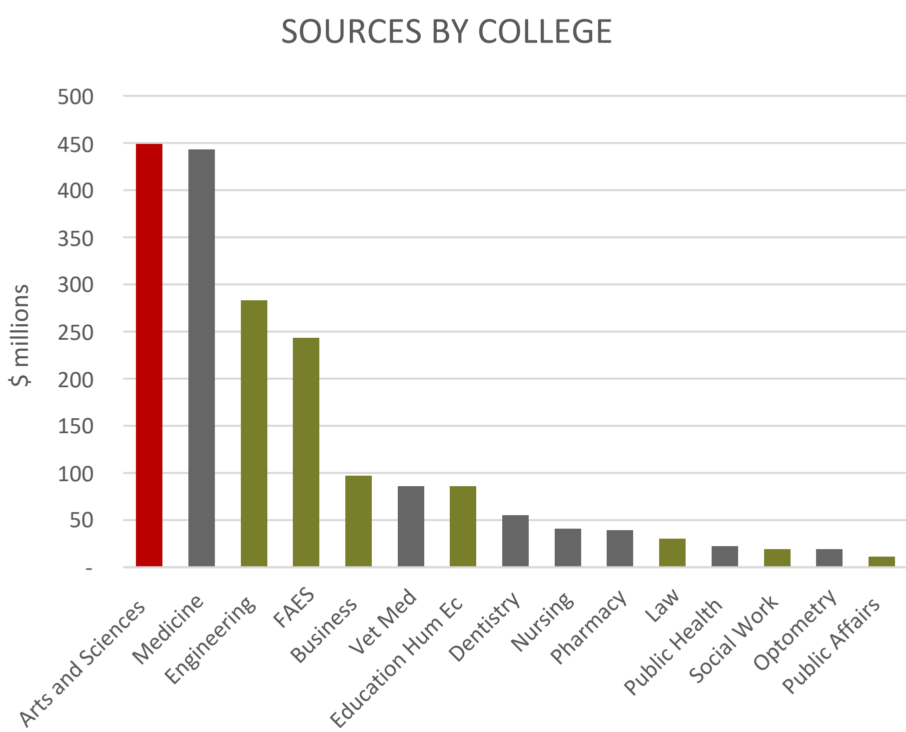


Note also that each unit depicted here is divided into many additional planning subunits that include divisions such as academic departments, dean's offices, centers, specific earnings operations, sports teams, physicians practices, etc.

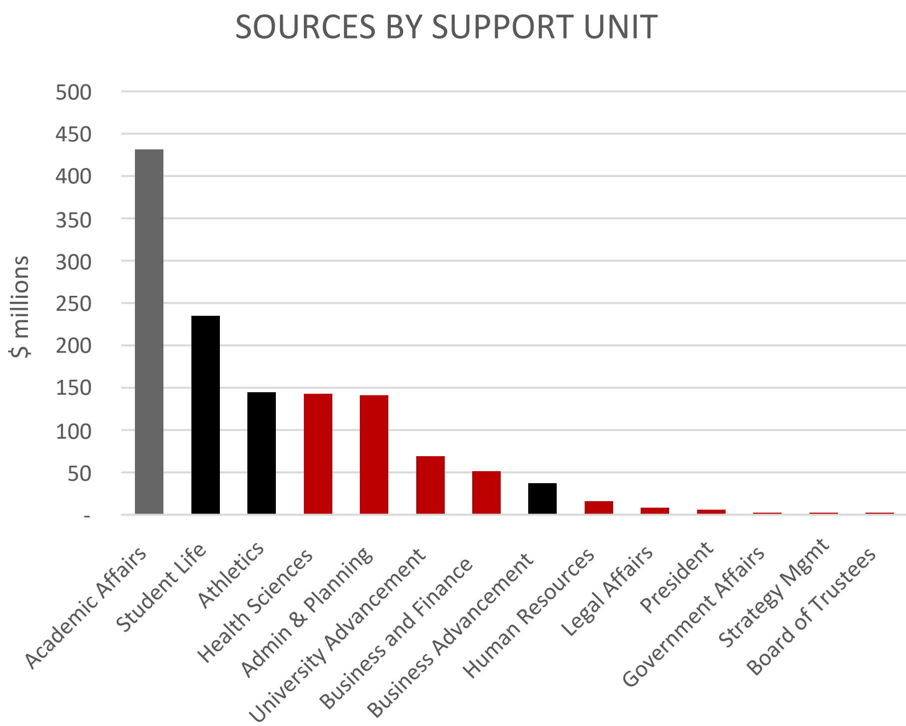
The size of campuses vary widely. The Columbus Campus is by far the largest in terms of sources:



The College of Arts and Sciences is the largest college by sources, followed by the College of Medicine, the College of Engineering, and the College of Food, Agricultural and Environmental Sciences:



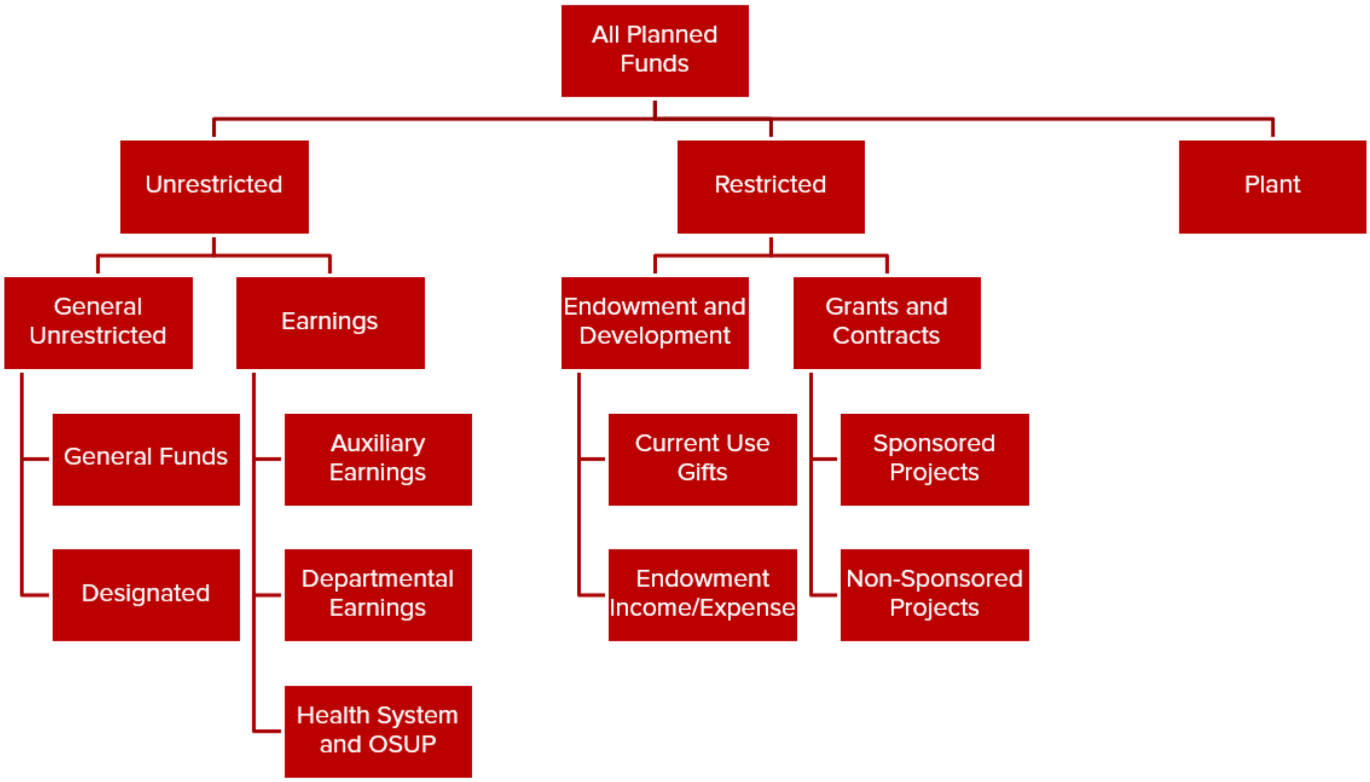
The Office of Academic Affairs and its component units is the largest support unit, followed by Student Life and Athletics:



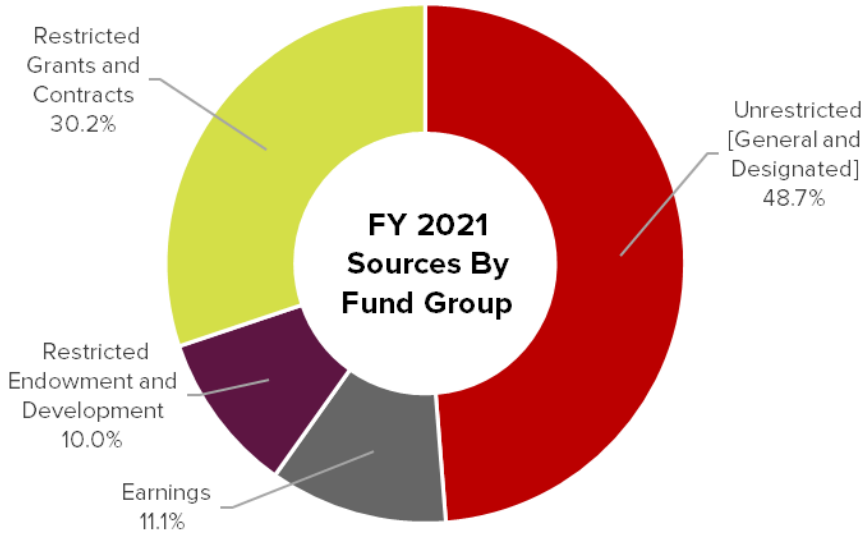
Operating Plan Funds

Not only is the university divided into planning units of vastly varying sizes, but each planning unit is also tracked using funds to ensure that fund restrictions are met. For the FY 2021 Financial Plan, the university continues a planning process that encompasses all operating funds of the university. This approach affords a holistic view of all operations of the university in an easily understood format that will enable the university to highlight the evolution of funding sources. This will allow leadership to make informed strategic decisions in a timely manner.

The operating plan is comprised of the following fund groups:



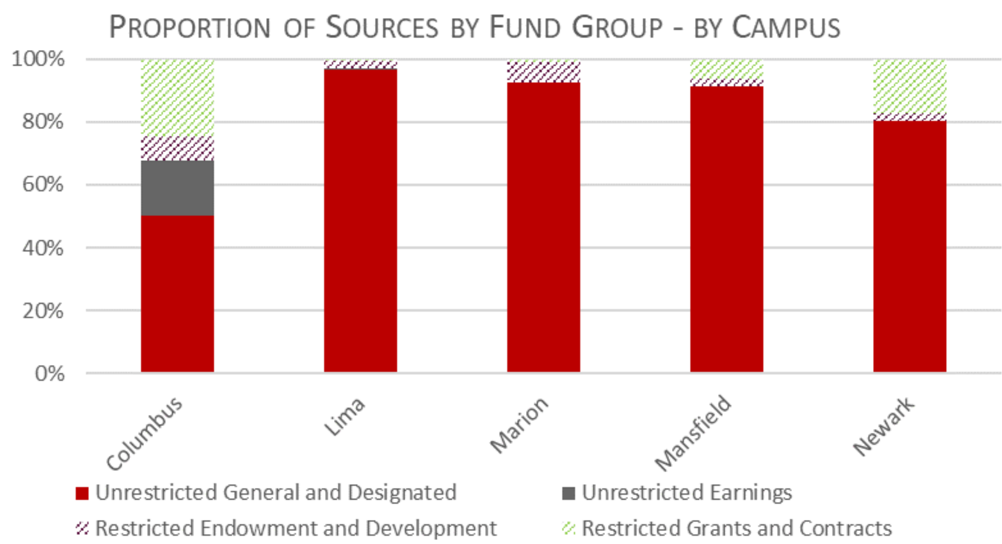
The university's plan is developed and managed according to the principles of fund accounting. We manage more than 20,000 active expendable funds through a robust accounting system. Not all funds are created alike and many are not fungible. Revenue is segregated into a variety of fund types, the use of which is governed by the restrictions of the specific fund. Some fund types are unrestricted, including general funds and some earnings funds. Others have restrictions derived from the source of the revenue, including current use gifts, endowments, and grants and contracts received from government agencies, foundations, and other outside sponsors. For both planning and spending decision purposes, the source of funding matters: only certain fund groups can be used for all purposes at the university. Roughly 49% of total university operating sources are completely unrestricted general funds. An additional 11% are from earnings sources, in which customers and users may expect revenue to only support specific goods or services, and the remaining 40% is restricted to the purposes set forth by the donor, contract, or granting agency.



Funding sources and restrictions vary greatly by fund type:

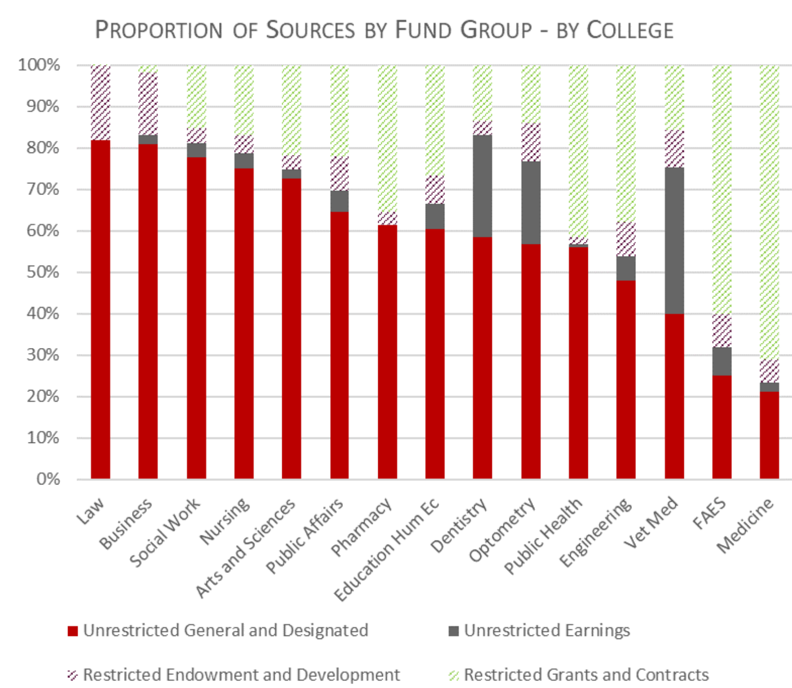
Fund Type	Typical Funding Sources	Restrictions
General Funds	Tuition and student fees, state share of instruction, short term interest income, grant facilities and administrative cost allowances, cost allocations from earnings funds and Health System	None
Designated	Originally from General Funds or unrestricted gifts; internally designated for a specific purpose	Not legally restricted but internally restricted for stated purposes
Auxiliary Earnings	User fees, e.g. housing, dining, athletics ticket revenue	Not legally restricted but Customer/user may expect specific fees to only support specific goods or services
Departmental Earnings	User fees, including internal billings, e.g. instructional clinic revenue, lab services revenue, etc.	Not legally restricted but Customer/user may expect specific fees to only support specific goods or services
Current Use Gifts	Donor gifts without either a requirement to be deposited into an endowment or used for a capital project	Restricted based on donor intent, may be governed by gift agreement
Endowment Income/Expense	Income from investment of donor gifts in the endowment	Restricted based on donor intent as memorialized in fund description
Grants and Contracts	Grant or contract dollars received from external entities; includes specific line item appropriations from the State of Ohio	Restricted based on grant agreement, contract, or line item appropriation description
Plant	Cash sourced from other fund groups and held in reserve, funds raised as a result of private capital gifts or debt issuance, or state capital appropriations	Restriction depends on original source of funds

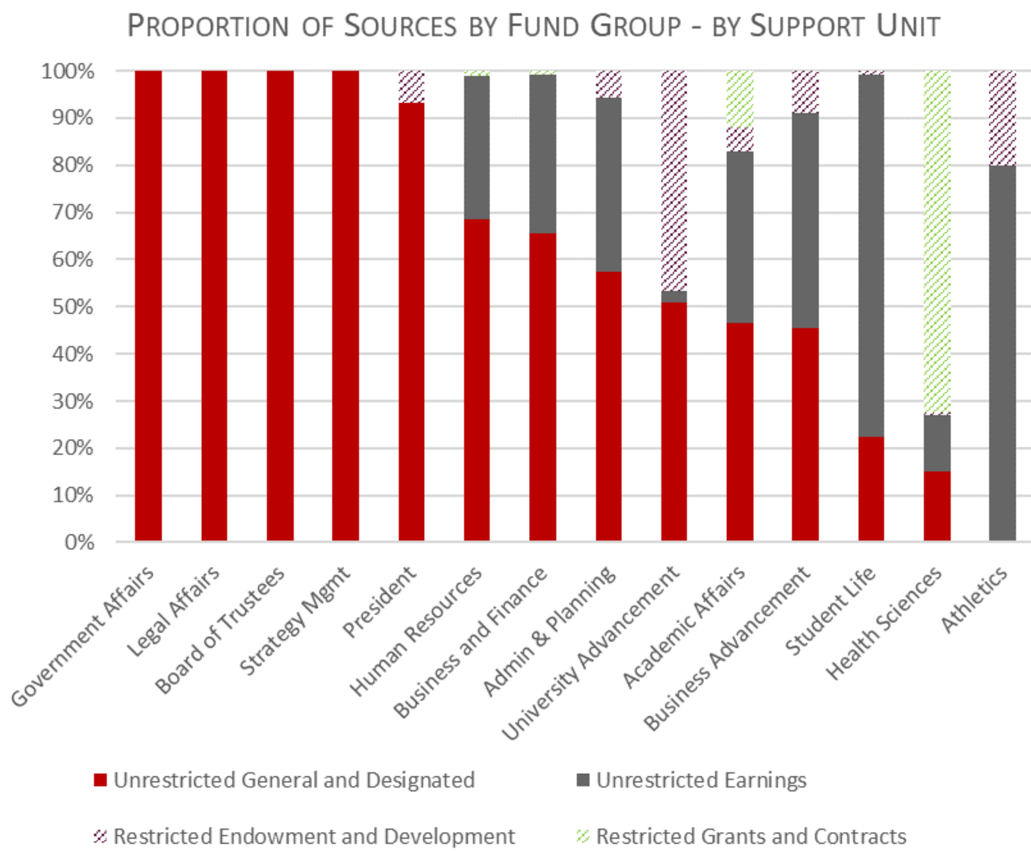
As units vary in size, units also vary by funding type. The following charts show the differences in funding proportions between General Unrestricted, Earnings, and Restricted funds. Differences in funding sources result in different risk profiles for units. A unit with heavy reliance on general funds will be more sensitive to changes in enrollments, changes in tuition and fees (including restrictions on tuition rates from the State of Ohio), proportion of non-resident students, and changes in subsidy received from the State of Ohio than a more balanced unit. Units with reliance on earnings are more susceptible to market-driven factors, and typically must carry greater equity balances as reserves to maintain facilities and replace capital equipment. Units more reliant on restricted funding may not have flexibility to spend all available equity balances based on the original gift or grant restrictions and are likely more susceptible to changes in the grant funding landscape or the loss of a large donor.



The Columbus Campus has more varied funding sources than the regional campuses, which rely primarily on general funds sources – tuition and subsidy.

Some colleges, like Nursing, Social Work, and Law are highly dependent on general funds sources – tuition and subsidy. Others, such as Dentistry, Optometry, and Veterinary Medicine bring in significant earnings revenue through their instructional clinics. Still others, like Food Agricultural and Environmental Sciences (FAES) and the College of Medicine are primarily operated with restricted funding.





Support Units also demonstrate a wide variety of funding dependencies, from units that are completely reliant on general funds – Government Affairs and Legal Affairs – to units that heavily utilize earnings funds – such as Student Life and Athletics.

Units use a variety of techniques to prepare their plans. General funds plans are based on fixed uses (such as tenured faculty salaries) and historical patterns coupled with preliminary estimates of tuition and subsidy allocations provided by Financial Planning and Analysis. Earnings units typically plan based on their business plans, approved fees, and projected use of their products and services. Grants and contracts revenue and current use gifts are projected based on historical patterns and anticipated gifts and grants that may be received.

This was a challenging planning year given the pandemic and related pressure on revenue. As an additional planning exercise, each college, regional campus, and support unit was asked to prepare 5%, 10%, and 20% reduction scenarios during the fourth quarter of FY 2020. These scenarios were used in a series of meetings between unit leadership and university senior leadership to chart a path forward through these unprecedented times. This document represents the best available data at the time it was published.

The Ohio State University Health System and Ohio State University Physicians, Inc. prepare their plans based on projected activity and associated costs. External factors, such as government regulations and reimbursement rates, as well as contractual agreements with health care payers also play an integral part in developing the health system's plan. Like the university, the Health System and OSUP have undertaken additional financial planning exercises in response to the pandemic.

General Funds Allocations

Although emphasis was placed on including all university funds in the FY 2021 planning process, general funds continue to remain a significant component of the plan. General funds can generally be used for any university purpose whereas restricted funds are more specifically targeted. These funds play a major role in both the plan and operations of the university, as they cover many expenses in the colleges and support units for which it is difficult to raise money. The main sources of general funds are tuition and other student fees, state support of instruction, indirect cost recovery, and overhead charged to earnings units.

Most of the sources of general funds are at risk due to the pandemic. Tuition and student fees are difficult to project given unknown impacts to matriculation patterns and the proportion of courses delivered fully online. State support of instruction, while improved from our initial estimates, is under pressure from reduced state tax receipts. Overhead charged to earnings units is a function of their revenue – which we are expecting to decline. In anticipation of decreases in these revenue streams, we have made significant general funds allocation reductions for colleges and support units on the Columbus campus. Regional campuses, which do not participate in the allocation model, are subject to similar planning decreases. This Operating Plan is based on total general funds reductions of $134.7 million or 6.7% of the prior year unrestricted spend. This reduction may change again as more information is known ahead of the planned allocation in September.

Allocation of Funds

For general funds, the Columbus campus uses an allocation model that is comprised of two components: a modified Responsibility Center Management (RCM) model and the strategic investment of central funds. This structure allows for decentralized decision-making and control of financial resources at the colleges and support units while still retaining central funds for holistic strategic investment purposes. The modified RCM allocation model assigns substantial control over resource decisions to individual colleges and support units. The underlying premise of the university's decentralized budget model is entrusting academic and support unit leaders with significant control over financial resources, leading to more informed decision-making and better outcomes for the university as a whole. Through this decentralized model, colleges in particular are incentivized to increase resources by teaching more credit hours and increasing research activity.

Each college and support unit receives a portion of general funds in support of both academic and administrative functions. The process for allocating the funds is administered through the Office of Financial Planning & Analysis under the guidance of the Chief Financial Officer and Provost. General funds are allocated to colleges and support units on a marginal basis under an established set of criteria. In other words, increases (or decreases) in the pool of general funds available each budget year are allocated back to colleges and support units as increases (or decreases) to their base general funds budgets. While the allocation is on a marginal basis, the change is calculated based on total revenues.

Revenue is allocated to colleges based on three primary funding formulas. The first funding formula for colleges utilizes a model to distribute undergraduate marginal tuition and state support. Sixty percent of the funding is allocated based on total credit hours taught, while forty percent is allocated based on the cost of instruction. This allocation method considers the fact that some courses have a higher cost for delivery and are allocated a greater share of the funding. The other two primary funding formulas allocate graduate tuition and state support based on a two-year average of credit hours in fee-paying categories (tuition) and type of course taught based on cost of instruction (state support). As a college teaches more of the share of total credit hours, it receives a proportionally larger share of the incremental funding. Conversely, if a college's share of the hours taught declines, the college's allotted share of incremental funding will correspondingly decline proportionally. The two-year average credit hour driver acts as a smoothing mechanism in times of unforeseen volatility. Colleges will receive their share of marginal revenue on indirect research cost recovery, based upon the college's share of research revenue. Fee revenue from differential, learning technology, course and program fees are provided directly to colleges.

Support units are funded through a combination of central tax, specific activity-based assessments, and an overhead rate charged to auxiliary and earnings units. The central tax, assessments and overhead charges are designed to provide the funds necessary to maintain support services such as payroll services, central human resource services, and academic support services. Support units are generally ineligible for marginal revenue changes because the funding formulas rely on credit hours taught; instead, support units must request additional funding during the annual planning process to support new services or mandates. Funding available in FY 2021 for support unit requests was constrained due to the pandemic, and no continuing funds were approved. For FY 2021, the following one-time cash requests were approved, all of which fund commitments made in prior years:

Unit	Request Description	Continuing Funds	One Time Cash
Office of Research	Research Integrity and Admin Services	-	1,050,000
Office of the Chief Information Officer	Enterprise Security	-	1,000,800
	Managed IT Services	-	905,760
	Cloud Infrastructure	-	710,220
Total Funded		**-**	**3,666,780**

Allocations of expense are also made through the general funds allocation model. Both colleges and support units receive a net allocation that considers both marginal revenue and marginal expenses. Current expense assessments include:

Assessment	Allocation Basis	Notes
Plant Operation and Maintenance	Assigned square footage	The square footage is multiplied by a flat rate per square foot for four types of costs: utilities, custodial service, maintenance, and deferred maintenance
Student Services	Credit hours	• **Cost Pool 1 (Undergraduate):** 90% of this cost pool is Undergraduate Financial Aid. Also includes operating budgets for Financial Aid and First Year Experience. Expense is allocated by average undergraduate credit hours. • **Cost Pool 2 (Graduate):** 83% of this cost pool is Non-Resident Fee Authorizations and Graduate Fellowships. This is the largest student services cost pool and includes operating budget of the Graduate School. Expense is allocated by average graduate credit hours. • **Cost Pool 3 (All Students):** This is the smallest student services cost pool and includes portions of operating budgets for Student Affairs, Academic Affairs, and new Library Acquisitions. Expense is allocated by an average of ALL credit hours.
Research	Modified Total Direct Costs	Research cost allocation covers the budgets of units that support sponsored research
Distance Education	Distance Education credit hours	Funds operations of Office of Distance Education and eLearning

Central Tax	% of marginal tuition and subsidy revenue	Funds support units such as the President's Office, OAA, Controller, Public Safety, etc. as well as promotion and tenure and strategic investments

Auxiliaries and earnings units are expected to operate at a break even or better margin and generally do not receive general fund support. One exception is the Office of Student Life, which does receive general fund support via special Student Activity, Ohio Union and Recreational Facility fees that were enacted to specifically advance the student experience.

Regional campuses develop their own individual campus plans primarily based on the student tuition and fees received from the regional campus students, the state share of instruction they expect to collect, and costs directly incurred to operate those campuses.

Chapter 3 | FY 2021 Financial Plan

The FY 2021 Financial Plan is displayed in a modified cash flow presentation that includes operating sources and uses. The purpose of this presentation is to provide a more complete understanding of the University's funding and margins generated by operations. A full walk between this presentation and an external GASB presentation can be found in Appendix A. Capital sources and uses will be discussed in Chapter 8.

Consolidated

Total Sources ($ thousands)	FY19 Actual	FY20 Unaudited	FY21 Plan	FY20-FY21 $ Diff	FY20-FY21 % Diff
Tuition & Fees (gross)	1,188,569	1,192,489	1,137,578	(54,911)	-4.6%
State Share of Instruction	383,220	377,449	379,322	1,873	0.5%
Other Operating Appropriations	86,459	84,389	84,389	(0)	0.0%
Exchange Grants & Contracts	778,422	806,437	811,652	5,215	0.6%
Non-Exchange Grants & Contracts	84,473	264,717	166,979	(97,738)	-36.9%
Sales & Services - Auxiliaries	376,899	338,047	205,313	(132,733)	-39.3%
Sales & Services - Departmental	166,681	152,920	148,906	(4,014)	-2.6%
Sales & Services - Health System	3,239,926	3,214,279	3,490,140	275,861	8.6%
Sales & Services - OSU Physicians	480,879	482,954	537,535	54,581	11.3%
Current Use Gifts	160,102	167,233	155,379	(11,854)	-7.1%
Endowment Distributions	235,563	250,218	266,323	16,106	6.4%
Interest Income	108,342	113,021	48,236	(64,785)	-57.3%
Other Revenues	44,862	42,848	41,091	(1,757)	-4.1%
Total Sources	**7,334,398**	**7,487,000**	**7,472,842**	**(14,158)**	**-0.2%**

Total Uses ($ thousands)	FY19 Actual	FY20 Unaudited	FY21 Plan	FY20-FY21 $ Diff	FY20-FY21 % Diff
Total Personnel Expense	**3,765,162**	**4,010,432**	**4,062,915**	**52,484**	**1.3%**
Fee Authorizations	119,560	113,097	113,097	0	0.0%
Student Aid	404,645	435,160	430,886	(4,275)	-1.0%
Supplies, Services & Other	2,196,521	2,110,880	2,176,825	65,945	3.1%
Debt Service	184,029	190,580	194,910	4,330	2.3%
Total Non-Personnel Expense	**2,904,755**	**2,849,718**	**2,915,717**	**66,000**	**2.3%**
Total Uses	**6,669,917**	**6,860,149**	**6,978,633**	**118,483**	**1.7%**
Sources Less Uses, Operating	**664,481**	**626,851**	**494,210**	**(132,641)**	**-21.2%**

Capital Sources and Uses ($ thousands)	FY19 Actual	FY20 Unaudited	FY21 Plan	FY20-FY21 $ Diff	FY20-FY21 % Diff
State Capital Appropriations	64,900	67,584	15,468	(52,116)	-77.1%
Private Capital Gifts	26,565	25,333	41,450	16,117	63.6%
Total Capital-Related Sources	**91,465**	**92,917**	**56,918**	**(35,999)**	**-38.7%**
Total Capital-Related Uses	**572,359**	**845,352**	**928,747**	**83,395**	**9.9%**
Sources Less Uses, Capital	**(480,894)**	**(752,435)**	**(871,830)**	**(119,394)**	**-15.9%**
Sources Less Uses, Capital and Operating	**183,587**	**(125,585)**	**(377,620)**	**(252,035)**	**-200.7%**

University [excluding Health System and OSUP]

Total Sources ($ thousands)	FY19 Actual	FY20 Unaudited	FY21 Plan	FY20-FY21 $ Diff	FY20-FY21 % Diff
External Sources					
Tuition & Fees (gross)	1,188,569	1,192,489	1,137,578	(54,911)	-4.6%
State Share of Instruction	383,220	377,449	379,322	1,873	0.5%
Other Operating Appropriations	86,459	84,389	84,389	(0)	0.0%
Exchange Grants & Contracts	778,422	806,437	811,652	5,215	0.6%
Non-Exchange Grants & Contracts	84,780	101,977	144,738	42,760	41.9%
Sales & Services - Auxiliaries	376,899	338,047	205,313	(132,733)	-39.3%
Sales & Services - Departmental	166,681	152,920	148,906	(4,014)	-2.6%
Current Use Gifts	160,102	167,233	155,379	(11,854)	-7.1%
Endowment Distributions	235,563	250,218	266,323	16,106	6.4%
Interest Income	108,342	89,725	39,405	(50,320)	-56.1%
Other Revenues	44,862	42,848	41,091	(1,757)	-4.1%
Total External Sources	**3,613,900**	**3,603,732**	**3,414,095**	**(189,637)**	**-5.3%**
Internal Sources					
Net Transfers from OSU Health System	199,712	255,579	150,000	(105,579)	-41.3%
Total Internal Sources	**199,712**	**255,579**	**150,000**	**(105,579)**	**-41.3%**
Total Sources	**3,813,611**	**3,859,311**	**3,564,095**	**(295,216)**	**-7.6%**

Total Uses ($ thousands)	FY19 Actual	FY20 Unaudited	FY21 Plan	FY20-FY21 $ Diff	FY20-FY21 % Diff
Salaries	1,512,118	1,572,248	1,531,290	(40,958)	-2.6%
Benefits	376,782	428,136	417,066	(11,069)	-2.6%
Total Personnel Expense	**1,888,900**	**2,000,384**	**1,948,356**	**(52,028)**	**-2.6%**
Fee Authorizations	119,560	113,097	113,097	0	0.0%
Student Aid	404,645	435,160	430,886	(4,275)	-1.0%
Supplies, Services & Other	992,228	867,192	795,296	(71,896)	-8.3%
COVID-19 Expense (non-student aid)	-	-	49,150	49,150	n/a
Debt Service	133,291	133,144	159,725	26,581	20.0%
Total Non-Personnel Expense	**1,649,724**	**1,548,593**	**1,548,154**	**(440)**	**0.0%**
Total Uses	**3,538,624**	**3,548,977**	**3,496,510**	**(52,467)**	**-1.5%**
Sources Less Uses, Operating	**274,987**	**310,334**	**67,585**	**(242,749)**	**-78.2%**

Capital Sources and Uses ($ thousands)	FY19 Actual	FY20 Unaudited	FY21 Plan	FY20-FY21 $ Diff	FY20-FY21 % Diff
State Capital Appropriations	64,900	67,584	15,468	(52,116)	-77.1%
Private Capital Gifts	25,321	24,012	41,450	17,438	72.6%
Total Capital-Related Sources	**90,221**	**91,595**	**56,918**	**(34,678)**	**-37.9%**
Total Capital-Related Uses	**391,600**	**488,736**	**445,300**	**(43,436)**	**-8.9%**
Sources Less Uses, Capital	**(301,379)**	**(397,141)**	**(388,383)**	**8,758**	**2.2%**
Sources Less Uses, Capital and Operating	**(26,392)**	**(86,807)**	**(320,798)**	**(233,991)**	**-269.6%**

University by Fund Group [FY21 Plan]

As explained in Chapter 2, not all funding is fungible at the university. The following gives a breakout by fund group indicating level of restriction of dollars:

Total Sources ($ thousands)	Unrestricted [General and Designated]	Earnings	Restricted Endowment and Development	Restricted Grants and Contracts	Total University
External Sources					
Tuition & Fees (gross)	1,137,578	-	-	-	1,137,578
State Share of Instruction	379,322	-	-	-	379,322
Other Operating Appropriations	-	-	-	84,389	84,389
Exchange Grants & Contracts	116,100	-	-	695,552	811,652
Non-Exchange Grants & Contracts	-	-	-	144,738	144,738
Sales & Services - Auxiliaries	-	205,313	-	-	205,313
Sales & Services - Departmental	-	148,906	-	-	148,906
Current Use Gifts	-	-	155,379	-	155,379
Endowment Distributions	64,535	-	201,788	-	266,323
Interest Income	39,405	-	-	-	39,405
Other Revenues	-	41,091	-	-	41,091
Total External Sources	**1,736,939**	**395,310**	**357,167**	**924,678**	**3,414,095**
Internal Sources					
Net Transfers from Health System	-	-	-	150,000	150,000
Total Internal Sources	**-**	**-**	**-**	**150,000**	**150,000**
Total Sources	**1,736,939**	**395,310**	**357,167**	**1,074,678**	**3,564,095**

Total Uses ($ thousands)	Unrestricted [General and Designated]	Earnings	Restricted Endowment and Development	Restricted Grants and Contracts	Total University
Salaries	888,603	226,660	38,223	377,805	1,531,290
Benefits	244,061	61,359	8,937	102,709	417,066
Total Personnel Expense	**1,132,663**	**288,019**	**47,161**	**480,514**	**1,948,356**
Fee Authorizations	97,732	936	1,539	12,890	113,097
Student Aid	272,265	27,498	46,555	84,568	430,886
Supplies, Services & Other	138,059	130,763	138,495	387,979	795,296
COVID-19 Expense (non-student aid)	-	-	-	49,150	49,150
Debt Service	79,862	79,862	-	-	159,725
Total Non-Personnel Expense	**587,918**	**239,059**	**186,589**	**534,587**	**1,548,153**
Total Uses	**1,720,581**	**527,078**	**233,750**	**1,015,101**	**3,496,510**
Sources Less Uses, Operating	**16,358**	**(131,768)**	**123,417**	**59,578**	**67,585**
Depreciation Expense					**253,493**
Sources Less Uses, Incl Depreciation					**(185,908)**

Unrestricted [General and Designated] funds generate a modest margin of $16.4 million which is mainly used for operating reserves and strategic investments. Historically the earnings units generate positive margins that are directed toward capital and debt service reserves. In FY 2021 there is a projected loss due to campus dedensification in housing and dining, anticipated changes to the athletic program revenues and loss of revenue due to no or reduced events through calendar year 2020. Restricted Endowment and Development funds generate a margin of $123.4 million mainly due to anticipated timing differences between gift receipt and spend. Restricted grants and contracts generate a margin of $59.6 million due to timing of reimbursements on research projects.

Chapter 4 | University Operating Plan | Sources

Tuition and Fees

Gross tuition and fees are expected to decrease by $54.9 million, or -4.6%, from FY 2020 to $1.1 billion. The university saw an overall increase in credit hours for the summer as students leveraged discounted summer tuition and fees. However, the revenue increase due to increased credit hours was offset by decreases in non-resident surcharges revenue due to all online delivery of courses in response to COVID-19. The autumn and spring semesters will reflect the continued trend of reduced time to degree as students are entering with more credit hours and have an increased focus on debt. The university is also anticipating fewer continuing students in autumn 2020 due to the uncertainty of course delivery methods and overall university experience related to COVID-19. We are also expecting a shift in mix of new first year students, with a higher percentage of resident students in that cohort.

Instructional and mandatory fees will not increase in FY 2021 for continuing and transfer undergraduate students as well as graduate students. However, differential fees for some tagged masters and professional programs include increases in those fees.

The university is committed to access, affordability, and excellence. In areas where tuition and fee increases are planned, the proceeds are used to cover inflation and to invest in excellence within the core academic mission. Tuition and fees provide approximately 75% of general funds revenue available to fund the core academic mission. The remaining 25% is largely provided through the State of Ohio instructional subsidy (SSI). Ohio State remains one of the most affordable options in Ohio and among its Big Ten peers.

$ thousands	FY19 Actual	FY20 Unaudited	FY21 Plan	$ Difference	% Difference
Instructional Fees	734,102	749,305	719,724	(29,581)	-3.9%
Non-Resident Fees	335,851	331,089	306,945	(24,145)	-7.3%
General Fees	24,087	24,146	24,055	(91)	-0.4%
International Surcharge	9,937	10,774	10,359	(415)	-3.8%
Program and Tech Fees	39,345	38,145	37,098	(1,047)	-2.7%
Other Student Fees	18,003	15,539	15,338	(201)	-1.3%
Total Academic Fees	**1,161,325**	**1,168,998**	**1,113,518**	**(55,480)**	**-4.7%**
Student Activity Fees	4,635	4,421	4,004	(416)	-9.4%
Recreational Fees	14,226	11,029	12,496	1,467	13.3%
Ohio Union Fees	8,384	8,041	7,559	(482)	-6.0%
Total Student Life Fees	**27,245**	**23,490**	**24,059**	**569**	**2.4%**
Total Tuition & Fees (gross)	**1,188,569**	**1,192,489**	**1,137,578**	**(54,911)**	**-4.6%**

The decreased revenue in academic fees for undergraduates at the Columbus campus can be explained by three distinct drivers: price (relating to rates charged), volume (total size of enrollments), and mix (proportion of resident/non-resident student populations) as detailed below. The remainder of the decrease is related to decreased revenue in graduate and professional programs and undergraduates at regional campuses.

- ***Volume:*** 5.3% decrease in total headcount driven by decrease in continuing undergraduate and graduate students. This decrease results from less time to degree due to undergraduate students arriving with existing credit hours and increased sensitivity around total student debt. Class sizes are also a factor, as a larger than average class admitted during the fall of 2016 is expected to have graduated in FY 2020

(600 more students received bachelor degrees in FY 2020 than in FY 2019). The class admitted during the fall of 2017 was nearly 10% smaller than the prior year. Uncertainty around course delivery methods and university experience are also contributing factors. This decrease in continuing undergraduate and graduate students is partially offset by a larger incoming new first year student class.

- ***Mix:*** Larger Ohio resident and decreased international enrollment of new first year students has decreased our overall percentage of non-resident students by 2%.
- ***Price:*** Although instructional and non-resident surcharge rates have increased for autumn semester, delivering summer semester credit hours exclusively online for undergraduate and some graduate students reduced overall revenue by $23.6 million.

Volume Driver: Enrollment

The university is executing against an enrollment plan, which was implemented beginning in FY 2017 to increase the quality and diversity of the student body. Enrollment is expected to decrease slightly compared with FY 2020 levels.

Regional campuses account for 9.6% of the university's enrollment. Enrollments at Lima and Mansfield have declined significantly over the past decade as a result of demographic changes and declining numbers of high school graduates outside of Ohio's largest cities. Enrollments at Marion and Newark have increased slightly in the past few years as a result of population growth in Franklin County and its surrounding communities. Decreased enrollment for next year is a result of more incoming students being accepted to Columbus campus and the impact of COVID-19. Each campus is engaged in efforts to improve student retention and success by enhancing students' academic experiences and elevating the quality of campus life. The regional campuses are working with the Office of University Marketing to incorporate regional marketing strategies into the university's overall strategy and provide increased visibility, greater resources, and an improved internet presence.

STUDENT ENROLLMENT FOR AUTUMN TERM

Headcounts	2017	2018	2019	2020	2021	1 YR Chg	1 YR % Chg	5 YR % Chg
Columbus	59,482	59,837	60,537	60,923	57,696	-3,227	-5.3%	-3.0%
Lima	1,039	1,018	908	919	919	0	0.0%	-11.5%
Mansfield	1,128	1,061	1,042	1,040	988	-52	-5.0%	-12.4%
Marion	1,139	1,198	1,188	1,229	1,131	-98	-8.0%	-0.7%
Newark	2,536	2,623	2,772	2,793	2,570	-223	-8.0%	1.3%
ATI	722	707	650	573	515	-58	-10.1%	-28.7%
Grand Total	**66,046**	**66,444**	**67,097**	**67,477**	**63,818**	**-3,659**	**-5.4%**	**-3.4%**

Price Driver: Fees

See Appendix B for a listing of student fees.

Instructional, General & Student Life Fees

We continue to focus on affordability. The Ohio State Tuition Guarantee was established in FY 2018 to provide predictability and transparency for Ohio resident students and their families by locking in a set price for tuition, mandatory fees, housing and dining for four years. Increases for entering cohorts will allow the university to continually invest in quality while addressing the inflationary cost increases that affect the rest of the economy. Ohio State ranks third among U.S. flagship universities for controlling resident tuition increases over the decade leading up to 2018-2019, according to the *Chronicle of Higher Education*.

Undergraduate tuition (instruction and general fees) will increase 4.1% or $434 for new first-year students (2020-21 cohort) compared with the 2019-20 tuition guarantee cohort. Continuing undergraduate students who are part of the 2017-18, 2018-19, and 2019-20 tuition guarantee cohorts and students who began prior to the creation of the guarantee will not see an increase.

Master's and PhD base instructional fees will not increase in FY 2021. Some graduate and professional programs charge a differential instructional fee based principally on market demand and pricing. Revenue generated from these additional fees directly support the graduate or professional program that is charging the student. Nine programs are implementing adjustments or new differential instructional fees:

- Five colleges are increasing differential fees, ranging between 2.0% and 6.0%: Business, Dentistry, Law, Pharmacy, and Veterinary Medicine.
- Three units implemented new differential programs: Engineering, Medicine, and the Graduate School

Non-Resident & International Surcharges

The non-resident surcharge will increase 4.8% or $1,007 for undergraduate and $1,132 for graduate programs at each campus. Six colleges offering professional student programs have implemented a different rate change:

- Two colleges are holding the non-resident surcharge flat: Business and Pharmacy
- Two colleges implemented lower than standard increases: Dentistry (3.0%) and Law (2.0%)
- Two colleges, did not increase their non-resident fees for Rank 1 students and reduced the surcharge for continuing students to $5 to alleviate the burden of applying for in state status during years 2-4, making it more financially attractive nationally, and providing a more predictable cost of attendance: Optometry and Veterinary Medicine.

Summer semester was delivered entirely online, with a non-resident surcharge of only $5 in lieu of the typical non-resident surcharge (UG: $10,992; Graduate $11,792) generating a decrease in revenue of $25 million, all but $7.5 million was recognized in FY 2020.

Autumn and Spring semesters, the university is also anticipating fewer continuing students and a shift in mix to a higher percentage of Ohio resident New First Year Students (NFYS) due to the uncertainty of course delivery and overall university experience related to COVID-19. The projected decrease in non-resident fees for NFYS is $9.5 million. We are continuing to see a greater shift of students enrolling in all online courses for the Autumn semester. Undergraduate resident students pay $151 less per semester when fully online and non-resident students pay $9,348 less per semester when fully online as compared to students that take any courses in-person or hybrid.

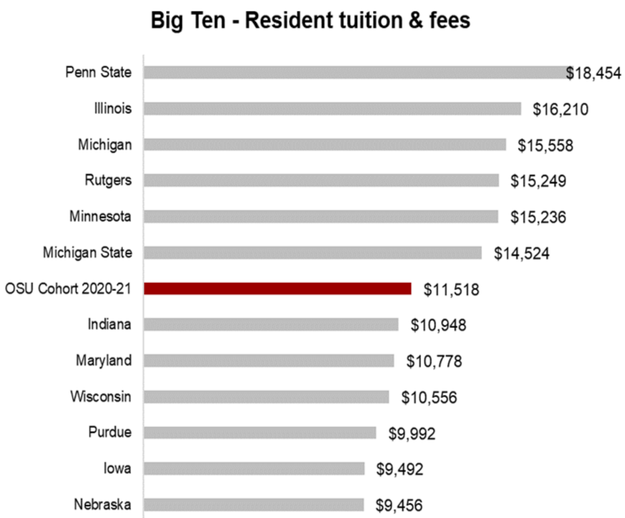
The undergraduate international surcharge will be held flat for FY 2021, however we are expecting a significant decline of incoming international students resulting in a $0.4 million decrease of international surcharge fee revenue.

Program & Technology Fees

Several colleges and academic programs have additional fees to support specific initiatives. Program fees are designed to provide financial support for specific academic and student programs, technology fees support learning technology, course fees provide classroom supplies and distance education fees support distance education technology. In accordance with the Ohio Revised Code, these types of fees will be frozen for undergraduate students for FY 2021. These fees are listed in Appendix B.

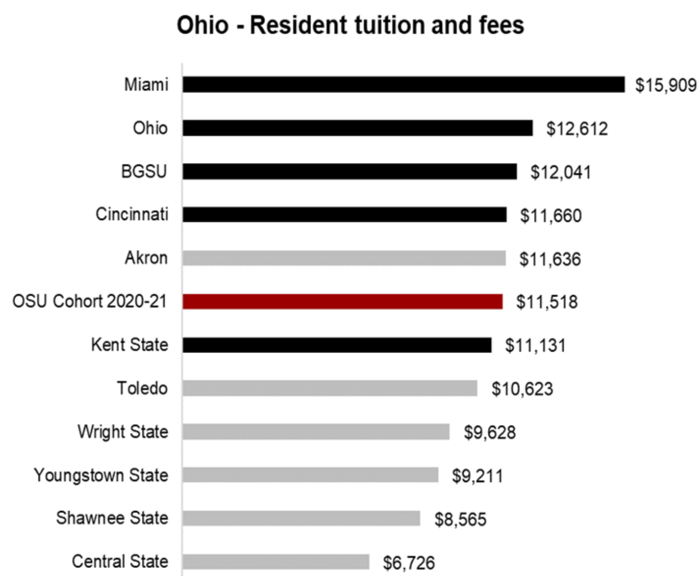
Peer Comparison of Fees

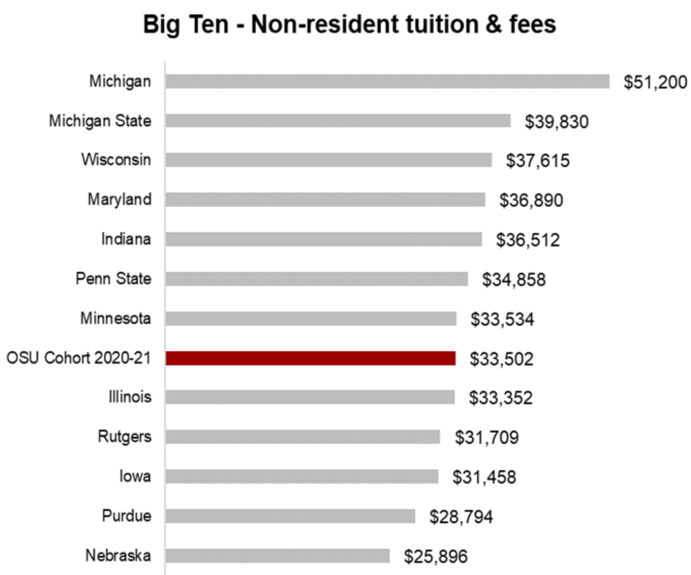
Note: Charts below compare tuition guarantee cohort entering Autumn 2020 with peers' published FY 2020 rates. Peer rates sourced from the Association of American Universities' Data Exchange.



In the Big Ten, Ohio State is near the median and is more affordable than six of 13 Big Ten public universities.

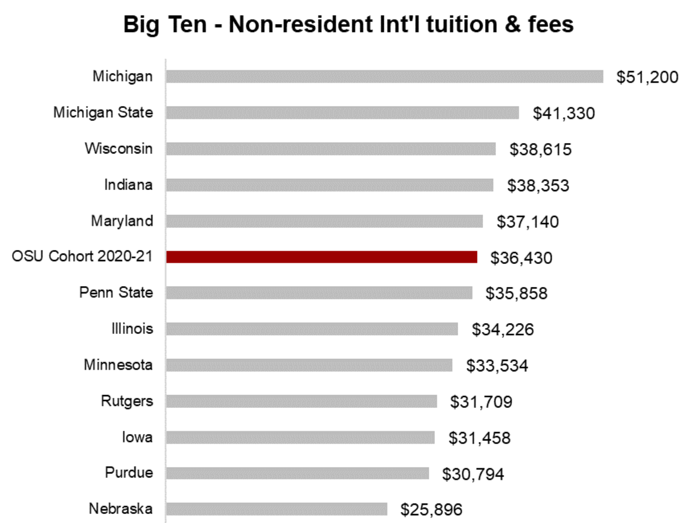
Among Ohio's six public four-year universities with selective admissions, Ohio State ranks highest in academic reputation and is the second most affordable rate for resident tuition and fees – even including the most expensive tuition guarantee cohort. Every Ohio university will have a tuition guarantee for FY 2021





Ohio State is more affordable than seven of 13 public Big Ten schools for undergraduate non-resident tuition and fees.

Ohio State is the eighth most affordable among the Big Ten public schools for undergraduate international student tuition and fees.



Government Appropriations

The university receives funding from the State of Ohio, federal government, and local governments to support various aspects of the university's operations. The largest category received is the State Share of Instruction (SSI), which accounts for approximately 82% of state funding.

$ thousands	FY19 Actual	FY20 Unaudited	FY21 Plan	$ Difference	% Difference
State Share of Instruction	383,220	377,449	379,322	1,873	0.5%
State Appropriations | Operating	86,459	84,389	84,389	(0)	0.0%
Total Government Appropriations	**469,679**	**461,838**	**463,710**	**1,873**	**0.4%**

State Share of Instruction

The SSI allocation is the State of Ohio's primary funding support for higher education. The allocation between public colleges and universities in Ohio is based on their share of enrollment and degree completions, indexed for financially and academically at risk resident undergraduate students, medical and doctoral subsidy as well as other criteria intended to advance the goals of the state. Prior to the COVID-19 pandemic, the state had authorized a 1% increase across the universities for FY 2021. In response to the pandemic, the state subsequently decreased FY 2020 funding approximately 20% for the last two months of the fiscal year, or 3.8% of the original allocation. The FY 2021 allocation was further reduced by 4.38% against the initial pre-pandemic FY 2021 funding.

State Appropriations | Operating

In addition to SSI funding, the university also receives funding directed for specific purposes through state line item appropriations. Total appropriations for FY 2021 are estimated at $84.4 million. Near the end of FY 2020 the state decreased the line item operating appropriations by $4 million. Major line items are anticipated to be similar to reduced FY 2020 funding, including support for the Ohio Agricultural Research and Development Center (OARDC/$35.5 million), OSU Extension ($23.9 million) and OH-Tech ($12.9 million). These programs comprise 81% of the total state line item appropriations received by the university.

Grants and Contracts

Grants and Contracts revenue is administered in two ways: recorded by individual units in segregated grants and contracts funds, or as sponsored projects administered by the Office of Sponsored Programs. For FY 2021, revenue from grants and contracts (including non-exchange grants) is expected to be $956.4 million, which is up 5.3% over FY 2020.

$ thousands	FY19 Actual	FY20 Unaudited	FY21 Plan	$ Difference	% Difference
Federal Grants and Contracts	367,748	385,988	397,568	11,580	3.0%
Private Grants and Contracts	305,227	324,089	333,811	9,723	3.0%
State Grants and Contracts	83,651	74,894	59,874	(15,020)	-20.1%
Local Grants and Contracts	21,796	21,466	20,399	(1,067)	-5.0%
Total Exchange Grants & Contracts	**778,422**	**806,437**	**811,652**	**5,215**	**0.6%**
Federal Grants and Contracts | Non-Exchange	63,042	76,288	118,751	42,463	55.7%
State Grants and Contracts | Non-Exchange	11,119	14,702	15,000	298	2.0%
Federal Build America Bonds Subsidy	10,619	10,987	10,987	(0)	0.0%

Total Non-Exchange Grants & Contracts	**84,780**	**101,977**	**144,738**	**42,760**	**41.9%**
Total Grants & Contracts	**863,202**	**908,415**	**956,390**	**47,975**	**5.3%**

Of the $956.4 million, $590.5 million is administered by the Office of Sponsored Programs, $221.2 million is administered directly by colleges and support units, $78.3 million is administered by Enrollment Services for student financial aid programs, $55.4 million is CARES assistance and $11 million is received as federal subsidy for Build America Bond interest. Projects administered by the Office of Sponsored Programs typically have more stringent process and documentation requirements than projects that are directly administered through the colleges and support units. $40 million of the increase in grants and contracts is attributable to the additional CARES assistance expected in FY 2021.

Sponsored Research Programs

The university secures funding for sponsored research programs from a variety of external sources. External grants are awarded by federal, state and local agencies along with private foundations and corporate sponsors. Total direct revenue for sponsored research programs administered by the Office of Sponsored Programs is expected to increase from $573.8 million in FY 2020 to approximately $590.5 million in FY 2021, an increase of 2.9%.

The sponsored research revenues include facilities and administrative (F&A) cost recoveries, which are projected to be $137 million, a 5% increase over final estimated FY 2020 recovery of $130 million. F&A costs are recovered from most sponsored programs to offset the cost of maintaining the physical and administrative infrastructure that supports the research enterprise at the university. It is important to note that direct and indirect cost expenditures do not necessarily align when comparing expected revenue streams, and this occurs for two reasons. First, certain direct cost expenditures do not recover F&A. Second, not all sponsors allow the university to recover F&A at the university's fully negotiated rate. The full negotiated F&A rate for FY 2020 is 56% and is likely to remain at this rate through FY 2021.

CARES Assistance

As a result of the COVID-19 pandemic the university received $15.2 million in FY 2020 in federal CARES assistance which was used for emergency aid to students. In FY 2021, we are expecting $55.4 million in CARES assistance, an increase of 264.6% or $40.2 million. Of the $55.4 million, $6.3 million is budgeted to be used for student aid while the remaining $49.1 million will be used to cover institutional costs related to COVID-19.

College/Support Unit Administered Grants and Contracts

FY 2021 revenue for exchange grants and contracts administered directly by individual colleges and support units is expected to decrease $11.4 million to $221.2 million, a decrease of -4.9%. Approximately half of these grants and contracts are state grants and contracts, a quarter are private, and the remainder are federal and local grants and contracts.

Student Financial Aid Funding

Some grants and contracts revenue is considered a non-exchange item and appears in the non-operating section of the external income statement as Non-Exchange Grants. These items include $78.3 million of grants administered by Student Financial Aid sourced from federal funding and for Pell Grants and Supplemental Educational Opportunity Grants (SEOG) and state funding for Ohio College Opportunity Grants (OCOG) and $6.3

million of CARES assistance for student emergency aid. In total, funding levels for these items excluding CARES assistance are expected to increase $2.5 million from FY 2020.

Sales and Services

$ thousands	FY19 Actual	FY20 Unaudited	FY21 Plan	$ Difference	% Difference
Sales and Services | Auxiliaries	376,899	338,047	205,313	(132,733)	-39.3%
Sales and Services | Departmental	166,681	152,920	148,906	(4,014)	-2.6%
Total Sales and Services	**543,580**	**490,967**	**354,219**	**(136,748)**	**-27.9%**

Student Life, Athletics, and Business Advancement comprise the majority of sales and services of auxiliary enterprises. Revenue from sales and services of auxiliary enterprises before scholarship allowances is expected to decrease $132.7 million or -39.3% in FY 2021 over FY 2020. The 2020 Big Ten Conference fall athletics seasons, which include the sports of football, field hockey, men's and women's soccer, women's volleyball and men's and women's cross country, have been postponed and is a major driver of this decrease.

There are decreases in revenue in all three major auxiliary enterprises. Athletics is declining $130.3 million over FY 2020 due to the cancelled fall athletics season and related ticket, media, conference, and game guarantee revenue. Student Life revenue is down $3 million from FY 2020, but this equates to $38.3 million against a normalized year due to $33 million of housing and dining fees refunded during spring semester. Student Life is projecting a continued decrease in revenue during FY 2021 resulting from lower occupancy rates due to COVID-19 dedensification efforts and fewer days in housing as course delivery will be fully online after Thanksgiving for the remainder of the autumn semester. Units relying on revenue from events have declined since fourth quarter FY 2020 and we anticipate that this will continue through calendar year 2020. Business Advancement is projecting a $5.9 million decline from FY 2020, which equates to a $19.5 million decline from a normalized year due to cancelled events during the fourth quarter of FY 2020.

Revenue sources in educational departments consist largely of clinical operations in colleges such as Dentistry, Optometry and Veterinary Medicine and non-college departments such as Recreational Sports and Student Health Services. Sales and Services are expected to decrease -2.6% in FY 2021 from an anticipated reduction in patient care resulting from the COVID-19 pandemic.

Advancement Sources

$ thousands	FY19 Actual	FY20 Unaudited	FY21 Plan	$ Difference	% Difference
Current Use Gifts	160,102	167,233	155,379	(11,854)	-7.1%
Endowment Distributions	235,563	250,218	266,323	16,106	6.4%
Total Advancement Sources	**395,665**	**417,451**	**421,702**	**4,251**	**1.0%**

Gifts from alumni, friends, grateful patients, and the rest of Buckeye Nation continue to be directed to our students, our faculty, our campuses, and our future potential. In FY 2021, the university's goal for "New Fundraising Activity" is $550 million which is $25 million lower than the goal for FY 2020. New Fundraising Activity includes gifts, pledges and certain private contracts. Advancement fully expects to deliver results in line with expectations. Dollars are being raised by engaging a variety of constituents, including students, faculty, staff, alumni, friends, corporate partners and private foundations.

In order to display an operating financial plan we are presenting only the cash sources that can be used immediately against operating expenses. These include current use gifts and endowment distributions.

Current Use Gifts

In the FY 2021 Financial Plan current use gifts are projected to decrease $11.9 million or -7.1% over FY 2020. This decrease is driven by the decrease in overall fundraising goals.

Endowment Distributions

Endowment distributions are the spendable portion of annual distributions from the Long Term Investment Pool (LTIP), which totals $5.3 billion as of FY 2020 and includes gifted endowment funds of $2.0 billion, designated funds of $1.9 billion and operating funds of $1.4 billion that have been invested for long-term stability. Through a partnership with external managers, the Office of Investments has adopted an asset allocation model for the LTIP that groups assets into three broad categories. This model enables the investment team to build a portfolio of specialized investment teams around the world to implement our strategic allocation and to be responsive to changing market conditions. The LTIP is expected to gain $344 million before fees at an 8.0% return in FY 2021 and is projected to have an ending market value of $5.6 billion at the end of FY 2021.

For the operating budget, we are anticipating spendable endowment distributions of $266.3 million for FY 2021. Distribution per share was calculated based on market values through December 2019.

Interest Income

Interest income on cash, short and intermediate term investments is budgeted at $39.4 million for FY 2021. This projection reflects a significant reduction in short term rates due to economic conditions and strategic use of university cash to fund capital investments. See Chapter 8 for further discussion of the capital investment plan.

Chapter 5 | University Operating Plan | Uses

Salaries and Benefits

$ thousands	FY19 Actual	FY20 Unaudited	FY21 Plan	$ Difference	% Difference
Faculty	489,659	506,030	499,506	(6,524)	-1.3%
Staff	821,712	866,595	846,161	(20,433)	-2.4%
Students	145,677	145,921	141,803	(4,119)	-2.8%
Additional Pay	55,071	53,702	43,820	(9,882)	-18.4%
Total Salaries	**1,512,118**	**1,572,248**	**1,531,290**	**(40,958)**	**-2.6%**
Benefits	376,782	428,136	417,066	(11,069)	-2.6%
Total Personnel	**1,888,900**	**2,000,384**	**1,948,356**	**(52,028)**	**-2.6%**

Salaries

Salary expense is expected to decrease by $41 million or -2.6% over FY 2020. The plan for FY 2021 includes no increase in faculty and staff salary guidelines, as well as continued cost containment efforts that include a hiring pause through the end of calendar year 2020. The plan for FY 2021 is divided between Faculty ($6.5 million decrease), Staff ($20.4 million decrease) and Students ($4.1 million decrease) and an additional pay[1] decrease of $9.9 million. This plan reflects a critical look at open and new positions and only moves forward with strategic hires that advance the mission of the university.

Benefits

Benefit costs consist of several different pools of costs, including retirement plans, medical plans, educational benefits, and life insurance benefits. For the forecast and budget, benefits are estimated based on the composite benefit rate applied to salaries by employee type (e.g., full-time faculty vs. part-time staff vs. students). Actual expenses may be more or less than the amount collected through the rates and vary from year to year. The composite benefit rate setting process takes these yearly variations into account.

Total benefit costs are expected to decrease by $11.1 million or -2.6% over FY 2020, to $417.1 million. This decrease is primarily driven by the absence of salary guideline increases and a reduction in net new hires, which directly affects the retirement plan contribution expense. Benefit rates for FY 2021 will remain flat to FY 2020 rates; these rates will continue to reflect controlled employer medical costs and historical over-collection against expense. Controlled employer medical costs are driven by benefits plan changes that reflect recent trends in moving to consumerism. Employer medical costs are also driven by tightened controls over benefits administration and a decrease in inpatient and outpatient utilization from enhanced medical management processes. Benefits include the university's contribution to employee retirement plans, various medical, dental, vision, life and disability plans, employee and dependent tuition plans and university expense related to compulsory plans, such as workers' compensation and unemployment compensation.

Retirement Plans - University employees are covered by one of three retirement systems. The university faculty is covered by the State Teachers Retirement System of Ohio (STRS Ohio). Substantially all other employees are covered by the Public Employees Retirement System of Ohio (OPERS). Employees may opt out of STRS Ohio and OPERS and participate in the Alternative Retirement Plan (ARP) if they meet certain eligibility requirements. Under

[1] Additional pay is comprised of non-salary compensation and supplemental pay for both faculty and staff.

each of the plans, the university contributes 14% of the employee's pay to the plan annually, while the employees contribute 10%. Vesting varies by plan.

Medical Plan - The university is self-insured for employee health insurance. FY 2021 medical plan costs are budgeted based on historical cost trend data, projected employee eligibility, and expected plan changes associated with governmental regulations and plan design.

Student Financial Aid

$ thousands	FY19 Actual	FY20 Unaudited	FY21 Plan	$ Difference	% Difference
Student Aid | Institutional	198,426	199,507	204,495	4,988	2.5%
Student Aid | Departmental	57,341	72,537	67,793	(4,744)	-6.5%
Student Aid | Endowment and Development	47,495	45,642	46,555	913	2.0%
Student Aid | Athletic	27,223	26,484	27,474	990	3.7%
Student Aid | Federal	63,042	76,288	69,568	(6,719)	-8.8%
Student Aid | State	11,119	14,702	15,000	298	2.0%
Total Student Aid	**404,645**	**435,160**	**430,886**	**(4,275)**	**-1.0%**
Fee Authorizations	**119,560**	**113,097**	**113,097**	**0**	**0.0%**

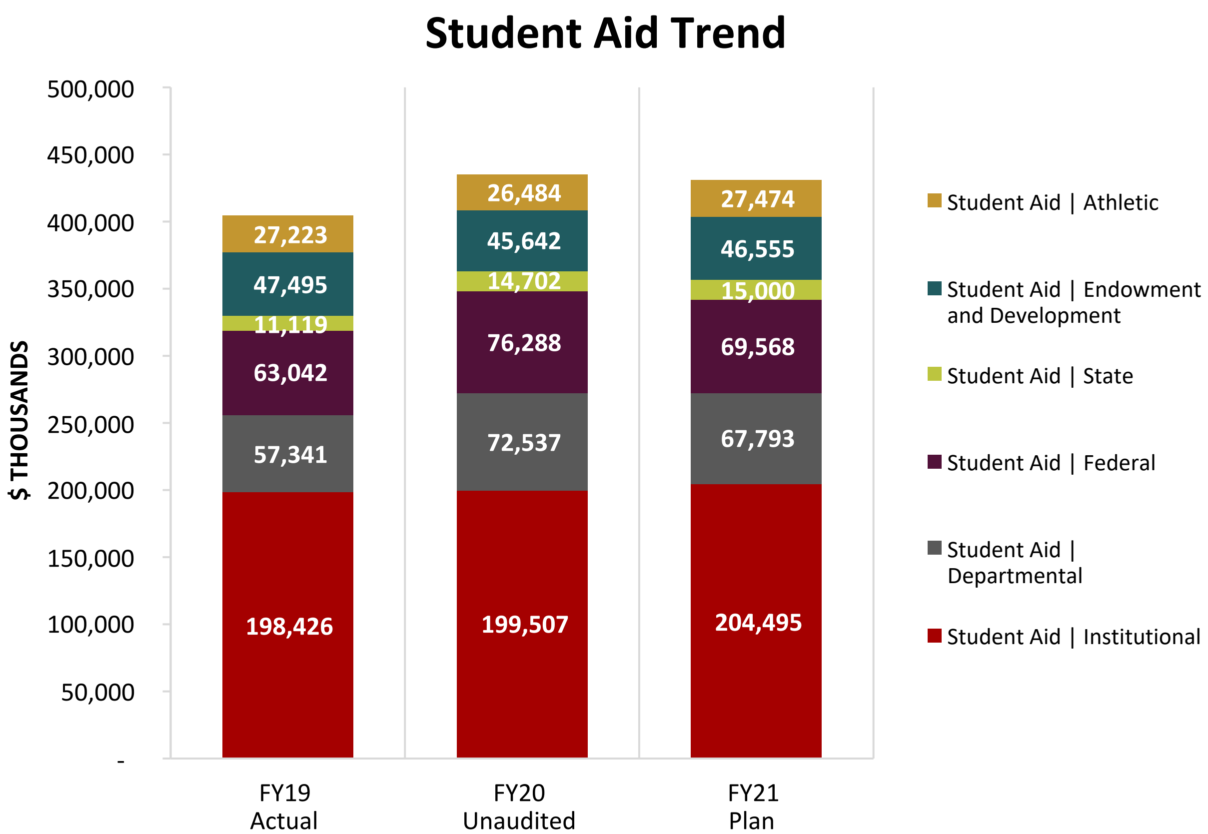
Financial Aid is a critical investment of resources that keeps the cost of education manageable for students. The Ohio State University engages both the federal and state governments in conversations to stress the importance of financial aid and reasonable loan programs for students.

The financial aid plan seeks to advance two specific goals for the university: to invest in the quality, quantity and diversity of students to continue to advance Ohio State as a leading national flagship public research university; and to invest in students to fulfill our role as the land grant university for the State of Ohio, whereby access to college is afforded to those students with limited resources. The university continues to work to support both goals and continues to develop the appropriate balance in moving the university toward eminence. Fundraising efforts are also underway through various initiatives.

Since FY 2016, the university has increased financial aid to support low- and moderate-income families by more than $200 million. This exceeded the 2020 Vision goal more than a year ahead of schedule.

Ohio State expects to distribute a total of $430.9 million of financial aid, excluding graduate fee authorizations, to students in FY 2021. Sources for financial aid include federal and state programs, gifts and endowments and institutionally funded aid. The university financial statements present a portion of financial aid, in accordance with GASB accounting requirements, as an allowance against gross tuition and, in the case of athletic and room and board scholarships, an allowance against sales and services of auxiliary enterprises.

Institutionally funded financial aid is expected to increase by $5 million, or 2.5%, in FY 2021 to a total of $204.5 million. Need-based financial aid continues to be a priority as part of the university's commitment to affordability. The budget for FY 2021 includes a total of $14.6 million for the Buckeye Opportunity Program, which covers the full cost of tuition for Pell-eligible Ohio students after accounting for existing federal, state, and institutional aid. This program is anticipated to be funded by income from an endowment created by the energy concession agreement and will assist 4,200 eligible students in the first year. The Land Grant Opportunity Scholarship program will also be expanded by $3.5 million to offer full cost of attendance scholarships for up to 176 students. The budget devotes $25 million to the President's Affordability Grant program, which supports more than 15,000 low- and moderate- income students from Ohio.



Federal financial aid, which consists primarily of Pell Grants and some Supplemental Educational Opportunity Grants (SEOG), is expected to decrease by $6.7 million to $69.6 million in FY 2021, due to an increase in the maximum Pell Grant award. State financial aid is expected to increase by $0.3 million in FY 2021 to $15 million. This is driven by a budgeted increase in the state budget for programs such as the Ohio College Opportunity Grant (OCOG). Endowment and Development aid is projected to increase 2.0% due to uncertainty in the timing of some gifts.

Fee Authorizations

Fee authorizations are provided to students holding graduate student appointments to pay for graduate tuition and fees. Total university fee authorization expense is expected to stay flat at $113.1 million in FY 2021. Approximately half of graduate student appointments are graduate research associates, 45% are graduate teaching associates, and the remainder are graduate administrative associates.

Supplies and Services

Supplies & Services expenses are comprised of several discrete categories, including Cost of Sales, Supplies, Office Services, Repairs & Maintenance, Utilities, Rentals, Purchased Services, Travel, Other Expense and Non-Capitalized Equipment, all offset by Intra-University Revenue. Additionally, this category will include expenses related to the institutional response to COVID-19, including personal protective equipment. Excluding COVID-19 related expenses, most categories are expected to decrease in FY 2021 due to supplies and services being a primary area for targeted operational efficiencies and cost containment.

Overall, Supplies & Services expenses are projected to decrease $22.7 million or -2.6% over FY 2020 to $844.4 million. However, this includes an additional $49.2 million in COVID-19 related expense for personal protective equipment and other expenses. The university curtailed spending on Supplies & Services in the fourth quarter of FY 2020 by $72.8 million by limiting spending to business-essential items in reaction to the pandemic and related impacts to revenue. We anticipate an additional $71.8 million in reduced Supplies & Services spend in FY 2021 over FY 2020, excluding COVID-19 related expense. Overall, our cost containment efforts in Supplies & Services will result in $144.6 million in reduced spending over a normalized fiscal year.

Interest Expense

The proceeds of past debt issuance have been utilized to fund major construction projects including the Wexner Medical Center expansion, student housing construction and refurbishments, as well as significant campus infrastructure improvements and academic facility construction and enhancements. The university's portion of consolidated interest expense is expected to be approximately $96.6 million in FY 2021; an increase of $7.1 million over FY 2020. This is due to increased variable rate debt obligations. See Chapter 8 for additional details on current capital projects.

Chapter 6 | Health System Operating Plan

Health System ($ thousands)	FY19 Actual	FY20 Unaudited	FY21 Plan	FY20-FY21 $ Diff	FY20-FY21 % Diff
Total Operating Revenue	**3,239,926**	**3,214,279**	**3,490,140**	**275,861**	**8.6%**
Operating Expenses					
Salaries & Benefits	1,448,151	1,525,282	1,584,314	59,031	3.9%
Supplies	355,305	343,258	358,620	15,363	4.5%
Drugs & Pharmaceuticals	388,591	416,935	455,763	38,827	9.3%
Services	311,792	321,261	335,213	13,952	4.3%
COVID-19 Expenses	-	20,716	20,000	(716)	-3.5%
Depreciation	164,230	171,806	178,642	6,836	4.0%
Interest	34,981	31,941	29,508	(2,433)	-7.6%
University Overhead	60,834	61,900	57,200	(4,700)	-7.6%
Other Expenses	48,337	51,313	55,577	4,264	8.3%
Total Expenses	**2,812,221**	**2,944,412**	**3,074,837**	**130,425**	**4.4%**
Gain/Loss from Operations	**427,705**	**269,866**	**415,302**	**145,436**	**53.9%**
Medical Center Investments	**(150,000)**	**(173,749)**	**(180,264)**	**(6,515)**	**-3.7%**
Investment Income	**6,355**	**22,272**	**17,258**	**(5,014)**	**-22.5%**
Other Gains (Losses)	**(307)**	**162,740**	**22,242**	**(140,498)**	**-86.3%**
Excess of Revenue over Expenses	**283,753**	**281,129**	**274,538**	**(6,591)**	**-2.3%**

The margin for the OSU Health System is budgeted at $274.5 million for FY 2021. The operating budget is set at a level to achieve the organizations strategic and long range financial plan goals and provides the necessary margin to invest in clinical programs, capital, provide debt service coverage and build cash reserves. The operating budget for FY 2021 anticipates continued growth in both inpatient and outpatient activities with cancer, heart and other surgical specialties having the most influence. The budget also takes into consideration the impact of healthcare reform and the associated reimbursement impacts. In addition, the budget continues to incorporate payer mix changes resulting from an aging population with shifts to Medicare. Included in the budget is the Health System's continued investment in Medical Center initiatives ($180 million). The budget provides a Total Operating Margin percentage of 7.9% and an EBIDA operating margin of 19.0%.

Revenue Drivers

Overall revenue is budgeted to increase approximately 8.6% compared to a 0.8% decrease in FY 2020 due to COVID-19 impacts. Inpatient admission growth is budgeted at 8.0% above FY 2020 yet 4% below initial budget projections. Growth is projected across numerous specialties as recovery efforts continue. Outpatient activity will grow at 14.0% with recovery to pre-COVID-19 levels and continued ambulatory growth related to increasing access and new locations.

The overall payer mix continues to see growth in Medicare and decreases in managed care. Medicaid Expansion continues to keep the uninsured population below historical trends. Overall Medicare rates will increase less than 1%. Managed care plan migration to Medicare due to the aging population is anticipated to increase to 2% in FY 2021. Managed care arrangements are negotiated through the end of FY 2021 and in some cases into 2022. Quality and risk-based contracts continue to be a focus in ongoing negotiations with payers and are reflected in the modeled reimbursement rates. The payment increases for managed care contracts are on average 3% in rate growth while governmental payer base rates are anticipated to increase less than 1%.

Expense Drivers

Total operating expenses will grow by 4.4% compared to the prior year growth of 12.7% which included $21 million in COVID-19 related expenses. Drug cost is increasing 9.3% with 5% due to inflation and the remaining impact primarily due to growth in infusions and increased cancer drug utilization. Operating expenses, excluding drugs, depreciation and overhead, are budgeted to grow 4.0%, of which 2.3% will be activity driven and 1.7% rate driven. A pause is anticipated for annual salary merit increases for employees with the exception of union associated employees. Benefit rates are expected to remain flat to FY 2020. Expense management initiatives will continue to be an emphasis to mitigate reimbursement changes and COVID-19 related impacts.

Chapter 7 | OSU Physicians Operating Plan

OSU Physicians ($ thousands)	FY19 Actual	FY20 Unaudited	FY21 Plan	FY20-FY21 $ Diff	FY20-FY21 % Diff
Total Revenue	**480,879**	**482,954**	**537,535**	**54,581**	**11.3%**
Expenses					
Faculty Salaries & Benefits	325,832	371,791	410,808	39,017	10.5%
Non Faculty Salaries & Benefits	102,279	112,975	119,438	6,463	5.7%
Supplies & Pharmaceuticals	20,049	19,706	17,945	(1,760)	-8.9%
Services	31,833	32,916	32,152	(764)	-2.3%
Depreciation	3,580	3,393	2,977	(416)	-12.3%
Interest	376	279	258	(22)	-7.8%
Other Expenses	48,386	37,584	57,109	19,525	52.0%
Medical Center Investments	(79,443)	(103,244)	(110,127)	(6,883)	-6.7%
Total Expenses	**452,891**	**475,399**	**530,558**	**55,160**	**11.6%**
Gain / (Loss)	**27,989**	**7,555**	**6,977**	**(579)**	**-7.7%**

Total operating revenue is budgeted to increase $54.6 million or 11.3% over FY 2020. Total operating revenue includes net patient revenue and other operating revenue associated with physician services. Net patient revenue is budgeted to increase $40.1 million or 11.0% over FY 2020 due to faculty recruitment, increased clinical productivity, improved payment rates, and improved service mix. Other operating revenue is budgeted to increase $14.4 million due primarily to support for specific healthcare service lines.

Total expenses are expected to increase $55.2 million. Expense categories with the largest increases were physician salaries & benefits and staff salaries & benefits. Expenses are included for staff and supplies in preparation for opening Outpatient Care New Albany. New physicians in FY 2021 are approximately 187. Generally, the amount of time for a new practice to reach full profitability is approximately 2-3 years.

Work continues on increasing revenue growth through a number of initiatives. In addition, expense control measures continue to evolve to help keep controllable costs, such as number of staff, supplies, and services, in line with revenue changes. The budget includes expense moderation measures due to COVID-19 impact, as well as assumptions about COVID-19 recovery of clinic volumes. These assumptions are aligned with the Health System, and do not include assumptions about a second COVID-19 surge during the fiscal year.

Chapter 8 | Capital Investment Plan FY 2021-25

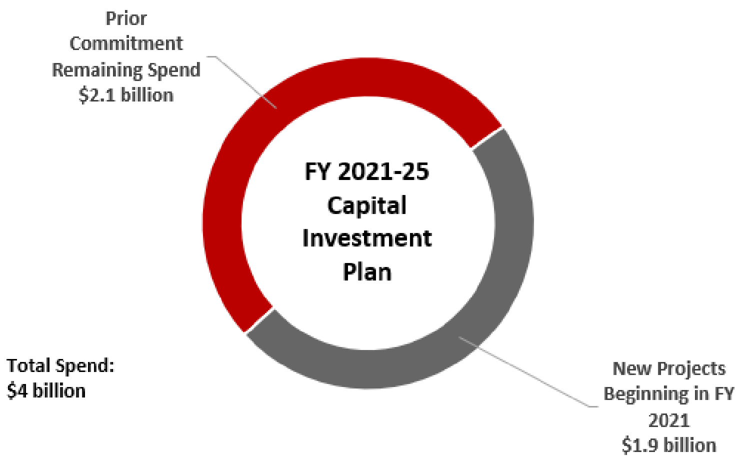
The University will invest nearly $4.0 billion over five years in strategic physical plant projects as detailed in the FY 2021-25 Capital Investment Plan. The planning process is guided by the university's master plan, Framework 2.0 and projects are evaluated against its principles. Framework 2.0 is based on planning principles that tie the mission, vision and values of the university to the physical plan, focusing on five thematic areas:

Six large capital projects are currently underway in various stages of development: Arts District, Interdisciplinary Health Sciences Center, Interdisciplinary Research Facility, Wexner Medical Center Inpatient Hospital, Wexner Medical Center Dublin and New Albany Ambulatory facilities, and Wexner Medical Center West Campus Outpatient Care facility. These projects represent the facility needs of a cross section of the university and advance a number of the university's strategic plan pillars, including teaching and learning, research and creative expression, and academic health care.

Capital projects are also reviewed for financial soundness before inclusion in the FY 2021-25 Capital Investment Plan.

The following chart reflects the capital plan through FY 2025. Of the total $4.0 billion, $2.1 billion is remaining spend on projects previously committed and $1.9 billion on new projects beginning in FY 2021.

The following charts reflect the Capital Plan through FY 2025. The FY 2021 Financial Plan includes $936.2 million in capital spending, $637.1 million is related to projects previously committed and $299.1 million for new projects.



Prior Commitment Remaining Spend

Prior Commitment Remaining Spend ($ millions)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Total
	Projected Capital Expenditures					
A&S - Arts District Ph. 1	$ 11.1	$ 37.8	$ 44.0	$ 22.4	$ 18.7	**$ 134.0**
A&S - Celeste Lab Renovation	11.0	13.0	5.1	0.3	-	**29.5**
Athletics - Lacrosse Stadium	0.5	12.7	6.6	-	-	**19.8**
Athletics - Ty Tucker Tennis Center	8.8	2.8	-	-	-	**11.6**
Energy Advancement and Innovation Center	2.5	1.6	10.5	21.5	-	**36.1**
Engineering - Advanced Materials Corridor - Ph. 1	11.1	2.0	-	-	-	**13.1**
FOD - Cannon Drive Relocation - Ph. 2	25.0	40.0	16.8	-	-	**81.8**
FOD - RDM Instructional Sciences	1.3	0.3	22.4	-	-	**24.0**
Optometry Clinic and Hlth Sci Faculty Office Bldg	13.1	1.9	-	-	-	**15.0**
Interdisciplinary Health Sciences Center	16.6	47.0	65.5	14.2	-	**143.2**
Interdisciplinary Research Facility	46.3	84.8	75.8	21.7	-	**228.7**
Libraries - Library Book Depository Ph. 3	0.4	9.5	5.1	0.1	-	**15.1**
Nursing - Newton Building Addition	7.0	13.0	3.2	-	-	**23.2**
VetMed - Frank Stanton Veterinary SOC Clinic	10.2	8.2	0.2	-	-	**18.6**
West Campus Infrastructure Ph. 1	4.2	12.4	-	-	-	**16.6**
WMC - Inpatient Hospital Garage	44.5	6.7	-	-	-	**51.2**
WMC - Ambulatory Dublin	18.9	37.3	84.3	18.9	-	**159.4**
WMC - Ambulatory New Albany	65.7	34.9	5.0	-	-	**105.5**
WMC - Dodd - Parking Garage	13.0	17.0	3.1	-	-	**33.1**
WMC - Inpatient Hopsital - Central Sterile Supply	20.1	5.7	-	-	-	**25.8**
WMC - Inpatient Hospital - Design	27.0	5.3	2.0	2.0	2.0	**38.3**
WMC - Outpatient Care West Campus	56.0	145.1	109.0	21.6	-	**331.8**
Roll-up of Small Projects	222.9	207.4	63.8	3.7	0.1	**497.8**
Total Prior Commitment Remaining Spend	**$ 637.1**	**$ 746.2**	**$ 522.5**	**$ 126.5**	**$ 20.8**	**$ 2,053.1**

New Projects Beginning in FY 2021

New Projects Beginning in FY 2021 ($ millions)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Total
	Projected Capital Expenditures					
Anticipated Spend for CIP Additions/Changes	$ 0.2	$ 3.1	$ 6.0	$ 0.7	$ -	**$ 10.0**
Roll-up of Small Infrastructure/RDM Projects	0.2	3.7	6.5	0.8	-	**11.3**
Small Programmatic Cash Ready Projects	0.4	7.4	6.9	0.7	-	**15.4**
WMC - Roll Up of Cash Ready Projects	173.8	-	-	-	-	**173.8**
New Major Projects (>$4M)						
Engineering - Bus Testing Facility	0.2	1.4	5.3	5.3	2.9	**15.0**
WMC - Inpatient Hospital (construction)	116.8	243.9	430.3	422.3	473.4	**1,686.7**
Total New Projects Beginning in FY 2020	**$ 291.6**	**$ 259.6**	**$ 455.0**	**$ 429.8**	**$ 476.2**	**$ 1,912.1**
Total Capital Investment Spend	**$ 928.7**	**$ 1,005.8**	**$ 977.5**	**$ 556.3**	**$ 497.0**	**$ 3,965.2**

Capital Plan Funding Sources

Capital projects are funded with a variety of sources, including state capital appropriations, private capital gifts, debt proceeds, endowment income, principal from quasi-endowments, current year operating margins and existing cash from units and central university. As discussed previously, operating margins can be highly restrictive and only certain funds are available for capital uses. As projects are completed, restricted dollars such as state capital appropriations and private capital gifts typically are used first, followed by existing cash, depending on the project or funding plan. State capital appropriations are anticipated to be $15.5 million in FY 2021. Each project requiring debt must have a specific funding plan completed and approved before it can proceed to construction. For the FY 2021-25 Capital Investment Plan, the following represents the sources identified to fund the new projects.

	Funding Sources					
Unit Type ($ millions)	**Local Funding**	**Debt Financing**	**Fund Raising**	**Partners**	**Total $ by Unit**	**% by Unit**
Academic-Support	$ 29.3	$ -	$ 2.0	$ 16.8	$ 48.1	2.5%
Athletics	2.6	-	-	-	2.6	0.1%
Infrastructure	0.5	-	-	0.5	1.0	0.1%
Medical Center	426.4	984.0	450.0	-	1,860.4	97.3%
Total $ by Funding Source	$ 458.8	$ 984.0	$ 452.0	$ 17.3	$ 1,912.1	
% by Funding Source	24.0%	51.5%	23.6%	0.9%		

Chapter 9 | Economic Impact of Ohio State

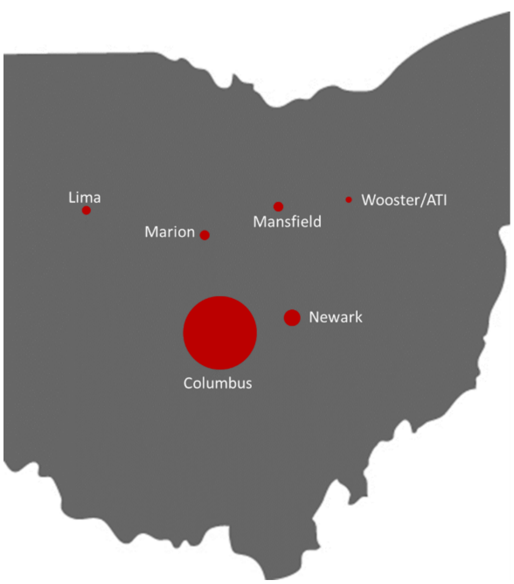
The university's economic impact on the state of Ohio provides important context to understand the FY 2021 Financial Plan. To quantify Ohio State's current economic impact in Ohio, the university partnered with a third party to undertake a comprehensive analysis of the economic benefits that arise from university operations. The firm used a model to calculate the economic benefits traced to the direct and indirect effects of Ohio State's operational spending. The model accounts for the ripple effects of spending by employees, students and visitors on retail purchases, restaurant meals, hotel stays, events and other goods and services that filter through the economy and support jobs.

The analysis showed that The Ohio State University generates $15.2 billion annually in economic impact for the state of Ohio – which equates to more than $1.735 million in economic impact every hour.

Ohio State's research enterprise, medical complex, construction projects, athletics events and status as Ohio's fourth-largest employer combined in FY 2018 to support more than 123,000 jobs across Ohio. To put that in context, one in every 57 jobs in the state is directly or indirectly supported or sustained by the university.

The total economic impact is attributed to Ohio State's six campuses, academic medical complex, and the Department of Athletics. The analysis estimated that the Columbus campus alone generated $7 billion in economic benefits, supporting 67,244 jobs and stimulating $348.8 million in state and local tax revenue. The Wexner Medical Center generated $7.3 billion, almost half of which represents direct spending, and directly supported almost 22,000 full- and part-time jobs.

In addition to operations-related impact, Ohio State has potential to create an estimated $184 million of additional earning power annually for new graduates and generates at least $364 million each year in faculty, staff and student charitable donations and volunteer services, according to the analysis.



The Ohio State University is made up of the Columbus campus, four regional campuses in Lima, Mansfield, Marion, and Newark, and the Wooster Campus which includes the Agricultural Technical Institute (ATI) and the Ohio Agricultural Research and Development Center (OARDC). The university also has a presence in all 88 Ohio counties in the form of OSU Extension offices, as well as numerous farms and research facilities throughout the state. As of Autumn 2018, there were 1,247 buildings across all campuses on 16,196 acres. All these facilities are included in the FY 2021 Financial Plan.

Appendix A | FY 2021 Financial Plan – GASB Version

FY 2021 Presentation Notes

For FY 2021, we are presenting a Modified Operating Cash version of the financial plan as this is a more informative and effective format for management accounting and performance measurement. There are differences in presentation between this version and the version based on the GASB external financial statements. The Modified Operating Cash Flow excludes sources that cannot be used in operations (state capital appropriations, undistributed investment income, private capital gifts and additions to permanent endowments) while the GASB income statement presentation includes these items as revenue.

Consolidated – GASB Version

Total Sources ($ thousands)	FY19 Actual	FY20 Unaudited	FY21 Plan	FY20-FY21 $ Diff	FY20-FY21 % Diff
Tuition & Fees (gross)	1,188,569	1,192,489	1,137,578	(54,911)	-4.6%
State Share of Instruction	383,220	377,449	379,322	1,873	0.5%
Other Government Appropriations	86,459	84,389	84,389	(0)	0.0%
Exchange Grants & Contracts	778,422	806,437	811,652	5,215	0.6%
Non-Exchange Grants & Contracts	84,473	264,717	166,979	(97,738)	-36.9%
Sales & Services - Auxiliaries	376,899	338,047	205,313	(132,733)	-39.3%
Sales & Services - Departmental	166,681	152,920	148,906	(4,014)	-2.6%
Sales & Services - Health System	3,239,926	3,214,279	3,490,140	275,861	8.6%
Sales & Services - OSU Physicians	480,879	482,954	537,535	54,581	11.3%
Advancement Receipts	232,200	238,873	249,150	10,277	4.3%
Investment Income	232,287	240,041	459,052	219,011	Assumes 8%
Other Revenues	44,862	42,848	41,091	(1,757)	-4.1%
Total Sources	**7,294,878**	**7,435,443**	**7,711,106**	**275,664**	**3.7%**

Total Uses ($ thousands)	FY19 Actual	FY20 Unaudited	FY21 Plan	FY20-FY21 $ Diff	FY20-FY21 % Diff
Total Personnel Expense	**3,765,162**	**4,010,432**	**4,062,915**	**52,484**	**1.3%**
Fee Authorizations	119,560	113,097	113,097	0	0.0%
Student Aid	404,645	435,160	430,886	(4,275)	-1.0%
Supplies, Services & Other	2,196,521	2,110,880	2,176,825	65,945	3.1%
Total Non-Personnel Expense	**2,720,726**	**2,659,138**	**2,720,808**	**61,670**	**2.3%**
Depreciation	420,506	420,017	458,617	38,600	9.2%
Interest Expense	117,380	116,043	121,458	5,415	4.7%
Total Capital-Related Expense	**537,886**	**536,060**	**580,075**	**44,015**	**8.2%**
Total Uses	**7,023,774**	**7,205,629**	**7,363,798**	**158,169**	**2.2%**

Sources Less Uses	**271,104**	**229,813**	**347,308**	**117,495**	**51.1%**
Sources Less Uses Excl Invstmt	**38,817**	**(10,228)**	**(111,744)**	**(101,516)**	**-992.6%**

Note: This GASB presentation excludes impact of pension and OPEB liabilities.

Appendix B | Student Fees

Columbus Undergraduate Fees

Undergraduate Cohort	Instructional Fees (General Fees)	General (General Fees)	Student Activity	Student Union Fee	Rec Fee	COTA Fee	Distance Education Fee	Resident Total
ON CAMPUS								
Continuing, enrolled prior to August 2015	4,584.00	186.00	37.50	74.40	123.00	13.50	-	**5,018.40**
Continuing, enrolled between August 2015 and July 2017	4,584.00	186.00	37.50	74.40	123.00	13.50	-	**5,018.40**
Cohort 2017-2018	4,858.80	186.00	40.00	74.40	123.00	13.50	-	**5,295.70**
Cohort 2018-2019	4,926.00	186.00	40.00	74.40	123.00	13.50	-	**5,362.90**
Cohort 2019-2020	5,098.50	192.50	40.00	74.40	123.00	13.50	-	**5,541.90**
Cohort 2020-2021	5,307.50	200.50	40.00	74.40	123.00	13.50	-	**5,758.90**
DISTANCE LEARNING								
Continuing	4,584.00	186.00	-	-	-	-	100.00	**4,870.00**
Cohort 2017-2018	4,858.80	186.00	-	-	-	-	100.00	**5,144.80**
Cohort 2018-2019	4,926.00	186.00	-	-	-	-	100.00	**5,212.00**
Cohort 2019-2020	5,098.50	192.50	-	-	-	-	100.00	**5,391.00**
Cohort 2020-2021	5,307.50	200.50	-	-	-	-	100.00	**5,608.00**

Undergraduate Cohort	Resident Total	Non-Resident Surcharge	Non-Resident (Domestic) Total	Int'l Surcharge	Non-Resident (Int'l) Total
ON CAMPUS					
Continuing, enrolled prior to August 2015	**5,018.40**	10,992.00	**16,010.40**	498.00	**16,508.40**
Continuing, enrolled between August 2015 and July 2017	**5,018.40**	10,992.00	**16,010.40**	966.00	**16,976.40**
Cohort 2017-2018	**5,295.70**	10,992.00	**16,287.70**	1,464.00	**17,751.70**
Cohort 2018-2019	**5,362.90**	10,992.00	**16,354.90**	1,464.00	**17,818.90**
Cohort 2019-2020	**5,541.90**	10,992.00	**16,533.90**	1,464.00	**17,997.90**
Cohort 2020-2021	**5,758.90**	10,992.00	**16,750.90**	1,464.00	**18,214.90**
DISTANCE LEARNING					
Continuing	**4,870.00**	1,795.00	**6,665.00**	n/a	n/a
Cohort 2017-2018	**5,144.80**	1,795.00	**6,939.80**	n/a	n/a
Cohort 2018-2019	**5,212.00**	1,795.00	**7,007.00**	n/a	n/a
Cohort 2019-2020	**5,391.00**	1,795.00	**7,186.00**	n/a	n/a
Cohort 2020-2021	**5,608.00**	1,795.00	**7,403.00**	n/a	n/a

Notes:

- Fees presented above are for undergraduate students with credit hour loads of 12 to 18 per term. For loads of less than 12 credit hours, fees are prorated by the credit hour except for the Student Activity Fee and COTA Fee, which are flat rates regardless of credit hours, and the Rec Fee, which is a flat fee for 4 credit hours or more.
- Tuition guarantee applies to instructional, general, student activity, student union, recreational, and COTA fees for incoming freshmen starting in Autumn 2017. The Tuition Guarantee does not apply to the non-resident surcharge or the international surcharge. See Program and Technology fees for additional fees charged by certain programs.
- For each half credit hour of enrollment over 18 credit hours per term, students are assessed an additional half credit hour instructional, general, and non-resident surcharge.
- For students taking all distance learning courses over an entire semester and not pursuing an online degree / certificate program, in lieu of all on-site fees there is a distance learning fee of $100 and the non-resident surcharge is reduced to $1,795.

Regional Campus and ATI Undergraduate Fees

Undergraduate Cohort	Instructional Fees	General Fees	Resident Total	Non-Resident Surcharge	Non-Resident (Domestic) Total
AGRICULTURAL TECHNICAL INSTITUTE					
Continuing, enrolled prior to August 2017	3,438.00	114.00	**3,552.00**	10,992.00	**14,544.00**
Cohort 2017-2018	3,644.40	114.00	**3,758.40**	10,992.00	**14,750.40**
Cohort 2018-2019	3,690.00	114.00	**3,804.00**	10,992.00	**14,796.00**
Cohort 2019-2020	3,819.00	118.00	**3,937.00**	10,992.00	**14,929.00**
Cohort 2020-2021	3,975.50	123.00	**4,098.50**	10,992.00	**15,090.50**
LIMA, MANSFIELD, MARION, NEWARK - UNDERGRADUATE					
Continuing, enrolled prior to August 2017	3,456.00	114.00	**3,570.00**	10,992.00	**14,562.00**
Cohort 2017-2018	3,662.40	114.00	**3,776.40**	10,992.00	**14,768.40**
Cohort 2018-2019	3,708.00	114.00	**3,822.00**	10,992.00	**14,814.00**
Cohort 2019-2020	3,838.00	118.00	**3,956.00**	10,992.00	**14,948.00**
Cohort 2020-2021	3,995.50	123.00	**4,118.50**	10,992.00	**15,110.50**

Undergraduate Program and Technology Fees

Full Time Rates - 12+ Credit Hours; prorated by credit hour for loads less than 12

Program	Program Fee		Technology Fee	
Animal Sciences	78.00		-	
Art	114.00		-	
Arts	-		162.00	
Business	649.20		186.00	
MPS in CIS	-		108.00	
Communications	-		49.20	
Education and Human Ecology	-		90.00	
Engineering (all except Engineering Physics)	589.20		240.00	(1)
Engineering Physics	349.20		108.00	
Environmental and Natural Resources	49.20		-	
Food, Agricultural and Environmental Sciences	49.20		49.20	(2)
Health and Rehabilitation Services	199.20		-	
Music	348.00		162.00	
Nursing	624.00		199.20	
Psychology	104.40		-	

(1) Beginning in FY 2015, specific Agriculture majors and plans only

(2) ATI students in FAES also pay this fee.

Graduate and Professional Fees

Program	Instructional	General Fees: General	General Fees: Student Activity	Student Union Fee	Rec Fee	COTA Fee	Distance Education Fee	College-Specific Fees		Resident Total	Non-Resident Surcharge	Non-Resident Total
Masters & PhD - Columbus	5,780.00	184.00	37.50	74.40	123.00	13.50	-	-		**6,212.40**	12,358.00	**18,570.40**
Masters & PhD - Regional	5,748.00	120.00	-	-	-	-	-	-		**5,868.00**	12,358.00	**18,226.00**
Masters & PhD - Distance Learning	5,780.00	184.00	-	-	-	-	100.00	-		**6,064.00**	1,795.00	**7,859.00**
Master of Accounting	15,728.00	184.00	37.50	74.40	123.00	13.50	-	261.00	(1)	**16,421.40**	12,358.00	**28,779.40**
Master of Business Administration	14,876.00	184.00	37.50	74.40	123.00	13.50	-	261.00	(1)	**15,569.40**	12,358.00	**27,927.40**
Master of Business Logistics Engineering	13,612.00	164.00	37.50	74.40	123.00	13.50	-	261.00	(1)	**14,285.40**	10,979.00	**25,264.40**
Master of Business Administration - Working Professional	12,592.00	164.00	37.50	74.40	123.00	13.50	-	261.00	(1)	**13,265.40**	10,979.00	**24,244.40**
Master of Human Resource Management	8,505.00	184.00	37.50	74.40	123.00	13.50	-	261.00	(1)	**9,198.40**	11,361.00	**20,559.40**
Master of Business Administration - Executive	32,296.20	164.00	37.50	74.40	123.00	13.50	-	261.00	(1)	**32,969.60**	5.00	**32,974.60**
Master of Business Operational Excellence	17,094.80	164.00	37.50	74.40	123.00	13.50	-	261.00	(1)	**17,768.20**	5.00	**17,773.20**
Specialized Masters in Business - Analytics	17,410.40	184.00	-	-	-	-	100.00	-		**17,694.40**	200.00	**17,894.40**
Specialized Masters in Business - Finance	27,632.00	184.00	37.50	74.40	123.00	13.50	-	261.00	(1)	**28,325.40**	5.00	**28,330.40**
Graduate Minor in Business for Health Sciences	11,644.00	184.00	37.50	74.40	123.00	13.50	-	-	(1)	**12,076.40**	5.00	**12,081.40**
Dentistry - Rank 1	19,260.00	184.00	37.50	74.40	123.00	13.50	-	2,202.00	(2)	**21,894.40**	21,846.00	**43,740.40**
Dentistry - Ranks 2, 3, 4	16,520.00	164.00	37.50	74.40	123.00	13.50	-	1,751.00	(2)	**18,683.40**	19,372.00	**38,055.40**
Master of Global Engineering Leadership - Distance Learning	8,352.00	184.00	-	-	-	-	100.00	-		**8,636.00**	200.00	**8,836.00**
Master of Engineering Management - Distance Learning	8,352.00	184.00					100.00	-		**8,636.00**	200.00	**8,836.00**
Master of Translational Data Analytics	9,530.00	184.00	37.50	74.40	123.00	13.50	-	-		**9,962.40**	12,358.00	**22,320.40**
Law - Doctor of Jurisprudence	15,598.00	184.00	37.50	74.40	123.00	13.50	-	-		**16,030.40**	7,626.00	**23,656.40**
Law - Master in the Study of Law	8,092.00	184.00	37.50	74.40	123.00	13.50	-	-		**8,524.40**	7,626.00	**16,150.40**
Medicine	14,840.00	164.00	37.50	74.40	123.00	13.50	-	66.00	(1)	**15,318.40**	12,460.00	**27,778.40**
Master in Genetic Counseling	9,568.00	184.00	37.50	74.40	123.00	13.50	-	-		**10,000.40**	6,616.00	**16,616.40**
Doctor of Occupational Therapy	6,556.00	164.00	37.50	74.40	123.00	13.50	-	-		**6,968.40**	9,977.00	**16,945.40**
Master/Doctor of Physical Therapy	6,520.00	164.00	37.50	74.40	123.00	13.50	-	-		**6,932.40**	10,456.00	**17,388.40**
Master of Dietetics and Nutrition	6,196.00	184.00	37.50	74.40	123.00	13.50	-	-		**6,628.40**	12,358.00	**18,986.40**
Master of Health Administration	6,984.00	184.00	37.50	74.40	123.00	13.50	-	-		**7,416.40**	12,358.00	**19,774.40**
Master of Public Health	6,196.00	184.00	37.50	74.40	123.00	13.50	-	-		**6,628.40**	12,358.00	**18,986.40**
Public Health Program for Experienced Professionals	6,196.00	184.00	37.50	74.40	123.00	13.50	-	-		**6,628.40**	12,358.00	**18,986.40**
Pharmacy	12,164.00	184.00	37.50	74.40	123.00	13.50	-	-		**12,596.40**	13,013.00	**25,609.40**
Optometry - Rank 1	13,468.00	184.00	37.50	74.40	123.00	13.50	-	626.00	(2), (6)	**14,526.40**	10,528.00	**25,054.40**
Optometry - Rank 2	13,468.00	184.00	37.50	74.40	123.00	13.50	-	626.00	(2), (6)	**14,526.40**	5.00	**14,531.40**
Optometry - Ranks 3 and 4	11,956.00	164.00	37.50	74.40	123.00	13.50	-	560.00	(2), (6)	**12,928.40**	5.00	**12,933.40**
Doctor of Audiology	6,068.00	184.00	37.50	74.40	123.00	13.50	-	-		**6,500.40**	12,358.00	**18,858.40**
Master of Speech-Language Pathology	6,068.00	184.00	37.50	74.40	123.00	13.50	-	-		**6,500.40**	12,358.00	**18,858.40**
Master of Social Work	6,116.00	184.00	37.50	74.40	123.00	13.50	-	94.50	(3)	**6,642.90**	12,358.00	**19,000.90**
Veterinary Medicine - Rank 1	16,084.00	184.00	37.50	74.40	123.00	13.50	-	277.50	(2)	**16,793.90**	19,668.00	**36,461.90**
Veterinary Medicine - Rank 2	16,084.00	184.00	37.50	74.40	123.00	13.50	-	202.50	(2)	**16,718.90**	5.00	**16,723.90**
Veterinary Medicine - Rank 3	16,084.00	184.00	37.50	74.40	123.00	13.50	-	277.50	(2)	**16,793.90**	5.00	**16,798.90**
Veterinary Medicine - Rank 4	16,084.00	184.00	37.50	74.40	123.00	13.50	-	352.50	(2)	**16,868.90**	5.00	**16,873.90**
Master of Science in Nursing	7,780.00	184.00	37.50	74.40	123.00	13.50	-	1,449.40	(4)	**9,661.80**	12,358.00	**22,019.80**
Doctor of Nursing Practice - On Campus	7,780.00	184.00	37.50	74.40	123.00	13.50	-	1,449.40	(4)	**9,661.80**	12,358.00	**22,019.80**
Doctor of Nursing Practice - Distance Learning	7,780.00	184.00	-	-	-	-	100.00	1,439.60	(5)	**9,503.60**	200.00	**9,703.60**
Master of Ag and Extension Education - On Campus	7,172.00	184.00	37.50	74.40	123.00	13.50	-	49.20	(1)	**7,653.60**	5.00	**7,658.60**
Master of Ag and Extension Education - Distance Learning	7,172.00	184.00	-	-	-	-	100.00	-		**7,456.00**	200.00	**7,656.00**

Notes:

·Fees presented above are for credit hour loads of 8 credit hours per term and above. For loads of less than 8 credit hours, fees are prorated by the credit hour except for the Student Activity Fee and COTA Fee, which are flat rates regardless of credit hours, and the Rec Fee, which is a flat fee for 4 credit hours or more.

·See Program and Technology fees for additional fees charged by certain programs.

·For students pursuing an online degree / certificate program, in lieu of all on-site fees there is a distance learning fee of $100 and the non-resident surcharge is reduced to $200, unless otherwise noted.

(1) Technology Fee
(2) Equipment Fee
(3) Field Practicum Fee
(4) Technology and Program Fee
(5) College-Specific Distance Education Fee
(6) Association Fee

Online Programs

Undergraduate	Instructional Fees	General Fees: General	General Fees: Student Activity	General Fees: Student Union Fee	Rec Fee	COTA Fee	Distance Education Fee	Program Specific Fees: Program	Program Specific Fees: Other	Resident Total	Non-Resident Surcharge	Non-Resident Total
Associate of Arts in Early Childhood Development and Education	5,307.50	200.50	-	-	-	-	100.00	-	-	**5,608.00**	200.00	**5,808.00**
Certificate in Essential Skills for Travel and Business in Russia	5,307.50	200.50	-	-	-	-	100.00	-	-	**5,608.00**	200.00	**5,808.00**
Bachelor of Science, Dental Hygiene	5,307.50	200.50	-	-	-	-	100.00	-	-	**5,608.00**	200.00	**5,808.00**
Healthcare Environmental and Hospitality Services	5,307.50	200.50	-	-	-	-	100.00			**5,608.00**	200.00	**5,808.00**
AS to Bachelor of Science in Radiological Sciences	5,307.50	200.50	-	-	-	-	100.00	186.00	-	**5,794.00**	200.00	**5,994.00**
Assistive and Rehabilitative Technology Undergraduate Certificate	5,307.50	200.50	-	-	-	-	100.00	-	-	**5,608.00**	200.00	**5,808.00**
Bachelor of Science in Health Sciences	5,307.50	200.50	-	-	-	-	100.00	200.00	-	**5,808.00**	200.00	**6,008.00**
Nursing in School Health Services Certificate	5,307.50	200.50	-	-	-	-	100.00	-	-	**5,608.00**	200.00	**5,808.00**
Primary Care Academic Certificate	5,307.50	200.50	-	-	-	-	100.00	-	-	**5,608.00**	200.00	**5,808.00**
Registered Nurses in Primary Care Certificate	5,307.50	200.50	-	-	-	-	100.00	-	-	**5,608.00**	200.00	**5,808.00**
RN to Bachelor of Science in Nursing	5,307.50	200.50	-	-	-	-	100.00	190.00	572.00	**6,370.00**	200.00	**6,570.00**
School Nurse Professional Pupil Services Licensure Certificate	5,307.50	200.50	-	-	-	-	100.00	-	-	**5,608.00**	200.00	**5,808.00**
Graduate												
Diversity, Equity and Inclusion	5,780.00	184.00	-	-	-	-	100.00	-	-	**6,064.00**	200.00	**6,264.00**
Master of Arts in Art Education	5,780.00	184.00	-	-	-	-	100.00	-	-	**6,064.00**	200.00	**6,264.00**
Master of Dental Hygiene	5,780.00	184.00	-	-	-	-	100.00	-	-	**6,064.00**	200.00	**6,264.00**
Core Practices in World Language Education	5,780.00	184.00	-	-	-	-	100.00	-	-	**6,064.00**	200.00	**6,264.00**
Master of Science in Learning Technologies	5,780.00	184.00	-	-	-	-	100.00	-	-	**6,064.00**	200.00	**6,264.00**
Master of Engineering Management	8,352.00	184.00	-	-	-	-	100.00			**8,636.00**	200.00	**8,836.00**
Master of Global Engineering Leadership	8,352.00	184.00					100.00	-	-	**8,636.00**	200.00	**8,836.00**
Master of Science in Welding Engineering	5,780.00	184.00	-	-	-	-	100.00	-	-	**6,064.00**	200.00	**6,264.00**
Master in Plant Health Management	5,780.00	184.00	-	-	-	-	100.00	-	-	**6,064.00**	200.00	**6,264.00**
Master of Science in Agricultural Communication, Education, and Leadership	7,172.00	184.00					100.00	-	-	**7,456.00**	200.00	**7,656.00**
Specialized Master in Business Analytics	17,410.40	184.00					100.00	-	-	**17,694.40**	200.00	**17,894.40**
Assistive and Rehabilitative Technology Graduate Certificate	5,780.00	184.00	-	-	-	-	100.00	-	-	**6,064.00**	200.00	**6,264.00**
Biomedical Informatics Certificate	5,780.00	184.00	-	-	-	-	100.00	-	-	**6,064.00**	200.00	**6,264.00**
Master of Arts in Bioethics	5,780.00	184.00	-	-	-	-	100.00	-	-	**6,064.00**	200.00	**6,264.00**
Master of Science in Translational Pharmacology	5,780.00	184.00	-	-	-	-	100.00	-	-	**6,064.00**	200.00	**6,264.00**
Doctor of Nursing Practice	7,780.00	184.00					100.00	1,249.60	190.00	**9,503.60**	200.00	**9,703.60**
Health and Wellness Coaching Graduate Certificate	5,780.00	184.00	-	-	-	-	100.00	-	-	**6,064.00**	200.00	**6,264.00**
Healthcare Leadership and Innovation Certificate	5,780.00	184.00	-	-	-	-	100.00	-	-	**6,064.00**	200.00	**6,264.00**
Master of Clinical Research	5,780.00	184.00	-	-	-	-	100.00	-	-	**6,064.00**	200.00	**6,264.00**
Master of Healthcare Innovation	5,780.00	184.00	-	-	-	-	100.00	1,062.16	190.00	**7,316.16**	200.00	**7,516.16**
Master of Science, Nursing	5,780.00	184.00	-	-	-	-	100.00	1,249.60	190.00	**7,503.60**	200.00	**7,703.60**
Nurse Coaching Graduate Certificate	5,780.00	184.00	-	-	-	-	100.00	-	-	**6,064.00**	200.00	**6,264.00**
Nurse Educator Certificate	5,780.00	184.00	-	-	-	-	100.00	-	-	**6,064.00**	200.00	**6,264.00**
School Nurse Wellness Coordinator Certificate	5,780.00	184.00	-	-	-	-	100.00	-	-	**6,064.00**	200.00	**6,264.00**
Master of Science in Pharmaceutical Sciences	5,780.00	184.00	-	-	-	-	100.00	-	-	**6,064.00**	200.00	**6,264.00**
Criminal Justice Administration Certificate	5,780.00	184.00	-	-	-	-	100.00	104.00	180.00	**6,348.00**	200.00	**6,548.00**
Master of Public Administration and Leadership	5,780.00	184.00	-	-	-	-	100.00	161.00	180.00	**6,405.00**	200.00	**6,605.00**
Public Management Certificate	5,780.00	184.00	-	-	-	-	100.00	104.00	180.00	**6,348.00**	200.00	**6,548.00**
Master of Social Work	5,780.00	184.00	-	-	-	-	100.00	-	-	**6,064.00**	200.00	**6,264.00**
Master of Social Work ASAP	5,780.00	184.00	-	-	-	-	100.00	-	-	**6,064.00**	200.00	**6,264.00**

Differential Fee Paying Categories; Fees listed are for students starting in FY21

Graduate Program and Technology Fees

Full Time Rates - 8+ Credit Hours; prorated by credit hour for loads less than 8

Program	Program Fee		Technology Fee	
Arts	-		162.00	
Business	-		261.00	
Education and Human Ecology	832.00	(1)	189.00	
Engineering	-		255.00	
Food, Agricultural and Environmental Sciences	-		49.20	(2)
Medicine	-		66.00	
Nursing, enrolled Fall 2013 and later	1,249.60		199.80	
Nursing, enrolled prior to Fall 2013	1,000.00		199.80	
Public Policy	-		180.00	

(1) Beginning in Autumn 2019, master-level students enrolled in the Master of Science in Human Development and Family Science, Specialization in Couple and Family Therapy program.

(2) ATI students in FAES also pay this fee.

Housing Rates

Columbus Campus Housing Rates	Cohort 2019-2020 and All Non-Tuition Guarantee Students	Cohort 2020-2021 and All Non-Tuition Guarantee Students	$ Change	% Change
Rates by Term				
Autumn and Spring Term Rates				
Rate I	8,658	8,874	216	2.5%
Rate II	7,214	7,394	180	2.5%
Rate IIA	6,982	7,156	174	2.5%
Rate III	6,742	6,910	168	2.5%
Summer Term Rates				
4-Week Session - Rate I		n/a		
6-Week Session - Rate I		n/a		
8-Week Session - Rate I		n/a		
4-Week Session - Rate II	902	925	23	2.5%
6-Week Session - Rate II	1,353	1,387	34	2.5%
8-Week Session - Rate II	1,804	1,850	46	2.5%
4-Week Session - Rate IIA	873	895	22	2.5%
6-Week Session - Rate IIA	1,309	1,342	33	2.5%
8-Week Session - Rate IIA	1,746	1,790	44	2.5%
Summer Term - Rate I		n/a		
Summer Term - Rate II	2,706	2,775	69	2.5%
Summer Term - Rate IIA	2,618	2,685	67	2.6%
Special Programs				
Stadium Scholars Program	5,718	5,858	140	2.4%
Alumnae Scholarship Houses - single or double w/bath	6,554	6,718	164	2.5%
Alumnae Scholarship Houses - double or triple	6,412	6,572	160	2.5%
German House - 1-person room	6,650	6,816	166	2.5%
German House - 2-person room	6,190	6,344	154	2.5%
Rates by Month				
237 E 17th - mini-single	457	468	11	2.4%
237 E 17th - single	631	648	17	2.7%
237 E 17th - supersingle	764	783	19	2.5%
237 E 17th - double	417	427	10	2.4%
Buckeye Village - 1 bedroom	555	569	14	2.5%
Buckeye Village - 2 bedroom	700	717	17	2.4%
Gateway - studio	948	972	24	2.5%
Gateway - 1 bedroom apartment	1,017	1,042	25	2.5%
Gateway - 2 bedroom apartment	990	1,015	25	2.5%
Gateway - 3 bedroom apartment	861	882	21	2.4%
Neil - efficiency	861	882	21	2.4%
Neil - 4 bedroom	854	875	21	2.5%
Penn Place - 1 person room	815	835	20	2.5%
Penn Place - 2 person room	467	478	11	2.4%

Regional Campus and ATI Housing Rates, By Term	Cohort 2019-2020 and All Non-Tuition Guarantee Students	Cohort 2020-2021 and All Non-Tuition Guarantee Students	$ Change	% Change
ATI				
1-bedroom for 2 (per person)	7,178	7,358	180	2.5%
2-bedroom for 4 (per person)	7,178	7,358	180	2.5%
2-bedroom for 5 (per person - double)	7,178	7,358	180	2.5%
2-bedroom for 5 (per person - triple)	6,192	6,346	154	2.5%
3-bedroom for 5 (per person - single)	7,562	7,750	188	2.5%
3-bedroom for 5 (per person - double)	7,178	7,358	180	2.5%
Private apartment	8,534	8,748	214	2.5%
NEWARK				
2-person efficiency (per person)	7,764	7,958	194	2.5%
2-bedroom for 4 (per person)	7,806	8,000	194	2.5%
3-bedroom for 6 (per person)	7,356	7,540	184	2.5%
McConnell Hall	8,040	8,240	200	2.5%
MANSFIELD				
2-bedroom for 2 (per person)	8,202	8,408	206	2.5%
2-bedroom for 4 (per person)	6,564	6,728	164	2.5%
5-bedroom for 5 (per person)	6,884	7,056	172	2.5%
5-bedroom for 6 - single (per person)	6,564	6,728	164	2.5%
5-bedroom for 6 - double (per person)	5,916	6,064	148	2.5%

Dining Rates

Meal Plan Rates	Cohort 2019-2020 and All Non-Tuition Guarantee Students	Cohort 2020-2021 and All Non-Tuition Guarantee Students	$ Change	% Change
Autumn and Spring Terms				
Unlimited Access (Unlimited Meals / $200 Dining Dollars)	3,952	4,050	98	2.5%
Scarlet Access 14 (14 Meals / $400 Dining Dollars / $300 BuckID)	4,824	4,944	120	2.5%
Gray Access 10 (10 Meals / $400 Dining Dollars / $300 BuckID)	4,050	4,152	102	2.5%
Declining Balance ($2,738 / $2,798 Dining Dollars)	4,304	4,412	108	2.5%
McConnell Plan [Newark] ($1,794 / $1,833 Dining Dollars)	2,820	2,890	70	2.5%
Summer Term				
Carmen 1 ($556 / $568 Dining Dollars)	874	896	22	2.5%
Carmen 2 ($1,086 / $1,110 Dining Dollars)	1,708	1,750	42	2.5%

Appendix C | Typical Annual Undergraduate Fees

Columbus Campus by Cohort – Autumn and Spring Terms

Resident	Continuing, enrolled between August 2015 and July 2017	Cohort 2017-2018	Cohort 2018-2019	Cohort 2019-2020	Cohort 2020-2021
Instructional Fees	$ 9,168.00	$ 9,717.60	$ 9,852.00	$ 10,197.00	$ 10,615.00
General Fees	372.00	372.00	372.00	385.00	401.00
Student Activity Fee	75.00	80.00	80.00	80.00	80.00
Student Union Fee	148.80	148.80	148.80	148.80	148.80
Rec Fee	246.00	246.00	246.00	246.00	246.00
COTA Fee	27.00	27.00	27.00	27.00	27.00
Total Tuition and Fees	**$ 10,036.80**	**$ 10,591.40**	**$ 10,725.80**	**$ 11,083.80**	**$ 11,517.80**
Housing (Rate I)	8,874.00	8,348.00	8,472.00	8,658.00	8,874.00
Dining (Gray 10)	4,152.00	3,904.00	3,962.00	4,050.00	4,152.00
Total	**$ 23,062.80**	**$ 22,843.40**	**$ 23,159.80**	**$ 23,791.80**	**$ 24,543.80**

Non-Resident Domestic	Continuing, enrolled between August 2015 and July 2017	Cohort 2017-2018	Cohort 2018-2019	Cohort 2019-2020	Cohort 2020-2021
Instructional Fees	$ 9,168.00	$ 9,717.60	$ 9,852.00	$ 10,197.00	$ 10,615.00
General Fees	372.00	372.00	372.00	385.00	401.00
Student Activity Fee	75.00	80.00	80.00	80.00	80.00
Student Union Fee	148.80	148.80	148.80	148.80	148.80
Rec Fee	246.00	246.00	246.00	246.00	246.00
COTA Fee	27.00	27.00	27.00	27.00	27.00
Non-Resident Surcharge	21,984.00	21,984.00	21,984.00	21,984.00	21,984.00
Total Tuition and Fees	**$ 32,020.80**	**$ 32,575.40**	**$ 32,709.80**	**$ 33,067.80**	**$ 33,501.80**
Housing (Rate I)	8,874.00	8,348.00	8,472.00	8,658.00	8,874.00
Dining (Gray 10)	4,152.00	3,904.00	3,962.00	4,050.00	4,152.00
Total	**$ 45,046.80**	**$ 44,827.40**	**$ 45,143.80**	**$ 45,775.80**	**$ 46,527.80**

Non-Resident International	Continuing, enrolled between August 2015 and July 2017	Cohort 2017-2018	Cohort 2018-2019	Cohort 2019-2020	Cohort 2020-2021
Instructional Fees	$ 9,168.00	$ 9,717.60	$ 9,852.00	$ 10,197.00	$ 10,615.00
General Fees	372.00	372.00	372.00	385.00	401.00
Student Activity Fee	75.00	80.00	80.00	80.00	80.00
Student Union Fee	148.80	148.80	148.80	148.80	148.80
Rec Fee	246.00	246.00	246.00	246.00	246.00
COTA Fee	27.00	27.00	27.00	27.00	27.00
Non-Resident Surcharge	21,984.00	21,984.00	21,984.00	21,984.00	21,984.00
International Surcharge	1,932.00	2,928.00	2,928.00	2,928.00	2,928.00
Total Tuition and Fees	**$ 33,952.80**	**$ 35,503.40**	**$ 35,637.80**	**$ 35,995.80**	**$ 36,429.80**
Housing (Rate I)	8,874.00	8,348.00	8,472.00	8,658.00	8,874.00
Dining (Gray 10)	4,152.00	3,904.00	3,962.00	4,050.00	4,152.00
Total	**$ 46,978.80**	**$ 47,755.40**	**$ 48,071.80**	**$ 48,703.80**	**$ 49,455.80**

Appendix D | Tuition and SSI History (Columbus Campus)

Fiscal Year	Undergraduate Resident Total	% Change	Undergraduate Non-Resident (Domestic) Total	% Change	Columbus Campus Total SSI	% Change
1998	$3,687	6.3%	$10,896	5.4%	$297,551	5.1%
1999	$3,906	5.9%	$11,475	5.3%	$305,161	2.6%
2000	$4,137	5.9%	$12,087	5.3%	$312,839	2.5%
2001	$4,383	5.9%	$12,732	5.3%	$317,721	1.6%
2002	$4,788	9.2%	$13,554	6.5%	$305,389	-3.9%
2003	$5,691	18.9%	$15,114	11.5%	$300,064	-1.7%
2004	$6,651	16.9%	$16,638	10.1%	$299,998	0.0%
2005	$7,542	13.4%	$18,129	9.0%	$301,898	0.6%
2006	$8,082	7.2%	$19,305	6.5%	$305,588	1.2%
2007	$8,667	7.2%	$20,562	6.5%	$314,597	2.9%
2008	$8,676	0.1%	$21,285	3.5%	$330,269	5.0%
2009	$8,679	0.0%	$21,918	3.0%	$362,682	9.8%
2010	$8,726	0.5%	$22,298	1.7%	$391,658	8.0%
2011	$9,420	8.0%	$23,604	5.9%	$390,830	-0.2%
2012	$9,735	3.3%	$24,630	4.3%	$329,548	-15.7%
2013	$10,037	3.1%	$25,445	3.3%	$331,829	0.7%
2014	$10,037	0.0%	$25,757	1.2%	$334,394	0.8%
2015	$10,037	0.0%	$26,537	3.0%	$330,878	-1.1%
2016	$10,037	0.0%	$27,365	3.1%	$341,582	3.2%
2017	$10,037	0.0%	$28,229	3.2%	$362,654	6.2%
2018	$10,591	5.5%	$29,695	5.2%	$360,816	-0.5%
2019	$10,726	1.3%	$30,742	3.5%	$359,412	-0.4%
2020	$11,084	3.3%	$32,061	4.3%	$353,396	-1.7%
2021	$11,518	3.9%	$33,502	4.5%	$359,645	1.8%

2018-2021 tuition represents tuition guarantee for students starting each autumn

APPROVAL OF FISCAL YEAR 2021 CAPITAL INVESTMENT PLAN

Synopsis: Authorization and acceptance of the Capital Investment Plan for the fiscal year ending June 30, 2021 as proposed.

WHEREAS the university has presented the recommended capital expenditures for the fiscal year ending June 30, 2021; and

WHEREAS the recommended capital expenditures are the result of the university's comprehensive annual capital planning process; and

WHEREAS only those projects outlined in these recommendations will be approved for funding:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby approves the Capital Investment Plan for the fiscal year ending June 30, 2021, as described in the accompanying documents; and

BE IT FURTHER RESOLVED, That any request for authorization to proceed with any project contained in these recommendations or for university funds for any such projects must be submitted individually by the university for approval by the Board of Trustees, as provided for by board policy.

FY2021-25 Capital Investment Plan

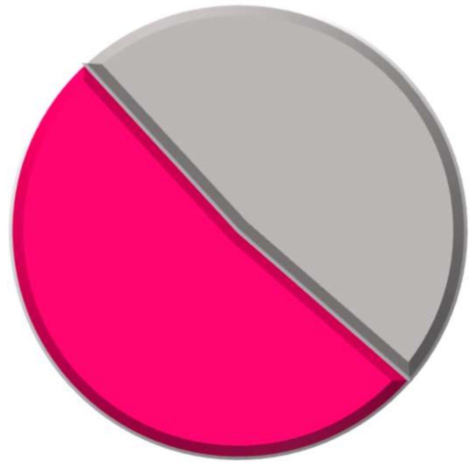


Table 1 - Prior Commitment - Remaining Spend

Line	Capital Priority	Projected Capital Expenditures					
		FY2021	FY2022	FY2023	FY2024	FY2025	Total
1	A&S - Arts District	11.1	37.8	44.0	22.4	18.7	134.0
2	A&S - Celeste Lab Renovation	11.0	13.0	5.1	0.3	0.0	29.5
3	Athletics - Lacrosse Stadium	0.5	12.7	6.6	0.0	0.0	19.8
4	Athletics - Ty Tucker Tennis Center	8.8	2.8	0.0	0.0	0.0	11.6
5	Energy Advancement and Innovation Center	2.5	1.6	10.5	21.5	0.0	36.1
6	Engineering - Advanced Materials Corridor - Ph. 1	11.1	2.0	0.0	0.0	0.0	13.1
7	FOD - Cannon Drive Relocation - Ph. 2	25.0	40.0	16.8	0.0	0.0	81.8
8	FOD - RDM Instructional Sciences	1.3	0.3	22.4	0.0	0.0	24.0
9	Optometry Clinic and Hlth Sci Faculty Office Bldg	13.1	1.9	0.0	0.0	0.0	15.0
10	Interdisciplinary Health Sciences Center	16.6	47.0	65.5	14.2	0.0	144.8
11	Interdisciplinary Research Facility	46.3	84.8	75.8	21.7	0.0	228.7
12	Libraries - Library Book Depository Ph. 3	0.4	9.5	5.1	0.1	0.0	15.1
13	Nursing - Newton Building Addition	7.0	13.0	3.2	0.0	0.0	23.2
14	VetMed - Frank Stanton Veterinary SOC Clinic	10.2	8.2	0.2	0.0	0.0	18.6
15	West Campus Infrastructure Ph. 1	4.2	12.4	0.0	0.0	0.0	16.6
16	WMC - Inpatient Hospital Garage	44.5	9.6	0.0	0.0	0.0	54.1
17	WMC - Ambulatory Dublin	18.9	37.3	84.3	18.9	0.0	159.4
18	WMC - Ambulatory New Albany	65.7	34.9	5.0	0.0	0.0	105.5
19	WMC - Dodd - Parking Garage	13.0	17.0	3.1	0.0	0.0	33.1
20	WMC - Inpatient Hopsital - Central Sterile Supply	20.1	5.7	0.0	0.0	0.0	25.8
21	WMC - Inpatient Hospital	27.0	2.4	2.0	2.0	2.0	35.4
22	WMC - Outpatient Care West Campus	56.0	145.1	109.0	21.6	0.0	331.8
23	Roll-up of Small Projects	222.9	207.4	63.8	3.7	0.1	497.8
25	**Grand Total**	637.1	746.2	522.5	126.5	20.8	2,053.1

FY2021-25 Capital Investment Plan

Table 2 - New Projects Beginning in FY2021

Line	Capital Priority	Projected Capital Expenditures					
		FY2021	FY2022	FY2023	FY2024	FY2025+	Total
1	**Anticipated Spend for CIP Additions/Changes**	**0.2**	**3.1**	**6.0**	**0.7**	**0.0**	**10.0**
2	**Roll-up of Small Infrastructure/RDM Projects**	**0.2**	**3.7**	**6.5**	**0.8**	**0.0**	**11.3**
3	**Small Programmatic Cash Ready Projects**	**0.4**	**7.4**	**6.9**	**0.7**	**0.0**	**15.4**
4	**WMC - Roll Up of Cash Ready Projects**	**173.8**	**0.0**	**0.0**	**0.0**	**0.0**	**173.8**
5	**New Major Projects (>$4M)**	**117.0**	**245.3**	**435.5**	**427.6**	**476.2**	**1,701.7**
6	Engineering - Bus Testing Facility	0.2	1.4	5.3	5.3	2.9	15.0
7	WMC - Inpatient Hospital (construction)	116.8	243.9	430.3	422.3	473.4	1,686.7
8	**Grand Total**	**291.6**	**259.6**	**455.0**	**429.8**	**476.2**	**1,912.1**

APPROVAL OF OHIO STATE ENERGY PARTNERS UTILITY SYSTEM CAPITAL IMPROVEMENT PLAN FOR FISCAL YEAR 2021

Utility System Life-Cycle Renovation, Repair and Replacement Projects
Utility System Expansion and Extension Projects
Energy Conservation Measure Projects

Synopsis: Authorization and acceptance of the Ohio State Energy Partners LLC fiscal 2021 capital improvement plan and authorization for Ohio State Energy Partners LLC to make capital improvements to the utility system pursuant to the terms of the First Amended and Restated Long-Term Lease and Concession Agreement for The Ohio State University Utility System dated July 20, 2018, and as amended (the "Agreement"), is proposed.

WHEREAS the Agreement requires the concessionaire, Ohio State Energy Partners LLC, ("OSEP") to annually submit a plan for utility system capital improvement projects for university approval; and

WHEREAS the plan includes requested approval of these utility system capital improvement projects for the fiscal year beginning July 1, 2020; and

WHEREAS OSEP has provided detailed descriptions of the proposed capital improvements, supporting technical data and analysis, pursuant to Section 4.3(c) of the Agreement; and

WHEREAS the utility system capital improvement projects will be delivered pursuant to the terms of the Agreement; and

WHEREAS the capital expenditures for the approved utility system projects will be added to the utility fee pursuant to the Agreement; and

WHEREAS the university has reviewed and considered the financial, technical, and operational aspects of the projects and the projects' alignment with university plans and sustainability goals; and

WHEREAS the Master Planning & Facilities Committee has reviewed the projects for alignment with all applicable campus plans and guidelines; and

WHEREAS the Audit, Compliance & Finance Committee has reviewed the projects for alignment with the Capital Investment Plan and other applicable financial plans:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby approves and authorizes Ohio State Energy Partners LLC to proceed with the fiscal year 2021 capital improvements to the Utility System as outlined in the attached materials.

APPROVAL OF FISCAL YEAR 2021
OHIO STATE ENERGY PARTNERS
UTILITY SYSTEM CAPITAL IMPROVEMENT PROJECTS

BACKGROUND

Pursuant to the terms of the First Amended and Restated Long-Term Lease and Concession Agreement for The Ohio State University Utility System dated July 20, 2018 and as amended (the "Agreement"), Ohio State Energy Partners LLC (OSEP) will fund and implement capital improvements to the Utility System. Capital investments made by OSEP will be tied to the annual Utility Fee structure pursuant to the Agreement.

Proposed capital projects are evaluated by the university and OSEP for alignment with applicable strategic, financial, and physical plans and to ensure continued reliability, safety, and compliance.

Pursuant to the Agreement, OSEP submitted a draft five-year plan to the Energy Advisory Committee (EAC) 180 days prior to the start of the fiscal year. Members of the EAC have reviewed the details of the draft five-year plan, provided feedback and made recommendations to OSEP. OSEP submitted a proposed five-year plan for university review and approval, including the OSEP Fiscal Year 2021 proposed capital investment projects.

Approval of these projects will be pursuant to the project scopes, project cost breakdowns, and total project costs outlined below, any applicable university directives, applicable project requests, and supporting documentation submitted pursuant to the Agreement.

OSEP capital projects are categorized as one of three types:

1. Life-Cycle Renovations, Repairs, and Replacement Projects (LFC): LFC projects primarily cover capital improvements to the existing campus utility system plants and distribution networks.
2. Expansion and Extension Projects (EXP): EXP projects are to expand the capacity of the campus utility systems or to extend the campus utility systems to new campus buildings
3. Energy Conservation Measure Projects (ECM): ECM projects are specific capital improvements intended to improve the energy efficiency of the buildings, utility plants, and utility distribution networks of the Columbus campus

FY 2021 Total OSEP Capital Commitment Summary	Cost
Life-cycle Renovations, Repairs, and Replacement Projects	$ 5.04 M
Expansion and Extension Projects	$ 1.51 M
Energy Conservation Measure Projects	$ 59.81 M
Total Capital Commitment	**$ 66.36 M**

Utility System Life-Cycle Renovations, Repairs, and Replacement Projects

Plant Electrical Equipment Upgrade – 35-21-LFC

Scope: Replace electrical equipment in the McCracken Power Plant, which is at the end of its lifecycle including:
- Backup generator for critical equipment.
- Substation units #1 and #2, the main distribution components in McCracken.
- Battery backup and motor control equipment for critical controls in McCracken.

Design Cost Request: $ 190,000

Project Cost Breakdown	Cost
FY 2021 – Design	$ 0.19 M
FY 2022 – Construction Estimate	$ 1.33 M
FY 2023 – Construction Estimate	$ 1.22 M
Total Project Cost Estimate	**$ 2.74 M**

McCracken Power Plant Structural Upgrades 92-21-LFC

Scope: This project will repair or replace the following McCracken building components:
- Windows
- Concrete Beams
- Water Treatment Plant Roof
- Water Treatment System
- Fire Protection System in Controls Server Room

Construction Cost Request: $ 2.23 M

Project Cost Breakdown	Cost
FY 2021 – Construction	$ 1.12 M
FY 2022 – Construction	$ 1.11 M
Total Project Cost	**$ 2.23 M**

Campus Gas – Building System Upgrade 99-21-LFC

Scope: Note: This project was originally identified as “77-20-LFC” in the OSEP Five-Year Plan. It was relabeled as “99-21-LFC” to simplify identification in subsequent plans.

Perform an audit of the gas service to 56 buildings. Resulting building service upgrades will be completed as needed to ensure functionality and code compliance. The university is responsible for inspections and testing after upgrades are complete.

Construction Cost Request: $ 2.62 M

Project Cost Breakdown	Cost
FY 2021 Interim (Jul-Aug 2020) Construction	$ 0.25 M
FY 2021 (Sep 2020 – Jun 2021) Construction	$ 2.62 M
Total OSEP Project Cost	**$ 2.87 M**
Estimated OSU FY 2021 Scope Cost	$ 0.06 M
Total Project Cost (OSEP + OSU)	**$ 2.93 M**

Utility System Expansion and Extension Projects

West Campus Gas Infrastructure 88-21-EXP

Scope: Design a natural gas master meter and distribution system to extend service to new facilities west of Kenny Road and South of Lane Avenue including the WMC Outpatient Care West Campus facility, the Interdisciplinary Research Facility, and the Energy Innovation Center. To align with OSU's expected construction schedules for the new buildings, OSEP expects to seek construction approval in February 2021.

This request is only for design approval.

Design Cost Request: $ 190,000

Project Cost Breakdown	Cost
FY 2021 – Design	$ 0.19 M
FY 2021 – Construction Estimate	$ 0.63 M
FY 2022 – Construction Estimate	$ 0.22 M
Total Project Cost Estimate	**$ 1.04 M**

West Campus North Electrical and Natural Gas Service 81-21-EXP

Scope: Provide electrical upgrades and extend electrical and natural gas infrastructure to the area located north of Lane Avenue and west of Kenny Road to serve future development.

This request is only for design approval.

Design Cost Request: $ 728,000

Project Cost Breakdown	Cost
FY 2021 – Design	$ 0.73 M
FY 2022 – Construction Estimate	$ 3.87 M
FY 2023 – Construction Estimate	$ 1.31 M
Total Project Cost Estimate	**$ 5.91 M**

Dodd Garage Power – 90-21-EXP

Scope: Extend the electrical distribution service to the new Dodd Garage (OSU-200103), in alignment with the university's project design and construction schedule.

Construction Cost Request: $ 588,000

Project Cost Breakdown	Cost
FY 2021 – Construction	$ 0.39 M
FY 2022 – Construction	$ 0.20 M
Total Project Cost	**$ 0.59 M**

Energy Conservation Measures Projects

District Heating and Cooling Optimization - Phase I 34-21-ECM

Scope: Upgrading the insulation and steam traps of the steam distribution network to reduce heat losses. The project will repair dozens of steam traps and insulate 350 fittings and a mile of steam pipe. Over the equipment life, this project is projected to save more than $ 24 million (in 2020 dollars) – giving the project a two-year net payback.

Construction Cost Request: $1.76 M

Project Cost Breakdown	Cost
FY 2021 – Construction	$ 1.59 M
FY 2022 – Construction	$ 0.17 M
Total Project Cost	**$ 1.76 M**

Building Energy Systems Optimization - Phase III 59-21-ECM

Scope: Energy Conservation Measures (ECMs) in more than 50 buildings. Building energy audits are used to determine the optimal set of ECMs. The average energy use reduction is estimated at over 23%. Over the 20-year life, the estimated cost savings is more than $105 million (in 2020 dollars) with an estimated nine-year net payback.

Construction Cost Request: $35.97 M

Project Cost Breakdown	Cost
FY 2021 – Construction	$ 9.36 M
FY 2022 – Construction	$ 20.69 M
FY 2023 – Construction	$ 5.92 M
Total Project Cost	**$ 35.97 M**

SCCCP HRC #1 – Part 1: HRC#1 and existing tunnel building connections – 94-21-ECM

Scope: Install a 1000-ton heat recovery chiller (HRC) in the South Campus Central Chiller Plant to generate hot and chilled water. Convert the James, Harding Hospital, Parks Hall, Riffe Hall, and the Biological Sciences Building from steam to heating hot water. Oversized pipes will allow for future expansion to other buildings. Existing steam-to-hot-water converters will remain in the Wexner Medical Center buildings to ensure service redundancy.

This project will result in significant energy and carbon dioxide emissions reductions. HRC will recover waste heat from the existing chillers. The recovered energy will heat water to supply the connected buildings. Net payback is estimated to be 9 years. Over its 20-year life, the HRC is expected to reduce utility costs more than $59 million (in 2020 dollars) and improve the total campus energy efficiency by 2%.

Construction Cost Request: $21.43 M

Project Cost Breakdown	Cost
FY 2021 – Construction	$ 5.57 M
FY 2022 – Construction	$ 10.72 M
FY 2023 – Construction	$ 5.14 M
Total Project Cost	**$ 21.43 M**

SCCCP HRC #1 – Part 2: New hospital tower connection – 96-21-ECM

Scope: Design the connection of the new Wexner Medical Center Inpatient Hospital to the HRC in the SCCCP installed as part of OSEP project 94-21-ECM (above). Dedicated heating hot water pipes from the SCCCP to the new tower will cross under 12th Avenue. Over its life, using HRC for the Inpatient Hospital I will save an estimated $47 million (in 2020 dollars) with a net payback of approximately five years.

This request is for design only.

Design Cost Request: $ 645,000

Project Cost Breakdown	Cost
FY 2021 – Design	$ 0.65 M
FY 2022 – Construction Estimate	$ 2.15 M
FY 2023 – Construction Estimate	$ 4.30 M
FY 2024 – Construction Estimate	$ 1.50 M
Total Project Cost Estimate	**$ 8.60 M**

APPROVAL TO INCREASE PROFESSIONAL SERVICES AND CONSTRUCTION CONTRACTS

APPROVAL TO INCREASE PROFESSIONAL SERVICES AND CONSTRUCTION CONTRACTS
Morehouse – Chiller and Electrical Distribution Phase 2

Synopsis: Authorization to increase professional services and construction contracts, as detailed in the attached materials, is proposed.

WHEREAS in accordance with the attached materials, the university desires to increase professional services contracts and construction contracts for the following project; and

	Prof. Serv. Approval Requested	Construction Approval Requested	Total Requested	
Morehouse – Chiller and Electrical Distribution Phase 2	$0.1M	$0.6M	$0.7M	Auxiliary Funds

WHEREAS the Master Planning and Facilities Committee has reviewed the projects listed above for alignment with all applicable campus plans and guidelines; and

WHEREAS the Audit, Compliance & Finance Committee has reviewed the projects listed above for alignment with the Capital Investment Plan and other applicable financial plans:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby approves that the President and/or Senior Vice President for Business and Finance be authorized to increase professional services and construction contracts for the project listed above in accordance with established university and State of Ohio procedures, with all actions to be reported to the board at the appropriate time.

Project Data Sheet for Board of Trustees Approval

Morehouse – Chiller and Electrical Distribution Phase 2

OSU-170841 (CNI# 17000112)

Project Location: Morehouse Medical Plaza - Tower

- **approval requested and amount**

increase professional services	$0.1M
increase construction	$0.6M
total requested	$0.7M

- **project budget**

professional services	$0.4M
construction w/contingency	$4.3M
total project budget	$4.7M

- **project funding**
  - ☐ university debt
  - ☐ fundraising
  - ☐ university funds
  - ☒ auxiliary funds
  - ☐ state funds

- **project schedule**

design/bidding	01/17 – 12/19
construction	12/19 – 03/21
BoT approval	08/20
facility opening	04/21

- **project delivery method**
  - ☐ general contracting
  - ☐ design/build
  - ☒ construction manager at risk

- **planning framework**
  - this project is included in the FY 2018 Capital Investment Plan

- **project scope**
  - multi-phased project to enhance infrastructure and address aging building systems in support of clinic operations
  - this phase of the project will provide necessary chilled and hot water piping, pumps and mechanical room additions to the tower
  - the cost of the project originally did not require Board of Trustees approval. A revised approach to the mechanical room construction, due to existing building materials, resulted in a revised total project cost that requires Board of Trustee approval.

- **approval requested**
  - approval is requested to increase professional services and construction contracts

- **project team**

University project manager:	Alexandra Radabaugh
AE/design architect:	CBLH
CM at Risk:	Regency

APPROVAL OF EXPENSE REPAYMENT ENDOWMENT FUND

Synopsis: Approval of the Expense Repayment Endowment Fund, is proposed.

WHEREAS the university has incurred or will incur expenses, some of which shall be necessary to pay via either a significant one-time lump sum payment or significant anticipated periodic payments ("Lump Sum Expenses"); and

WHEREAS the university desires to invest operating funds of the university from time to time for long-term investment in order to defray Lump Sum Expenses when due; and

WHEREAS the university desires to establish a new endowment fund with such operating funds for the purpose described above:

NOW THEREFORE

BE IT RESOLVED That the Board of Trustees hereby approves the establishment of the Expense Repayment Endowment Fund as of August 27, 2020.

The Ohio State University Board of Trustees
Audit, Compliance & Finance Committee
August 27, 2020

TOPIC:

Expense Repayment Endowment Fund

CONTEXT:

Establishment of an Expense Repayment Endowment Fund effective August 27, 2020 with a fund transfer of university operating funds.

The university has incurred or will incur expenses, some of which shall be necessary to pay via either a significant one-time lump sum payment or significant anticipated periodic payments ("Lump Sum Expenses").

SUMMARY:

The annual distribution along with realized appreciation and principal, if needed, shall be used to defray Lump Sum Expenses at the discretion of the senior vice president for business and finance and chief financial officer ("CFO"). In any given year in which the endowment distribution is not fully used for the payment of Lump Sum Expenses, the unused distribution from this endowment shall be reinvested in the endowment principal. Additional contributions may be made to this fund in the future as well.

Upon payment in full of the Lump Sum Expenses, this endowment fund will terminate and any remaining balance in this fund will be used at the discretion of the Chief Financial Officer in consultation with the President of the University.

The investment and management of and expenditures from all endowment funds shall be in accordance with University policies and procedures as approved by the Board of Trustees. As authorized by the Board of Trustees, a fee may be assessed against the entire endowment portfolio, which includes this endowment fund.

Should circumstances arise in the future that warrant a change in the use of this quasi-endowment fund, then another use shall be designated by the university's Board of Trustees in consultation with the President and Chief Financial Officer.

Amount Establishing Endowment: $ 15,000,000.00

REQUESTED OF THE AUDIT, COMPLIANCE & FINANCE COMMITTEE:

Approval of the Expense Repayment Endowment Fund

APPROVAL OF NON-RESIDENT SURCHARGE WAIVER FOR SELECT GRADUATE STUDENTS WITH BACCALAUREATE DEGREES FROM INSTITUTIONS WITHIN OHIO BEGINNING SPRING SEMESTER 2021

Synopsis: Approval of non-resident surcharge decrease for select graduate students with baccalaureate degrees from institutions within Ohio, is proposed.

WHEREAS the university is committed to providing a quality and affordable education and services to its graduate students; and

WHEREAS the Board of Trustees of The Ohio State University annually adopts tuition and mandatory fees and an out-of-state surcharge for graduate students on all campuses; and

WHEREAS in an attempt to meet state economic development and educational attainment goals, retain talent in the state of Ohio, and to increase graduate enrollment, out-of-state students who have attained a baccalaureate degree from an institution within the state of Ohio and are enrolled in select graduate programs with specific graduate comprehensive tuition rates, excluding professional and online programs, will receive a waiver of all but $5.00 per semester of the standard non-resident surcharge; and

WHEREAS a list of these select graduate programs is included in the attached appendix; and

WHEREAS §381.170 of Am. Sub. House Bill 166 of the 133rd General Assembly requires any waiver of tuition for a student, or class of students, not otherwise permitted by law at a state-assisted institution of higher education, be approved by the Chancellor of the Ohio Department of Higher Education; and

WHEREAS a request will be made to the Chancellor of the Ohio Department of Higher Education for approval of a change to the non-resident surcharge for out-of-state students who have attained a baccalaureate degree from an institution within the state of Ohio and are enrolled in a non-professional graduate or online program:

NOW THEREFORE

BE IT RESOLVED, That, beginning Spring semester 2021, the Board of Trustees of The Ohio State University authorizes the administration to offer a waiver of all but $5.00 per semester of the standard non-resident surcharge to non-Ohio-resident students who completed their bachelor's degrees in Ohio and are enrolled in the select graduate programs; and

BE IT FURTHER RESOLVED, That the administration will seek prior approval from the Chancellor of the Ohio Department of Higher Education for the associated fee waiver, as required by law.

The Ohio State University Board of Trustees
Audit, Compliance & Finance Committee
August 27, 2020

TOPIC:

Ohio Graduate Student Non-Resident Surcharge waiver beginning Spring Semester FY 2021

CONTEXT:

Approval of the decrease in non-resident surcharge for select graduate students with baccalaureate degrees from institutions within Ohio. This will retain more talent with advanced degrees within the state of Ohio, increase affordability for out-of-state graduate students, and maintain consistency with other Ohio public universities. Historically, approx. 60% of graduate students have their non-resident surcharge funded by the university.

REQUESTED OF THE AUDIT, COMPLIANCE & FINANCE COMMITTEE:

Approval of waiver of all but $5.00 of the non-resident surcharge for select graduate students with baccalaureate degrees from institutions within Ohio beginning Spring Semester 2021.

Participating Graduate Program List

Program	Current Per Semester Non-Resident Surcharge	Proposed Per semester Non-Resident Surcharge after waiver
Masters & PhD - Columbus	$ 12,358	$ 5
Masters & PhD - Regional	$ 12,358	$ 5
Master of Accounting	$ 12,358	$ 5
Master of Business Administration	$ 12,358	$ 5
Master of Business Logistics Engineering	$ 10,979	$ 5
Master of Business Administration - Working Professional	$ 10,979	$ 5
Master of Human Resource Management	$ 11,361	$ 5
Master of Translational Data Analytics	$ 12,358	$ 5
Law - Master in the Study of Law	$ 7,626	$ 5
Master in Genetic Counseling	$ 6,616	$ 5
Doctor of Occupational Therapy	$ 9,977	$ 5
Master/Doctor of Physical Therapy	$ 10,456	$ 5
Master of Dietetics and Nutrition	$ 12,358	$ 5
Master of Health Administration	$ 12,358	$ 5
Master of Public Health	$ 12,358	$ 5
Public Health Program for Experienced Professionals	$ 12,358	$ 5
Doctor of Audiology	$ 12,358	$ 5
Master of Speech-Language Pathology	$ 12,358	$ 5
Master of Social Work	$ 12,358	$ 5
Master of Science in Nursing	$ 12,358	$ 5
Doctor of Nursing Practice - On Campus	$ 12,358	$ 5

The Ohio State University
Board of Trustees

August 27, 2020

CHARTER FOR THE INTERNAL AUDIT DEPARTMENT

Synopsis: Approval of the amended and updated charter for the Internal Audit Department is proposed.

WHEREAS in November 2004 the Board of Trustees adopted a charter for the Internal Audit Department; and

WHEREAS in January 2015 the Board of Trustees last adopted an amended and updated charter; and

WHEREAS to ensure comprehensive oversight of the university's Internal Audit Department and university's operations through the adoption of best practices, it is important to update the charter for the university's Internal Audit Department periodically:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby adopts the attached amended and updated charter for the university's Internal Audit Department.

BACKGROUND

INTRODUCTION

The purpose of the Internal Audit Department (Internal Audit) is to provide independent and objective assurance and consulting services designed to add value and improve the operations of The Ohio State University. The mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. It assists the university in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and control processes.

ROLE

Internal Audit is established by the Board of Trustees (hereafter referred to as the Board). Internal Audit's responsibilities are defined by the Board as part of their oversight role.

PROFESSIONALISM

Internal Audit shall govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing* (*Standards*). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers shall also be adhered to as applicable to guide operations. In addition, Internal Audit shall adhere to the university's relevant policies and procedures and Internal Audit's standard operating procedures manual.

AUTHORITY

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all university records, physical properties, and personnel pertinent to carrying out any engagement. All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities. Internal Audit shall also have free and unrestricted direct access to the Audit, Compliance, and Finance Committee of the Board.

ORGANIZATION

The chief audit executive (Director) shall report functionally to the Board's Audit, Compliance, and Finance Committee and to the university president and administratively (i.e., day to day operations) to the senior vice president for business and finance.

The Audit, Compliance, and Finance Committee shall:

- Approve the internal audit charter;
- Approve the risk based internal audit plan;
- Approve the internal audit budget and resource plan;
- Receive communications from the Director on the internal audit activity's performance relative to its plan and other matter;
- Approve decisions regarding the appointment and removal of the Director;
- Approve the remuneration of the Director;
- Make appropriate inquiries of management and the Director to determine whether there is inappropriate scope or resource limitations.

The Director shall communicate and interact directly with the Audit, Compliance, and Finance Committee, including in executive sessions and between Board meetings as appropriate.

INDEPENDENCE AND OBJECTIVITY

The Director shall ensure that Internal Audit remains free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude. If the Director determines that independence or objectivity may be impaired in fact or appearance, the details of the impairment shall be disclosed to appropriate parties and to the Chair of the Audit, Compliance, and Finance Committee.

Internal auditors shall have no direct operational responsibility or authority over any of the activities audited. Accordingly, they shall not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for The Ohio State University or its affiliates.
- Initiating or approving transactions external to Internal Audit.
- Directing any activities of any Ohio State University employee not employed by Internal Audit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Internal auditors shall exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.

Internal auditors shall maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

The Director shall confirm to the Audit, Compliance, and Finance Committee, at least annually, the organizational independence of the Internal Audit Department.

RESPONSIBILITY

The scope of Internal Audit encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

- Evaluating risk exposure relating to achievement of the organization's strategic objectives;
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization;
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Evaluating the effectiveness and efficiency with which resources are employed;
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
- Monitoring and evaluating governance processes;
- Monitoring and evaluating the effectiveness of the organization's risk management processes;
- Evaluating the quality of performance of external auditors and the degree of coordination with internal audit;

- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization;
- Reporting periodically on the internal audit activity’s purpose, authority, responsibility, and performance relative to its plan;
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board;
- Evaluating specific operations at the request of the Board or management, as appropriate.

INTERNAL AUDIT PLAN

At least annually, the Director shall submit to senior management and the Audit, Compliance, and Finance Committee an internal audit plan for review and approval. The internal audit plan shall consist of a work schedule as well as budget and resource requirements for the next fiscal/calendar year. The Director shall communicate the impact of resource limitations and significant interim changes to senior management and the Audit, Compliance, and Finance Committee.

The internal audit plan shall be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Board. The Director shall review and adjust the plan, as necessary, in response to changes in the organization’s business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan shall be communicated to senior management and the Audit, Compliance, and Finance Committee through periodic activity reports.

REPORTING AND MONITORING

A written report shall be prepared and issued by the Director or designee following the conclusion of each internal audit engagement and shall be distributed as appropriate. Internal Audit results shall also be communicated to the Audit, Compliance, and Finance Committee.

The internal audit report shall include management’s response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, included within the original audit report, shall include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that shall not be implemented.

The internal audit activity shall be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings shall remain in an open issues file until cleared.

The Director shall periodically report to senior management and the Audit, Compliance, and Finance Committee on the internal audit activity’s purpose, authority, and responsibility, as well as performance relative to its plan. Reporting shall also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Board. The Director shall also ensure Internal Audit collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

Internal Audit activity shall maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program shall include an evaluation of Internal Audit’s conformance with the Definition of Internal Auditing and the *Standards* and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Director shall communicate to senior management and the Audit, Compliance, and Finance Committee on the Internal Audit’s quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

APPROVAL FOR RECOGNITION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

LANE AVENUE AND CARMACK ROAD
COLUMBUS, FRANKLIN COUNTY, OHIO

Synopsis: Approval to enter into a Recognition, Non-Disturbance and Attornment Agreement between The Ohio State University and Andelyn Biosciences, Inc., is proposed.

WHEREAS Andelyn will be developing and operating a facility for research and manufacturing of medical, biotechnology and pharmaceutical materials for gene and cell-based therapies; and

WHEREAS the subject Development Parcel is located at the southwest corner of Lane Avenue and Carmack Road, Columbus, Ohio; and

WHEREAS this resolution affirms that the intended use by Andelyn is consistent with the uses specified in the Development Agreement and approves continued authority to take actions in support of the development; and

WHEREAS The Ohio State University has approved a ground lease of 7.8 +/- acres of unimproved real property located at the southwest corner of Lane Ave and Carmack Road, Columbus, Ohio (Development Parcel), to the Science and Technology Campus Corporation (SciTech); and

WHEREAS the Development Parcel is subject to a certain Development Agreement, dated May 28, 1998 and as amended, which provides that the university desires to foster and encourage research and education linkages with business, government entities and nonprofit organizations to increase the range of educational experiences available to students, increase research support from industry, provide greater economic enrichment and development within Ohio and enhance the university's pre-eminence as a major research organization (Development Agreement Mission); and

WHEREAS SciTech seeks to sublease the Development Parcel to Andelyn Biosciences, Inc., for the purpose of making improvements to be used for research, development and commercial grade manufacturing activities of biotechnology and pharmaceutical materials and products for gene and other cell-based therapies and any other uses directly related thereto; and

WHEREAS the long-term ground lease of the Development Parcel to SciTech and sublease to Andelyn Biosciences, Inc., is in the best interest of the university:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby approves that the proposed development and the anticipated use of the premises by sublessee Andelyn Biosciences, Inc., is recognized as consistent with the Development Agreement, will advance the Development Agreement Mission and has accordingly been considered in the authorization of a prime lease with SciTech.

APPROVAL FOR RECOGNITION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT
LANE AVENUE AND CARMACK ROAD
COLUMBUS, FRANKLIN COUNTY, OHIO
BOARD BACKGROUND

Background

The Ohio State University seeks approval to enter into a Recognition, Non-Disturbance and Attornment Agreement with Andelyn Biosciences, Inc. (Andelyn). A previous board resolution, 2020-84, approved a ground lease of approximately 7.8 acres of land to SciTech with the expectation of a sublease to Andelyn, which will make significant improvements to the property for development of a medical research and advanced manufacturing facility. This resolution is to acknowledge and affirm that the anticipated use by Andelyn is consistent with the purposes set forth in the Development Agreement between The Ohio State University and SciTech.

The Development Agreement was originally created pursuant to Board Resolution 98-77, and has been amended from time to time. The Development Agreement states that the University desires to foster and encourage research and education linkages with business, government entities, and non-profit organizations to increase the range of educational experiences available to students, increase research support from industry, provide greater economic enrichment and development within Ohio and enhance the University's preeminence as a major research organization.

At the site, Andelyn will be making improvements to be used for research, development and commercial grade manufacturing activities of biotechnology and pharmaceutical materials and products for gene and other cell-based therapies and any other uses directly related thereto.

Location and Description

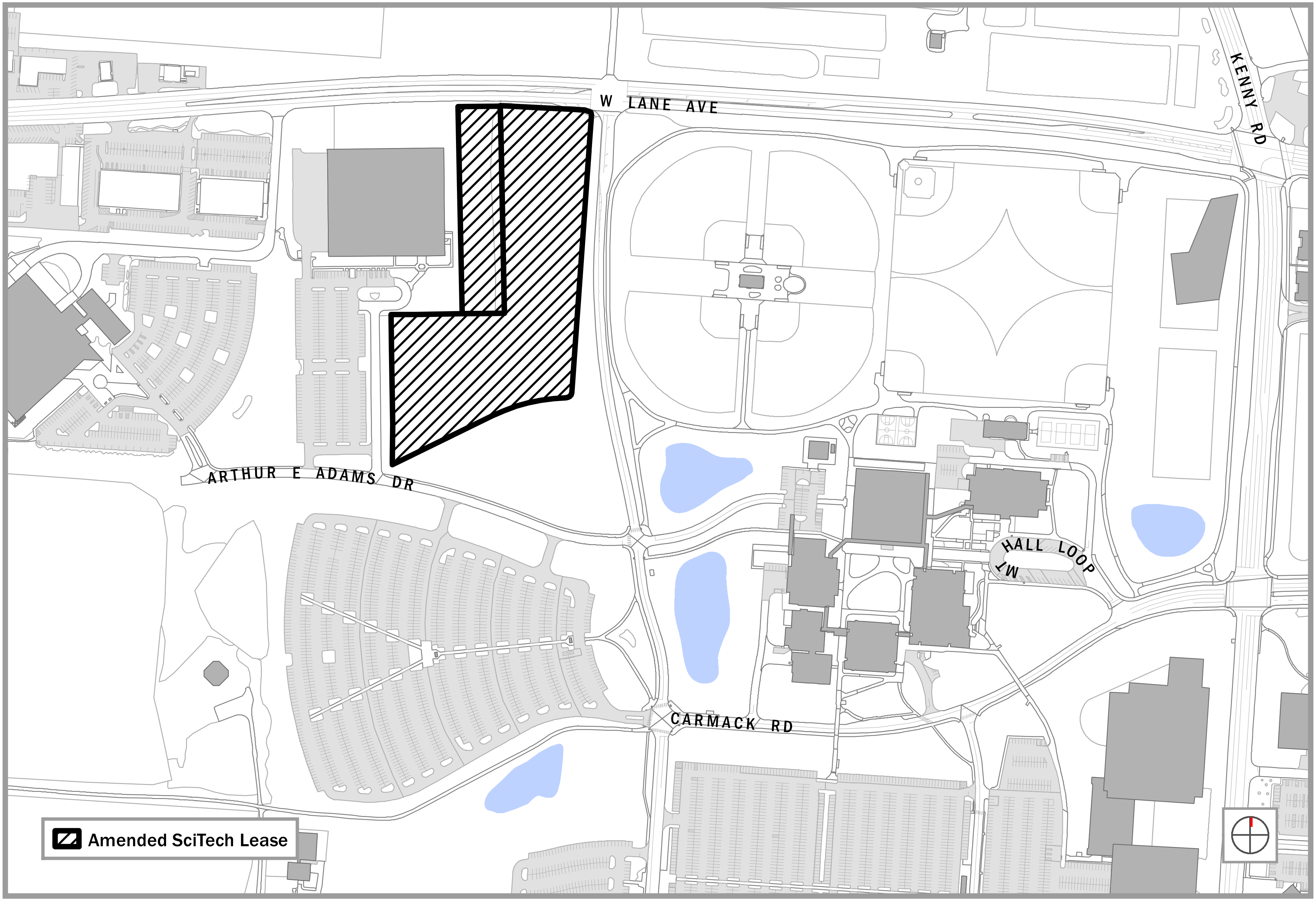
The subject property is located at the southwest corner of Lane Avenue and Carmack Road. The total site is comprised of approximately 7.8 acres and will be utilized for construction and operation of a medical research and advanced manufacturing facility.

Property History

The ground lease arrangement between Ohio State and SciTech was approved in Resolution 2020-84.

Recommendation

Planning, Architecture and Real Estate recommends that the Recognition Agreement be executed.



The Ohio State University

RECOGNITION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT
LANE AVENUE AND CARMACK ROAD
COLUMBUS, FRANKLIN COUNTY, OHIO 43221

Prepared By: The Ohio State University
Office of Planning, Architecture and Real Estate
Issue Date: August 2020
The Ohio State University Board of Trustees

The Ohio State University

August 2020 Board Meeting
FY 2020 | Through June

Consolidated Financial Scorecard (Excluding Pension & OPEB) ($ in thousands)	FY20 YTD Actual	FY20 YTD Budget	Actual vs. Budget
A. Financial Snapshot (in thousands)			
1. Total Revenue excluding endowment performance	$ 7,379,012	$ 7,379,523	↔
2. Total Expenses	$ 7,416,044	$ 7,394,680	↔
3. Change in Net Assets	$ 359,620	$ 617,587	↓
4. Change in Net Assets excluding endowment performance	$ 119,579	$ 131,148	↓
5. Change in Net Financial Assets	$ 459,030	$ 125,000	↑
B. Institutional Financial Metrics			
1. Liquidity - Days Cash on Hand	212	120	↑
2. Actual Debt Service to Operations	2.5%	< 3.0%	↔
	FY20 Actual	**FY20 Benchmark**	**Actual vs. Benchmark**
3. Short Term Investment Pool Return	1.73%	1.63%	↔
4. Intermediate Investment Pool Return	4.44%	4.18%	↔
5. Fiscal YTD Long Term Investment Pool Return	1.07%	4.63%	↓
6. 1 Year Long Term Investment Pool Return	1.07%	4.63%	↓
7. 3 Year Long Term Investment Pool Average Return	3.28%	6.33%	↓
8. Credit Rating	AA1/AA	AA	↔

Meets or exceeds goal	↑ Performance up
Below goal	↔ No change in performance
Far below goal	↓ Performance down

THE OHIO STATE UNIVERSITY

August 2020 Board Meeting

FY 2020 | Through June

University Financial Scorecard (Excluding Pension & OPEB) ($ in thousands)	FY20 YTD Actual	FY20 YTD Budget	Actual vs. Budget
A. Revenue Drivers (in thousands)			
1. Tuition and Fees	$ 1,192,489	$ 1,219,544	↓
2. Grants and Contracts (exchange)	$ 806,437	$ 842,116	↓
3. Advancement Cash Receipts	$ 256,261	$ 295,400	↓
4. State Share of Instruction	$ 377,449	$ 383,217	↓
5. State Line Item Appropriations	$ 84,389	$ 89,913	↓
6. Net Contribution from Auxiliary Enterprises	$ 2,697	$ 14,372	↓
B. Financial Snapshot (in thousands)			
1. Total Revenue excluding endowment performance	$ 3,704,070	$ 3,689,420	↔
2. Total Expenses	$ 3,662,351	$ 3,930,604	↓
3. Current Net Margin	$ 272,824	$ (12,743)	↑
4. Change in Net Assets	$ 396,684	$ 375,121	↑
5. Change in Net Assets excluding endowment performance	$ 429,436	$ 133,562	↑
C. Performance Metrics (Columbus Campus only)			
1. Enrollment - summer, autumn and spring	138,376	138,386	↔
2. Credit Hours - summer, autumn and spring	1,731,515	1,735,648	↔

(green)	Meets or exceeds goal	↑	Performance up
(yellow)	Below goal	↔	No change in performance
(red)	Far below goal	↓	Performance down

The Ohio State University

August 2020 Board Meeting

FY 2020 | Through June

MEDICAL CENTER FINANCIAL PERFORMANCE	FY20 YTD Actual	FY20 YTD Budget	Current Status
A. Revenue Drivers			
1. Patient Admissions	62,352	66,451	↓
2. Patients in Inpatient Beds	77,468	81,809	↓
3. Patient Discharges	62,438	66,093	↓
4. Total Surgeries	44,741	47,478	↓
5. Outpatient Visits	1,868,222	1,965,291	↓
6. ED Visits	121,915	134,437	↓
B. Activity Metrics			
1. Adjusted Admissions	127,332	130,511	↓
2. Operating Revenue / Adjusted Admit	$ 25,243	$ 25,699	↓
3. Expense / Adjusted Admit	$ 23,124	$ 22,622	↓
C. Financial Snapshot (in thousands)			
1. Operating Revenues	$ 3,214.3	$ 3,354.0	↓
2. Total Expenses	$ 2,944.4	$ 2,952.4	↔
3. Gain from Operations	$ 269.9	$ 401.7	↓
4. Excess Revenue Over Expenses	$ 281.1	$ 263.1	↑
D. Performance Metrics			
1. Operating EBIDA Margin	14.7%	18.1%	↓
2. Days Cash on Hand	219.9	131.6	↑
3. Debt Service Coverage	7.85	7.66	↓

LEGEND

Meets or exceeds goal	↑ Performance up
Below goal	↔ No change in performance
Far below goal	↓ Performance down

THE OHIO STATE UNIVERSITY

TOPIC: Fiscal Year 2020 Unaudited Financial Report – June 30, 2020

CONTEXT: The purpose of this report is to provide an update of financial results for the year ending June 30, 2020.

FINANCIAL SUMMARY

Fiscal year 2020 was trending up for the first three quarters. The fourth quarter was negatively impacted by the COVID-19 pandemic. The university continues to operate under a state of emergency due to the COVID-19 outbreak. Impacts include:

- Students moved out of residence halls and were refunded $35 million for housing, dining, and recreational fees in April.
- Classes transitioned to virtual learning for Summer 2020 term.
- Major facilities on campus were closed beginning in March, continuing through the summer.
- OSU Wexner Medical Center postponed elective surgeries and outpatient procedures beginning March 19 through April 27. Operations have shifted to focus on resumption of non-critical procedures, maintaining widespread telemedicine procedures, and a focus on testing and treating patients with COVID-19.
- Planning has started for a safe return to campuses this autumn.

Year-to-date decrease in net position was $72 million, down $232 million compared to prior year. The decrease is primarily due to a $389 million increase in net operating loss, offset by a $155 million increase in non-operating revenues (due to the receipt of $170 million of the Coronavirus Aid, Relief, and Economic Security (CARES) Act). Other activities for the year ending June 30, 2020 impacting our financial position include:

Revenues
Student tuition and fees, net - decreased $16 million or 1.7%, to $954 million over the same period of fiscal year 2019, due primarily to an increase in gross tuition of $4 million, offset by $20 million increase in scholarship allowances. Gross tuition increases for Autumn and Spring of $26 million were offset by decreases in Summer of $14 million and student fees of $8 million. Summer tuition decreased due to non-resident fees of $9 million and a one-week delay in the start of classes of $5 million both due to COVID-19 pandemic. The decrease in Summer tuition was offset by expense reductions of $14 million in graduate fee authorizations as classes shifted to online. The increase in scholarship allowance reflects budgeted increases in undergraduate student financial aid.

Grants and contracts - increased $12 million, or 1.6%, to $795 million, due primarily to increases in federal grants of $18 million, private grants of $1.5 million, and local grants of $1.5 million, offset by decreases in state grants of $9 million. Grants managed by the Office of Sponsored Programs increased $10 million. Awarded dollars, which can be considered a leading indicator of the state of the research enterprise, are up 10.1% overall compared to this time last year, including a 7.6% increase in federal awarded dollars. To date, awarded dollars from our two top funders, the National Institutes of Health (NIH) and the National Science Foundation (NSF) are up by 8.4% and 38.3% over last year, respectively.

Gifts - increased $24 million over prior year due primarily to increases in permanent endowment gifts of $18 million and current use gifts of $7 million, offset by decreases in private capital gifts of $1 million.

Sales and services of auxiliary enterprises - decreased $42 million due primarily to revenue losses associated with the campus closure beginning in March including decreases in Student Life housing and dining revenues of $36 million and Business Advancement (Schottenstein Center and Blackwell) of $14 million, offset by increases in Athletics of $8 million.

Educational departments - decreased $15 million primarily from decreases in over 130 earnings funds and 70 conference funds reflecting impacts of campus closure in March.

Sales and services of the OSU Health System and OSU Physicians, Inc - increased $1 million to $3,993 million. The Health System decreased $23 million. The Health System was trending ahead of prior year by $147 million through March but that growth was offset by 4th quarter revenue declines of $170 million due to the COVID pandemic. OSU Physicians experienced a similar trend with a year over year increase of $24 million even though they were trending ahead of prior year by $47 million through March then revenues declined in the 4th quarter. Overall margins have improved due to the CARES Act relief funds of $155 million. Outpatient visits year to date decreased 4.9% compared to budget and decreased 2.5% compared to prior year. Total surgeries year to date were 5.8% below budget and 4.2% below prior year.

Non-exchange grants - increased $2 million due primarily to increases in Ohio College Opportunity Grants of $3 million and Pell Grants of $1 million, offset by decreases in Federal Work Study of $2 million.

CARES Act assistance – increased $170 million due to the receipt of $155 million in Health Care Provider Relief funds ($143 million to the Health System and $12 million to OSU Physicians), $14.4 million Emergency Grants to Students, and $335,205 to WOSU for public media aid.

Expenses
University - expenses of $3,319 million for the year ending June 30, 2020 increased $178 million, or 5.7%, compared to the same period in 2019 primarily due to increases in salaries of $62 million, legal settlements of $72 million, benefits (includes year-end accruals for pension and other post-employment benefits) of $50 million, student aid of $8 million, offset by decreases in supplies and services of $14 million. Supplies and services expenses were ahead of prior year through third quarter but cost containment efforts to business

essential spend in the 4th quarter saved $72 million which resulted in net reduction over prior year of $14 million. Salary increases are due to a 2.5% merit pool and new hires in certain areas due to strategic investments in faculty and staff.

OSU Health System and OSU Physicians - expenses of $3,807 million increased $190 million, or 5.3%, primarily due to increases in operating expenses driven by increased patient volumes as well as higher cost of drugs of $67 million or 12.6%, offset by decreases in year-end accruals for pension and other post-employment benefits of $38 million.

Auxiliary - expenses of $322 million for the year ending June 30, 2020 decreased $40 million, or 11%, compared to the same period of fiscal year 2019 primarily due to decreases in year-end accruals for pension and other post-employment benefits of $22 million, Student Life housing and dining of $12 million, and Business Advancement (Schottenstein Center and Blackwell) of $7 million.

Cash and Investments
Total university cash and investments increased $408 million, to $9,840 million on June 30, 2020, compared to the same period of last year. Total cash and temporary investments increased $292 million compared to June 30, 2019 primarily due to increases in payments of $275 million from the Accelerated and Advance Payment Program (Medicare advance payment program) and $143 million from the Health and Human Services CARES Act Provider Relief Fund. Gifted endowment and long-term investments increased $116 million primarily due to unrealized gains in alternatives and private equity capital calls.

Long-Term Investment Pool
For the year ending June 30, 2020, the fair value of the university's Long-Term Investment Pool increased $30.4 million to $5,287 million. Changes in total valuation compared to prior year are summarized below:

	2020	2019
Beginning Fair Value	$ 5,256,759	$ 5,211,434
Net principal additions	228,653	223,348
Change in fair value	(10,923)	7,063
Income earned	119,271	106,636
Distributions	(234,042)	(220,016)
Expenses	(72,587)	(71,706)
Fair Value at June 30	$ 5,287,131	$ 5,256,759

Net principal additions include new endowment gifts ($63.7 million), reinvestment of unused endowment distributions ($50.2 million), and other net transfers of University monies ($114.8 million). Change in fair value includes realized gains (losses) on the sale of investment assets and unrealized gains (losses) associated with assets held in the pool on June 30, 2020. Income earned includes interest and dividends and is used primarily to help fund distributions. Expenses include investment management expenses ($52.8 million), University Development related expenses ($19.1 million) and other administrative related expenses ($0.7 million).

<u>LTIP Investment Returns</u>
For the year ending June 30, 2020, the LTIP earned a net of investment fee return of 1.07% versus a Policy Benchmark of 4.63%, resulting in underperformance of 3.56%. During that period, our Global Fixed Income returned 4.82%, followed by Global Equities at -0.38% and Real Assets at -0.39%.

The comparable year ending June 30, 2019 saw a net of investment fee return of 1.18% versus a Policy Benchmark of 6.99%, resulting in underperformance of 5.81%. During that period, our Global Fixed Income returned 2.76%, followed by Global Equities at 1.90%, and Real Assets at -7.73%.

<u>Temporary Investments</u>
For the year ending June 30, 2020 (FYTD) the Intermediate Investments earned a return of 4.75% (+$45.9 million) outperforming the Bank of America ML 1-3 Year US Gov't/Credit benchmark (+4.18%) by 0.57%. Short-Term Investments earned 3.08% (+$18.4 million) outperforming the 90 Day T-Bill benchmark (+1.27%) by 1.81%.

The comparable year ending June 30, 2019, saw Intermediate Investments earn a return of 4.78% (+$43.3 million). Short-Term Investments returned 2.61% (+$15.2 million) for this same period.

Statement of Net Position
The Consolidated Statement of Net Position for balances as of June 30, 2020, compared to June 30, 2019, decreased by $72 million. The decrease is primarily due to decreases of net pension and other post-employment benefit assets of $445 million and liabilities of $12 million for changes in benefit plan assets and liabilities held by OPERS and STRS, offset by increased investments in property, plant, and equipment of $425 million, net of depreciation. Capital assets increased $425 million from $342 million for University academic, infrastructure, and auxiliary projects, $321 million for Health System projects and equipment expenditures, concessionaire utility projects of $119 million, University equipment purchases of $63 million, offset by $420 million in depreciation expense.

THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF NET POSITION - UNAUDITED
June 30, 2020 (unaudited) and June 30, 2019 (audited)

	As of June 2020	As of June 2019	Increase/Decrease Dollars	%
ASSETS:				
Current Assets:				
Cash and cash equivalents	$ 2,048,368	$ 1,709,100	$ 339,268	19.9%
Temporary investments	1,812,053	1,754,520	57,533	3.3%
Accounts receivable, net	579,421	698,327	(118,906)	-17.0%
Notes receivable - current portion, net	25,317	25,318	(1)	0.0%
Pledges receivable - current portion, net	37,890	31,540	6,350	20.1%
Accrued interest receivable	21,321	25,050	(3,729)	-14.9%
Inventories and prepaid expenses	159,711	138,121	21,590	15.6%
Investments held under securities lending program	12,092	44,391	(32,299)	-72.8%
Total Current Assets	4,696,173	4,426,367	269,806	6.1%
Noncurrent Assets:				
Restricted cash	400,603	492,033	(91,430)	-18.6%
Notes receivable, net	45,427	63,211	(17,784)	-28.1%
Pledges receivable, net	64,151	64,151	-	0.0%
Net other post-employment benefit asset	77,901	74,520	3,381	100.0%
Long-term investment pool	5,287,131	5,256,759	30,372	0.6%
Other long-term investments	304,562	219,455	85,107	38.8%
Capital assets, net	5,835,690	5,410,355	425,335	7.9%
Total Noncurrent Assets	12,015,465	11,580,484	434,981	3.8%
Total Assets	16,711,638	16,006,851	704,787	4.4%
Deferred Outflows:				
Pension	445,787	1,017,388	(571,601)	-56.2%
Other post-employment benefits	239,635	116,173	123,462	106.3%
Other deferred outflows	32,037	22,198	9,839	44.3%
Total Assets and Deferred Outflows	$ 17,429,097	$ 17,162,610	$ 266,487	1.6%
LIABILITIES AND NET POSITION:				
Current Liabilities:				
Accounts payable and accrued expenses	$ 964,395	$ 611,891	$ 352,504	57.6%
Deposits and advance payments for goods and services	257,416	283,997	(26,581)	-9.4%
Current portion of bonds, notes and leases payable	44,970	44,970	-	0.0%
Long-term bonds payable, subject to remarketing	574,675	574,675	-	0.0%
Liability under securities lending program	12,092	44,391	(32,299)	-72.8%
Other current liabilities	98,159	95,549	2,610	2.7%
Total Current Liabilities	1,951,707	1,655,473	296,234	17.9%
Noncurrent Liabilities:				
Bonds, notes and leases payable	2,491,043	2,561,521	(70,478)	-2.8%
Concessionaire payable	155,898	39,121	116,777	298.5%
Net pension liability	3,025,165	3,715,194	(690,029)	-18.6%
Net other post-employment benefit liability	1,459,633	1,339,443	120,190	9.0%
Compensated absences	210,652	177,672	32,980	18.6%
Self-insurance accruals	64,926	82,507	(17,581)	-21.3%
Amounts due to third-party payors - Health System	60,233	49,374	10,859	22.0%
Irrevocable split-interest agreements	31,853	28,463	3,390	11.9%
Refundable advances for Federal Perkins loans	29,695	33,478	(3,783)	-11.3%
Advance from concessionaire	1,002,769	1,024,555	(21,786)	-2.1%
Other noncurrent liabilities	142,246	124,735	17,511	14.0%
Total Noncurrent Liabilities	8,674,110	9,176,063	(501,950)	-5.5%
Total Liabilities	10,625,817	10,831,536	(205,719)	-1.9%
Deferred Inflows:				
Parking service concession arrangement	406,914	416,545	(9,631)	-2.3%
Pension	487,358	110,003	377,355	343.0%
Other post-employment benefits	298,466	117,982	180,484	153.0%
Other deferred inflows	28,671	32,529	(3,858)	-11.9%
Total Deferred Inflows	1,221,409	677,059	544,350	80.4%
Net Position:				
Net investment in capital assets	3,190,738	2,749,111	441,627	16.1%
Restricted:				
Nonexpendable	1,796,540	1,580,115	216,425	13.7%
Expendable	982,409	1,303,269	(320,860)	-24.6%
Unrestricted	(387,816)	21,520	(409,336)	-1902.1%
Total Net Position	5,581,871	5,654,015	(72,144)	-1.3%
Total Liabilities, Deferred Inflows, and Net Position	$ 17,429,097	$ 17,162,610	$ 266,487	1.6%

THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - UNAUDITED
Comparative Year-To-Date
June 30, 2020 (unaudited) and June 30, 2019 (audited)

	June 2020	June 2019	Increase/Decrease Dollars	%
Operating Revenues:				
Student tuition and fees, net	$ 953,569	$ 969,633	$ (16,064)	-1.7%
Federal grants and contracts	385,988	367,748	18,240	5.0%
State grants and contracts	74,894	83,651	(8,757)	-10.5%
Local grants and contracts	27,015	25,608	1,407	5.5%
Private grants and contracts	306,655	305,227	1,428	0.5%
Sales and services of educational departments	151,711	166,361	(14,650)	-8.8%
Sales and services of auxiliary enterprises	298,064	339,615	(41,551)	-12.2%
Sales and services of the OSU Health System, net	3,409,131	3,432,271	(23,140)	-0.7%
Sales and services of OSU Physicians, Inc., net	584,314	560,322	23,992	4.3%
Other operating revenues	43,233	44,862	(1,629)	-3.6%
Total Operating Revenues	6,234,574	6,295,298	(60,724)	-1.0%
Operating Expenses:				
Educational and General:				
Instruction and departmental research	1,122,185	1,079,695	42,490	3.9%
Separately budgeted research	563,833	503,125	60,708	12.1%
Public service	197,032	192,381	4,651	2.4%
Academic support	251,045	242,960	8,085	3.3%
Student services	96,663	109,166	(12,503)	-11.5%
Institutional support	408,187	330,327	77,860	23.6%
Operation and maintenance of plant	119,905	136,006	(16,101)	-11.8%
Scholarships and fellowships	140,376	127,384	12,992	10.2%
Auxiliary enterprises	321,631	361,346	(39,715)	-11.0%
OSU Health System	3,234,628	3,109,070	125,558	4.0%
OSU Physicians, Inc.	571,946	507,366	64,580	12.7%
Depreciation	420,017	420,506	(489)	-0.1%
Total Operating Expenses	7,447,448	7,119,332	328,116	4.6%
Operating Loss	(1,212,874)	(824,034)	(388,840)	47.2%
Non-operating Revenues (Expenses):				
State share of instruction and line-item appropriations	461,838	469,679	(7,841)	-1.7%
Federal subsidies for Build America Bonds interest	10,987	10,619	368	3.5%
Federal non-exchange grants	61,531	63,042	(1,511)	-2.4%
CARES Assistance	169,858	-	169,858	100.0%
State non-exchange grants	14,702	11,119	3,583	32.2%
Gifts	167,233	160,102	7,131	4.5%
Net investment income (loss)	240,041	232,287	7,754	3.3%
Interest expense on plant debt	(121,458)	(116,044)	(5,414)	4.7%
Other non-operating revenues(expenses)	(18,529)	(7,547)	(10,982)	145.5%
Net Non-operating Revenue (Expense)	986,203	823,257	162,946	19.8%
Income (Loss) before Other Revenues, Expenses, Gains or Losses	(226,671)	(777)	(225,894)	29072.6%
Changes in Net Position				
State capital appropriations	67,584	64,900	2,684	4.1%
Private capital gifts	25,333	26,565	(1,232)	-4.6%
Additions to permanent endowments	63,695	45,533	18,162	39.9%
Capital contributions and other changes in net position	(2,085)	23,163	(25,248)	-9.0%
Total Changes in Net Position	154,527	160,161	(5,634)	-3.5%
Increase (Decrease) in Net Position	(72,144)	159,384	$ (231,528)	-145.3%
Net Position - Beginning of Year				
Beginning of year	5,654,015	5,494,631		
Net Position - End of Period	$ 5,581,871	$ 5,654,015		

THE OHIO STATE UNIVERSITY
STATEMENTS OF CASH FLOWS - UNAUDITED
Years Ended June 30, 2020 (unaudited) and June 30, 2019 (audited)
(in thousands)

	June 2020	June 2019	Incr/(Decr) to Cash Dollars	%
Cash Flows from Operating Activities:				
Tuition and fee receipts	$ 838,750	$ 848,524	$ (9,774)	-1.2%
Grant and contract receipts	813,128	783,766	29,362	3.7%
Receipts for sales and services	4,545,615	4,452,825	92,790	2.1%
Payments to or on behalf of employees	(3,099,159)	(2,907,810)	(191,349)	6.6%
University employee benefit payments	(799,007)	(748,547)	(50,460)	6.7%
Payments to vendors for supplies and services	(2,114,349)	(2,300,841)	186,492	-8.1%
Payments to students and fellows	(165,171)	(118,803)	(46,368)	39.0%
Student loans issued	(3,249)	(4,001)	752	-18.8%
Student loans collected	9,061	8,848	213	2.4%
Student loan interest and fees collected	1,949	2,184	(235)	-10.8%
Other receipts, net	11,853	21,995	(10,142)	-46.1%
Net cash provided by operating activities	39,421	38,140	1,281	3.4%
Cash Flows from Noncapital Financing Activities:				
State share of instruction and line-item appropriations	461,838	469,679	(7,841)	-1.7%
Non-exchange grant receipts	76,233	74,161	2,072	2.8%
CARES Assistance	169,858	–	169,858	100.0%
Gift receipts for current use	160,883	173,649	(12,766)	-7.4%
Additions to permanent endowments	63,695	45,533	18,162	39.9%
Drawdowns of federal direct loan proceeds	332,591	353,493	(20,902)	-5.9%
Disbursements of federal direct loans to students	(330,525)	(339,227)	8,702	-2.6%
Repayment of loans from related organization	9,092	691	8,401	1215.8%
Amounts received for annuity and life income funds	1,532	734	798	108.7%
Amounts paid to annuitants and life beneficiaries	(1,797)	(1,735)	(62)	3.6%
Agency funds receipts	4,554	5,566	(1,012)	-18.2%
Agency funds disbursements	(5,565)	(5,387)	(178)	3.3%
Net cash provided by noncapital financing activities	942,389	772,861	169,528	21.9%
Cash Flows from Capital Financing Activities:				
Proceeds from capital debt and leases	232,024	7,806	224,218	2872.4%
State capital appropriations	71,605	64,788	6,817	10.5%
Gift receipts for capital projects	25,333	34,326	(8,993)	-26.2%
Payments for purchase or construction of capital assets	(716,531)	(639,565)	(76,966)	12.0%
Principal payments on capital debt and leases	(300,146)	(67,986)	(232,160)	341.5%
Interest payments on capital debt and leases	(122,313)	(124,634)	2,321	-1.9%
Federal subsidies for Build America Bonds interest	5,327	10,620	(5,293)	-49.8%
Net cash (used) by capital financing activities	(804,701)	(714,645)	(90,056)	12.6%
Cash Flows from Investing Activities:				
Net (purchases) sales of temporary investments	(57,533)	(116,324)	58,791	-50.5%
Proceeds from sales and maturities of long-term investments	3,022,940	3,559,482	(536,542)	-15.1%
Investment income	259,394	145,321	114,073	78.5%
Purchases of long-term investments	(3,154,072)	(3,597,184)	443,112	-12.3%
Net cash provided (used) by investing activities	70,729	(8,705)	79,434	-912.5%
Net Increase (Decrease) in Cash	247,838	87,651	$ 160,187	182.8%
Cash and Cash Equivalents - Beginning of Year	2,201,133	2,113,482		
Cash and Cash Equivalents - End of Period	$ 2,448,971	$ 2,201,133		

The Ohio State University

Efficiency and New Resources Scorecard

Board of Trustees Audit, Compliance & Finance Committee | August 27, 2020

THE OHIO STATE UNIVERSITY

Highlights: Operational Excellence

Efficiency program	FY20 Target	FY20 Actual	Progress to goal	Status
University	$44M	$52.5M	119%	
Wexner Medical Center	$42M	$45.3M	108%	
Capital efficiencies*	$11M	$11.1M	101%	

* Additional project underway to establish building comps benchmarks.

NEW INITIATIVES FUNDED

- More than $200 million has been committed through fiscal 2020 to fund four major initiatives

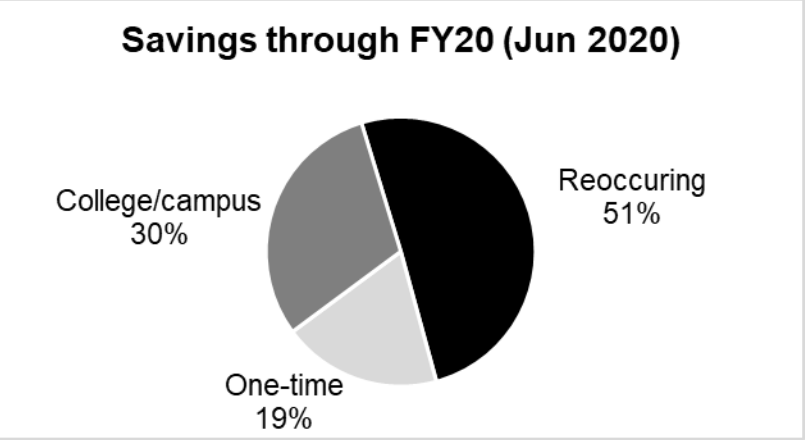
Strategic initiative	Description	Funding source
President's Affordability Grants	Aid for 15,000+ low- and moderate-income Ohioans per year	Administrative efficiencies
Buckeye Opportunity Program	Aid package covers tuition for Ohio students who qualify for Pell grants	Innovative funding
Digital Flagship	24,000 students receive iPad learning technology suite through FY20	Administrative efficiencies
University Institute for Teaching and Learning	Teaching excellence program available to faculty	Innovative funding

THE OHIO STATE UNIVERSITY

Operational efficiency scorecard

The university set a 5-year, $200 million goal for non-WMC efficiencies

FY20 goal	$200M		
Progress to date	**Total**	**% of goal**	**Status**
Through FY18	$114.2M	57%	Yellow
Through FY19	$167.8M	84%	Green
Through FY20	$219.6M	110%	Green



OTHER EFFICIENCY HIGHLIGHTS

The university's 2020 goals focused on savings that could be redeployed to student financial aid and other strategic initiatives. Other initiatives reduce the cost of capital projects and operating costs at colleges and the Wexner Medical Center.

	Progress through FY20	Status	Notes
Strategic procurement	$451.6M compared with FY12	Green	Savings largely benefit colleges and units through discounted rates on goods and services
Wexner Medical Center	$657.3M since FY15	Green	Margin improvement has increased days cash on hand metric from 81 days to 193 days
Capital projects	$99.0M In FY18 thru FY20 YTD	Green	Costs avoided by improving project accounting, capturing bid favorability, budget reductions

New resource scorecard

The university set a 5-year, $200 million goal for innovative funding

FY20 goal	$200M	
Major projects	**Upfront total**	**Annual funding through FY20**
NIKE extension	$22.5M	$6.4M
Comprehensive Energy Management	$1.07B	$99.1M
Coca-Cola extension	$6M	$550,000
Total	**$1.1B**	**$106.1M**

OTHER NEW RESOURCE HIGHLIGHTS

The university continues to benefit from innovative funding work that pre-dated the 2020 goal. Examples include:

Project	New resource metric	Notes
Parking	$176.4M distributed FY13-FY20	Supports 200+ scholarships per year, 137 Discovery Themes faculty hires, Arts District and more
Affinity relationships	160+ internships per year	Relationships with Nationwide, Huntington and other partners support the campus in various ways

THE OHIO STATE UNIVERSITY

Major Project Updates

Projects Over $20M

August 2020

THE OHIO STATE UNIVERSITY

PROJECT STATUS REPORT
CURRENT PROJECTS OVER $20M

PROJECT	CONS COMPLETION DATE	APPROVALS Des	APPROVALS Con	BUDGET	ON TIME	ON BUDGET
Mars G. Fontana Laboratories (BMEC)	**7/2020**	✓	✓	$59.1M	On track	On track
OSU East – West Wing Expansion Renovation	**8/2020**	✓	✓	$26.0M	On track	On track
Wooster – New Laboratory Building	**9/2020**	✓	✓	$33.5M	Watching closely	On track
Optometry Clinic and Health Sciences Faculty Office Bldg	**10/2020**	✓	✓	$35.9M	On track	On track
Ty Tucker Tennis Center	**10/2020**	✓	✓	$23.1M	On track	On track
Postle Partial Replacement	**12/2020**	✓	✓	$95.0M	Not on track	Watching closely
WMC Inpatient Hospital – Central Sterile Supply	**12/2020**	✓	✓	$45.3M	On track	On track
Newark – John & Mary Alford Ctr for Sci and Technology	**3/2021**	✓	✓	$32.0M	Watching closely	On track
WMC Inpatient Hosp Garage, Infr & Roadwork	**3/2021**	✓	✓	$99.9M	On track	On track
WMC Outpatient Care New Albany	**6/2021**	✓	✓	$137.9M	On track	On track
Dodd – Parking Garage	**5/2022**	✓	✓	$33.3M	On track	On track
WMC Outpatient Care Dublin	**7/2022**	✓	✓	$161.2M	On track	On track
Celeste Lab Renovation	**8/2022**	✓	✓	$31.1M	On track	On track
Interdisciplinary Research Facility	**5/2023**	✓	✓	$237.5M	On track	On track
WMC Outpatient Care West Campus	**11/2022**	✓	✓	$343.7M	On track	On track
Interdisciplinary Health Sciences Center	**TBD**	✓	✓	$155.9M	On track	On track
Newton – Renovation and Addition	**TBD**	✓	✓	$25.3M	On track	On track

Key: On track · Watching closely · Not on track · Modified Scope/Paused

The Ohio State University

PROJECT STATUS REPORT
CURRENT PROJECTS OVER $20M

PROJECT	CONS COMPLETION DATE	APPROVALS Des	APPROVALS Con	BUDGET	ON TIME	ON BUDGET
Instructional Sciences Renewal and Deferred Maint. (Bolz and Parks Halls only)	**11/2021**	✓	✓	$25.0M	Modified Scope/Paused	Modified Scope/Paused
Arts District (School of Music only)	**1/2022**	✓	✓	$161.6M	Modified Scope/Paused	Modified Scope/Paused
Controlled Environment Food Prod. Research Complex	**TBD**	✓	✓	$35.0M	Modified Scope/Paused	Modified Scope/Paused
Lacrosse Stadium	**TBD**	✓		$20.0M	Modified Scope/Paused	Modified Scope/Paused

Key: On track · Watching closely · Not on track · Modified Scope/Paused

WOOSTER – NEW LABORATORY BUILDING

Construct a new facility for Entomology research that will include teaching labs, research space, classrooms, and a small café. The new building will connect to a central chilled water plant.

PROJECT FUNDING

university funds; state appropriations

CURRENT PROJECT BUDGET

construction w/cont	$30.0M
total project	$33.5M

CONSULTANTS

architect of record	Hasenstab
CM at Risk	Elford

PROJECT SCHEDULE

BoT approval	1/17
construction	10/18-9/20
facility opening	10/20

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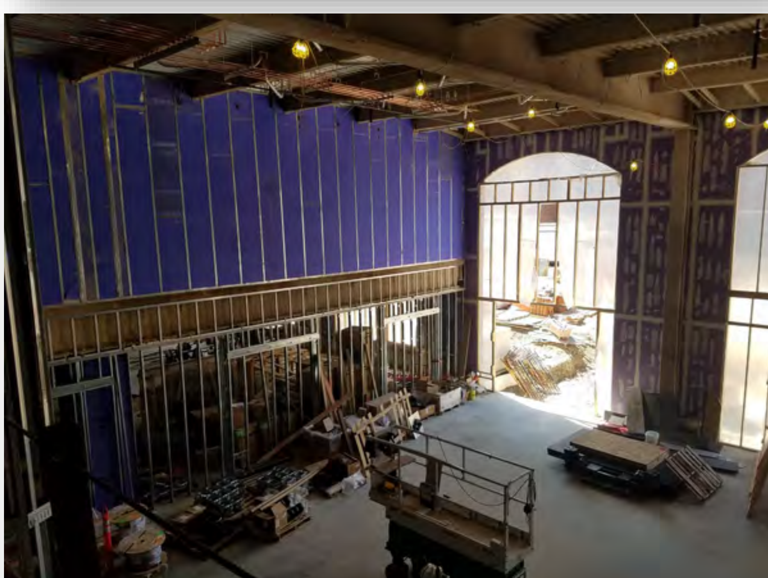
PROJECT UPDATE

The building is completing interior finishes, starting site work and the occupants will be moving in in October. The work in the chiller plant and supporting buildings is complete.

On Time

On Budget



POSTLE PARTIAL REPLACEMENT

Replace the southern portion of the east wing and renovate/upgrade portions of the west wing.

PROJECT FUNDING

fundraising; state appropriations; department funds; university debt

CURRENT PROJECT BUDGET

construction w/cont	$85.4M
total project	$95.0M

CONSULTANTS

architect of record	Design Group
des architect	Robert AM Stern Arch
CM at Risk	Gilbane

PROJECT SCHEDULE

BoT approval	9/16
construction	6/18-12/20
facility opening	TBD

PROJECT UPDATE

Interior framing and finishes and mechanical/electrical/plumbing are progressing. The university is evaluating the revised schedule and cost impacts due to the vacuum piping redesign. Dental and sterilization equipment installation has started and the transition consultant is working with the college and project team to coordinate equipment installs and moves.

On Time On Budget

THE OHIO STATE UNIVERSITY

NEWARK – JOHN & MARY ALFORD CTR FOR SCIENCE AND TECHNOLOGY

Construct a 60,000 GSF facility containing biological and physical sciences research and teaching labs, classrooms, collaborative learning and academic support spaces. Spaces will serve both the Newark campus and Central Ohio Technical College.

PROJECT FUNDING

university funds; university debt; fundraising

CURRENT PROJECT BUDGET		**CONSULTANTS**	
construction w/cont	$29.7M	architect of record	DesignGroup
total project	$32.0M	CM at Risk	Smoot

PROJECT SCHEDULE

BoT approval	8/18
construction	7/19-3/21
facility opening	4/21

PROJECT UPDATE

Exterior enclosure and interior framing are ongoing

On Time

On Budget




INSTRUCTIONAL SCIENCE BUILDINGS DEFERRED MAINTENANCE

Renew mechanical, electrical and plumbing services in selected buildings, including Mendenhall Laboratory, Bolz Hall, Howlett Hall, and Parks Hall.

PROJECT FUNDING

university debt

CURRENT PROJECT BUDGET

construction w/cont	$23.0M
total project	$25.0M

CONSULTANTS

architect of record	Hasenstab
CM at Risk	Whiting-Turner

PROJECT SCHEDULE

BoT approval	11/18
construction	6/20 – 11/21
facility opening	11/21

PROJECT UPDATE

Mechanical improvements have started on the 4th floor of Bolz Hall and will be complete in February 2021. Parks Hall has completed the GMP and work is scheduled to start in October. Work will include upgrades to mechanical systems and new heat exchangers.

Following an evaluation of capital projects related to the uncertainty of COVID-19, projects that can be slowed or modified have been identified. Design development documents for Mendenhall Lab and Howlett Hall have been completed but additional steps need further evaluation.

On Time

On Budget

ARTS DISTRICT

Renovate and expand the School of Music building and construct a new Department of Theatre building. The project will also extend Annie and John Glenn Avenue from College Road to High Street and make modifications to College Road and adjacent pedestrian spaces.

PROJECT FUNDING

university funds

CURRENT PROJECT BUDGET

construction w/cont	$144.0M
total project	$161.6M

CONSULTANTS

architect of record	DLR Group
CM at Risk	Holder Construction

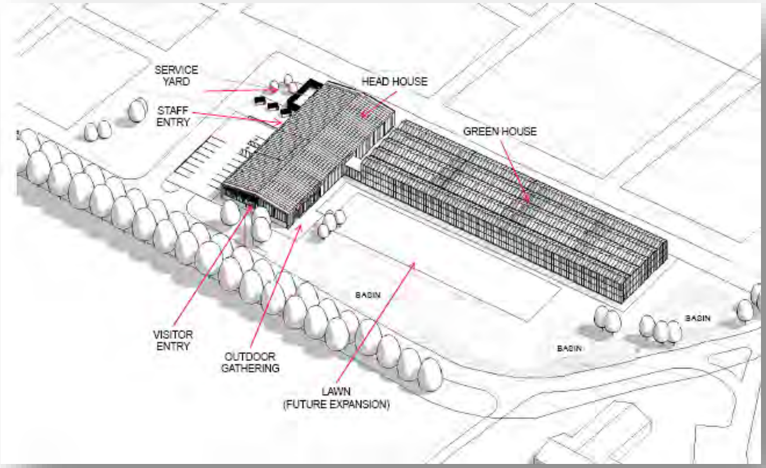
PROJECT SCHEDULE

BoT approval	8/15
construction	6/19-1/22
facility opening	3/22

PROJECT UPDATE

Steel erection for School of Music is ongoing. This project will continue with the completion of the School of Music, but the university has delayed the construction of Department of Theater. The university remains committed to completing the project and will evaluate a revised schedule for the Department of Theater scope at the appropriate time.

On Time   On Budget



CONTROLLED ENVIRONMENT FOOD PRODUCTION RESEARCH COMPLEX

Construct a new facility to house research and support learning in several approaches to food (plant and fish) production; research on greenhouse engineering, pest and pathogen management, and plant breeding.

PROJECT FUNDING

university funds, university debt, fundraising

CURRENT PROJECT BUDGET

construction w/cont	$31.8M
total project	$35.0M

CONSULTANTS

architect of record	Erdy McHenry
CM at Risk	Corna/Kokosing

PROJECT SCHEDULE

BoT approval	6/17
construction	TBD
facility opening	TBD

PROJECT UPDATE

Following an evaluation of capital projects related to the uncertainty of COVID-19, projects that can be slowed or modified have been identified. This project has been paused while the university evaluates a modified timeline.

On Time

On Budget

LACROSSE STADIUM

Construct a new outdoor lacrosse stadium in the Athletics District, east of the Covelli Center, for the Men's and Women's varsity programs. The venue will include an outdoor field, seating for 2,500, locker rooms and concessions.

PROJECT FUNDING

fundraising

CURRENT PROJECT BUDGET		CONSULTANTS	
construction w/cont	$17.7M	architect of record	HOK
total project	$20.0M	CM at Risk	Ruscilli

PROJECT SCHEDULE

BoT approval	8/19
construction	TBD
facility opening	TBD

PROJECT UPDATE

Following an evaluation of capital projects related to the uncertainty of COVID-19, projects that can be slowed or modified have been identified. Project design will be completed on schedule. The project will then be paused to evaluate a revised timeline for construction.

On Time

On Budget

THE OHIO STATE UNIVERSITY

As of July 31, 2020

AUDIT, COMPLIANCE, AND FINANCE COMMITTEE	2015-16	2016-17	2017-18	2018-19	2019-20	Current Status[1]
A. Strategic Risk Mitigation Effectiveness						
1. Education (risks related to decrease in academic standing; harm in ability to attract faculty/students)	↔	↑	↔	↔	↔	TBD
2. Scholarship (challenges to ability to perform significant academic or scientific research)	↓	↑	↔	↔	↓	TBD
3. Information Technology (inability to store, develop, transmit, or protect data)	↔	↔	↑	↔	↔	TBD
4. Student Life (inability to maintain an environment conducive to student life)	↔	↔	↔	↔	↔	TBD
5. Athletics (risk of disruption to Athletics operations, including significant NCAA violation)	↔	↔	↑	↔	↔	TBD
6. Medical (significant reduction in performance of the health system and related colleges)	↑	↔	↑	↔	↔	TBD
7. Financial (inability to reach capital, revenue, or cost containment objectives)	↔	↔	↔	↔	↔	TBD
8. Physical Environment (loss of infrastructure; major event impacting ongoing operations, including campus safety)	↔	↔	↑	↑	↑	TBD
9. Government, Community and Affiliates (failure to monitor and develop government, community, or affiliate relationships)	↓	↑	↓	↔	↔	TBD
10. Talent and Culture (failure to attract, develop, or retain talent)	↔	↔	↔	↔	↔	TBD
11. Advancement (events impacting Ohio State brand, alumni relationships, or advancement objectives)	↓	↔	↑	↓	↔	TBD
12. Compliance (failure to meet regulatory, legal, or policy requirements not captured in above categories)	↔	↑	↑	↔	↓	TBD
	2015-16	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2019-20**
B. Public Records[2]						
1. Number of records requests closed (3-year average: 1,090)	842	964	915	1401	955	34
2. Average days to fill all records requests	15	16.0	22.4	32.2	23.8	4.9
C. Regulatory Actions[3]						
1. Number of current regulatory actions	10	12	11	14	23	23
D. Internal Audit						
1. Number of audits cleared at second follow-up during the fiscal year	10	10	10	9	12	0
2. Number of audits open after second follow-up or cleared at third follow-up or later during the fiscal year	2	4	9	12	9	0

COMMENTS & FOOTNOTES

[1]TBD pending revision of combined Audit, Compliance and Finance scorecard

[2]Processed by Public Records Office only

[3]Includes audits, fines, probations, sanctions, warnings, or other similar actions

Mitigation Effectiveness Rating	Trend
Meets or Exceeds Goal	Environment/Performance Improving
	No Significant Change/On Track
Caution	Environment/Performance Worsening
Below Goal - Action Needed	

THE OHIO STATE UNIVERSITY

FY2020 Internal Bank Update

Office of Financial Services

Jake Wozniak, University Treasurer

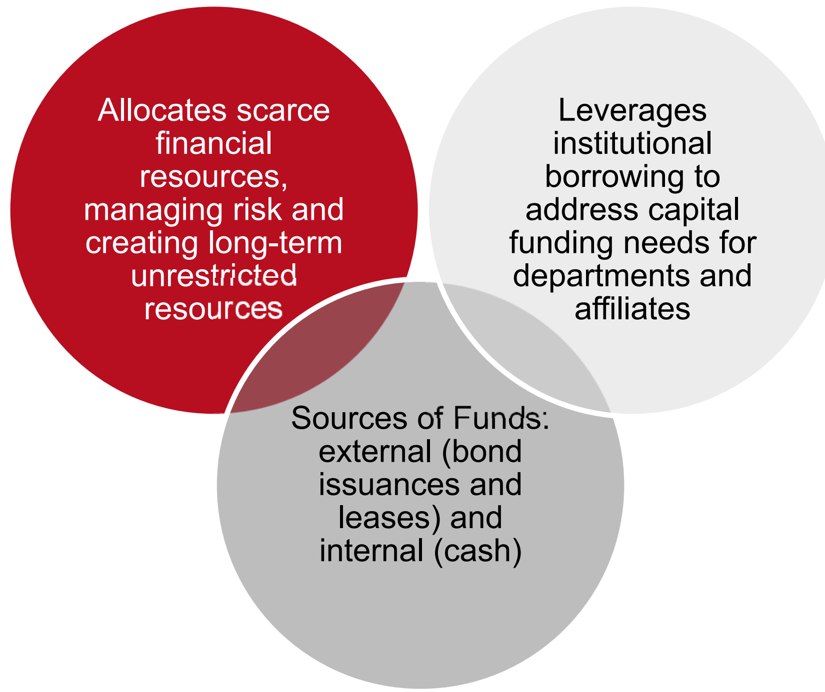
Audit, Compliance & Finance Committee | August 27, 2020

THE OHIO STATE UNIVERSITY

Internal Bank Overview

The Office of Financial Services (OFS) manages cash, investments, and debt for the university, and serves as a “bank” to university departments by taking deposits, issuing debt, investing operating funds and administering loans. The internal bank coordinates these activities and provides a consolidated view of the associated assets, liabilities, revenues and expenses.

- **Policy Guidelines:** Internal bank loans & capital equipment leases must adhere to the provisions stated in the University Debt Policy.
- **Governance:** Oversight is provided by the Office of Financial Services and Financial Planning & Analysis.
- **Capital Planning Process:** Internal Bank Loans are identified as a funding source for projects during the University’s capital planning process.
- **Rates:** Each loan/lease is given a rate within the below ranges based on the term, asset, and prevailing market conditions. Current loan/lease rates range between 2.50% and 5.25%.



Internal Bank Overview

Loan Process

Step 1
- A need for funding is identified:
- Department/Unit submits formal loan application

Step 2
- Loan application and supporting documentation reviewed and vetted by Office of Financial Services

Step 3
- Memorandum of Understanding setting forth loan terms and conditions is reviewed and approved by department/unit, Treasurer and CFO

Step 4
- Loan disbursement occurs via an agreed upon draw schedule or as a reimbursement to a project

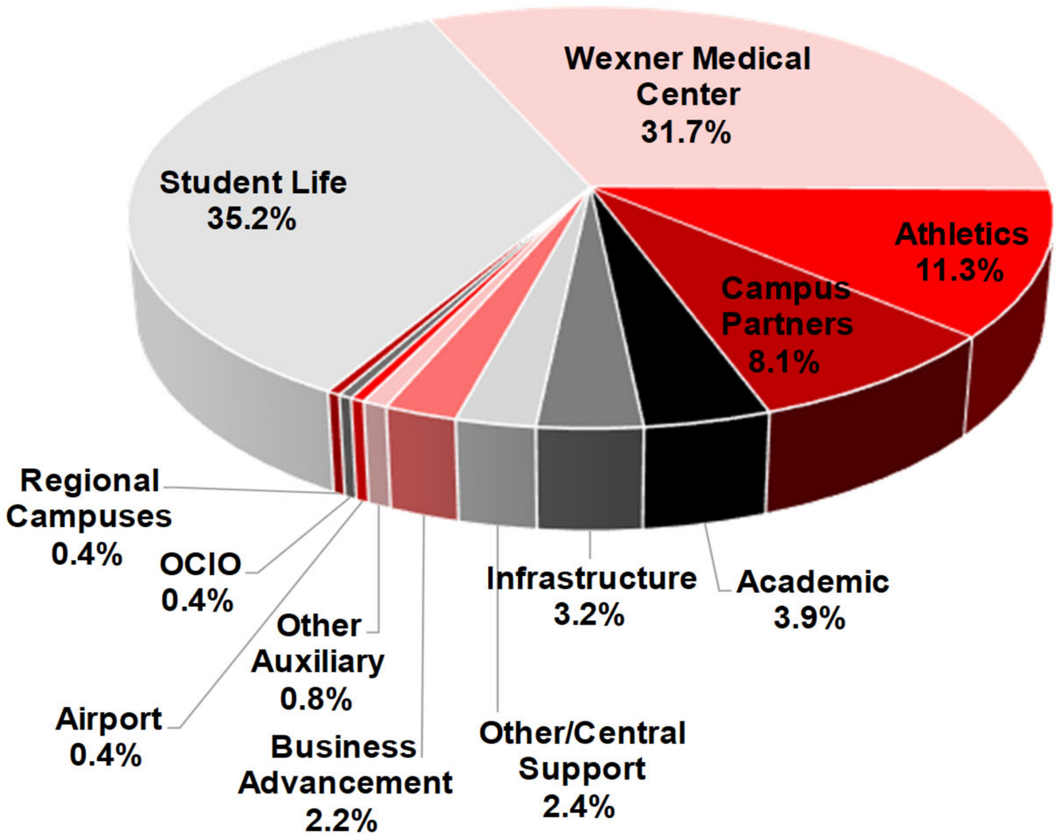
Step 5
- Loan repayment begins upon first disbursement of funds, unless otherwise agreed upon in terms of MOU

Loan Statistics (as of June 30, 2020)

Loan Summary	Number	Amount
Loans Outstanding	166	$2.27B
Loans in Repayment	156	$2.09B
Average Cost of Capital	4.37%	
Average Life	16.34 Years	

Recent Loan Activity	Number	Amount
Funded in FY2020	11	$155.8M
Near Term Requests	11	$1.1B

Internal Bank Portfolio



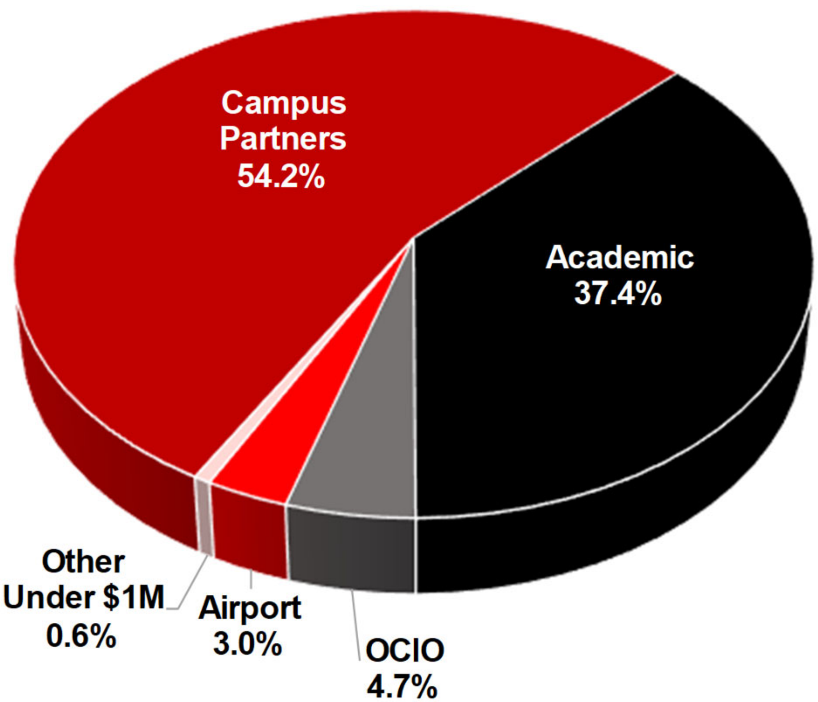
Funding Source	Loans Outstanding ($MM)
Bonds	2,234.1
Capital Equipment Leases	36.6
Total	**$ 2,270.8**

Borrowing Unit/ Obligor	Loans Outstanding ($MM)
Student Life	798.4
Wexner Medical Center	719.9
Athletics	255.5
Campus Partners	183.4
Academic	88.1
Infrastructure	73.1
Other/Central Support	55.5
Business Advancement	50.7
Other Auxiliary	17.5
Airport	9.9
OCIO	9.5
Regional Campuses	9.3
Total	**$ 2,270.8**

as of 6/30/2020

THE OHIO STATE UNIVERSITY

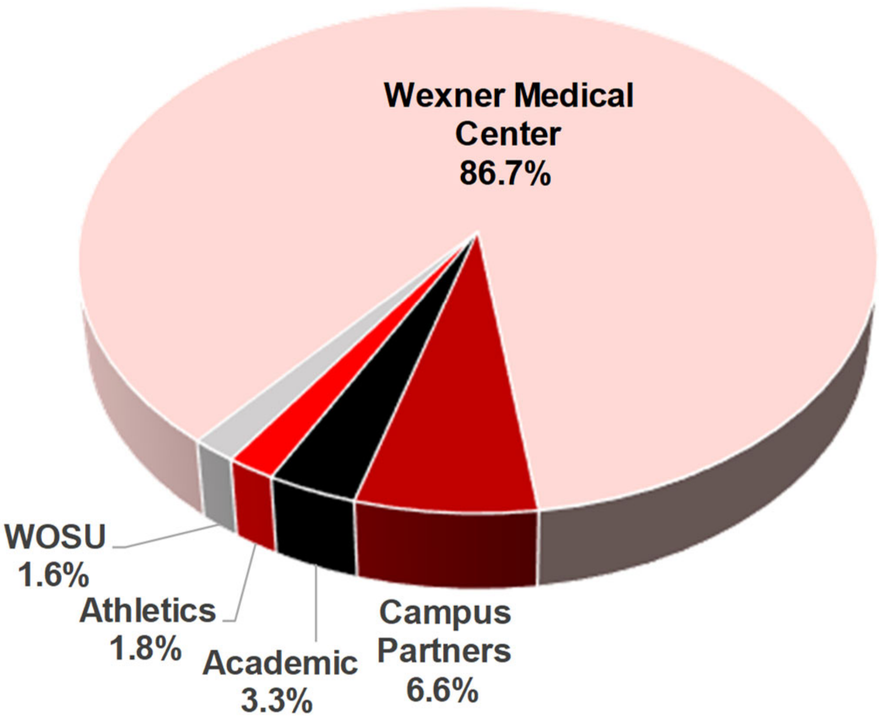
FY2020 Funding Commitments



Borrowing Unit/Obligor	Amount ($MM)
Academic	
FAES- Controlled Environment Food Production	20.2
OAA- Interdisciplinary Research Facility	38.0
	58.2
Campus Partners	
15th & High Building A	45.5
15th & High Building B-1 (on hold)	39.0
	84.5
OCIO	
Equipment Purchase	6.0
Hybrid Cloud Equipment	1.4
	7.4
Airport	
Knowlton Airport Terminal	4.7
Loans/Leases Under $1 Million	1.0
Total	**$ 155.8**

THE OHIO STATE UNIVERSITY

Near Term Loan Requests



Borrowing Unit/Obligor	Amount ($MM)
Wexner Medical Center	
New Hospital Tower	984.0
Campus Partners	
15th & High Building B-2 - Construction (on hold)	54.2
15th & High Parking Garage, Liner Bldgs	21.0
15th & High Hotel	TBD
	75.2
Academic	
Nursing- Newton Hall Expansion	7.5
University Libraries Book Depository	7.0
Education and Human Ecology- Campbell Hall Renovation	10.0
Engineering- Biomedical Material Engineering Complex Phase II	12.5
	37.0
Athletics	
Lacrosse Stadium	20.0
WOSU	
New Headquarters Building	13.5
Equipment Loan	5.0
	18.5
Total	**$ 1,134.7**

Date: August 3, 2020

To: The Ohio State University Audit, Compliance and Finance Committee

From: Christa Dewire, Audit Partner

Subject: External Audit Update Summary

Purpose

To update the Committee on the status of the external audit of the University's financial statements as of and for the fiscal year ended June 30, 2020.

Committee Action

No action needed.

Executive Summary

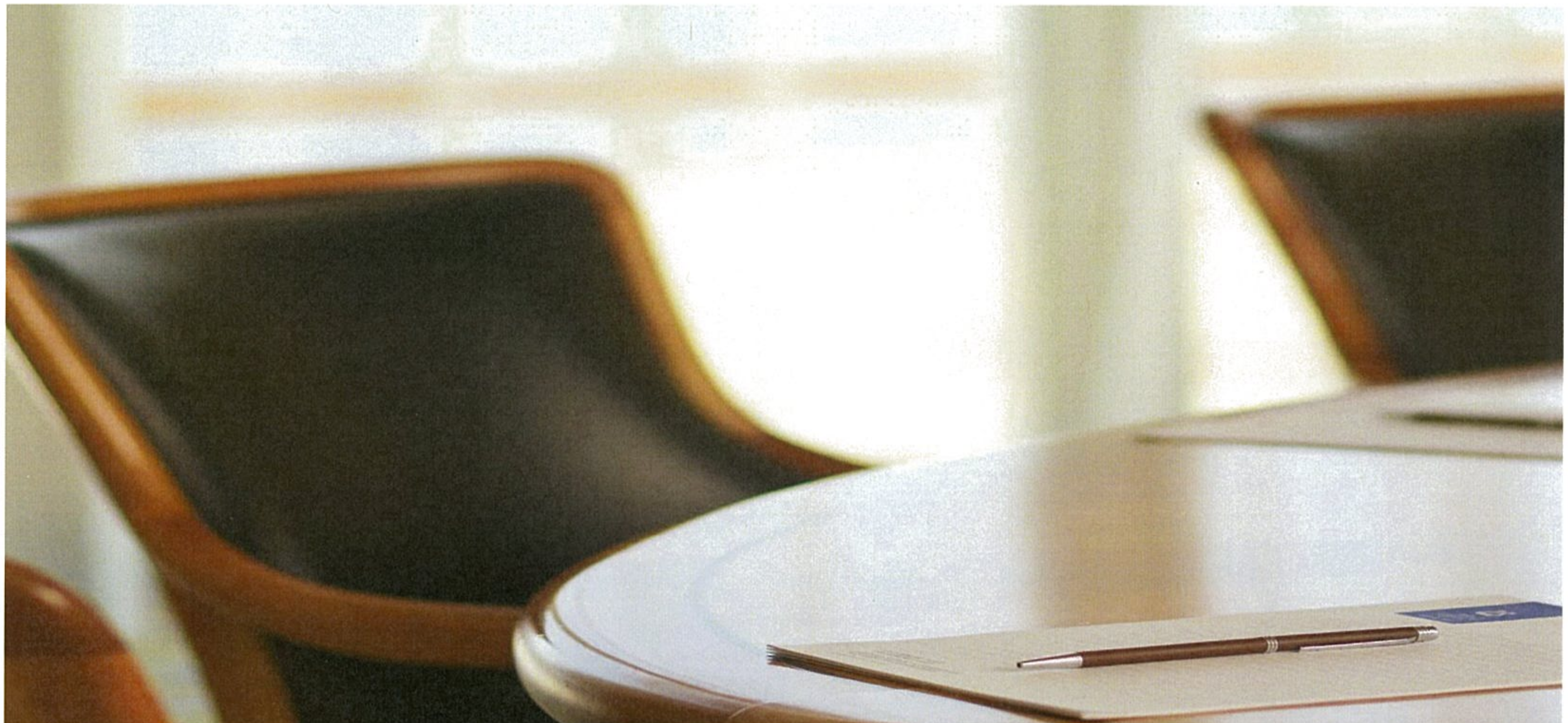
The External Audit Update provides the Committee with a status update since the last meeting.

- There have been no significant changes to the scope of services or agreed upon timelines.
- There have been no significant changes to the Audit Plan as previously shared with the Committee.
- Planning procedures are complete; interim fieldwork is nearing completion; and year-end audit procedures begin in mid-August.
- Based on procedures performed to date, there is nothing of concern to bring to the Committee's attention.

We've included additional information regarding PwC's Commitment to Diversity and Inclusion within our materials.

The Appendix includes PwC's annual "Perspectives in Higher Education" publication and is included for informational purposes.

PricewaterhouseCoopers LLP, 41 S. High St., Suite 2500, Columbus, OH 43215
T: (614) 225-8700, F: (614) 224-1044, www.pwc.com/us



Report to the Audit, Compliance and Finance Committee of the Board of Trustees
FY2020 External Audit Status Update

The Ohio State University

August 27, 2020

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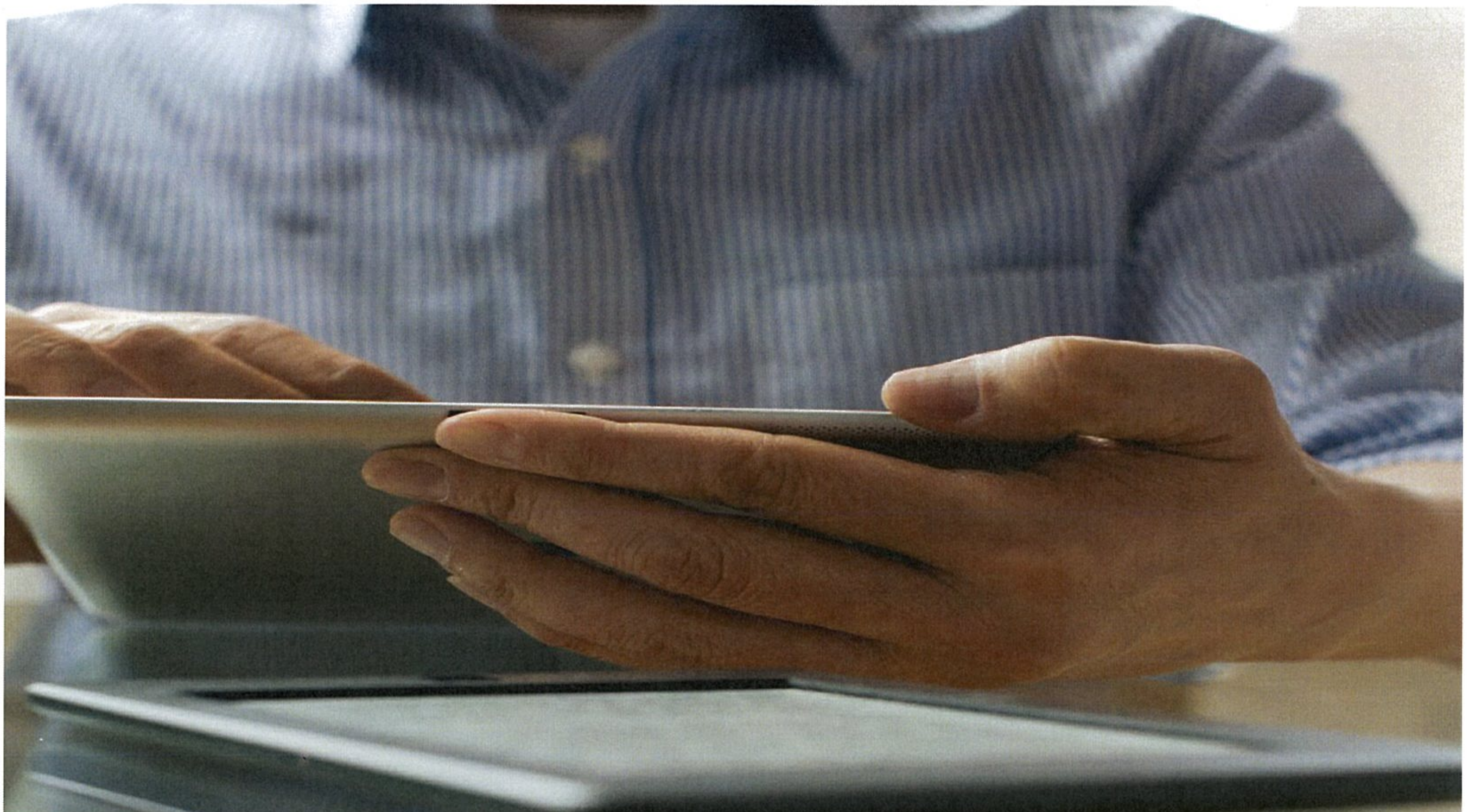
Table of contents

This report and the information that it contains is intended solely for the information and use of the Audit, Compliance and Finance Committee and management, if appropriate, and should not be used by anyone other than these specified parties.



FY2020 External Audit Update

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Audit Deliverables and Timeline

Financial Statement Audits	Components	Deliverables	Timeline
Primary Institution	General University	• Financial Statement Audit Opinion (GASB) • GAGAS Internal Controls Opinion (including procedures to support compliance with Ohio Revised Code) • Management letter comments	Oct 15 [1]
	OSU Wexner Medical Center Health System (OSU Health System)		
Discretely Presented Component Units	OSU Physicians (OSUP)		
	Campus Partners for Community Urban Redevelopment and Subsidiaries		
	Transportation Research Center Inc.		
	Science and Technology Campus Corporation		
	Dental Faculty Practice Association, Inc.		

Other Deliverables	Reporting Entity	Timeline
Stand-alone Financial Statement Audits	OSU Foundation	Oct 23 [2]
	OSU Health System	Oct 2
	Transportation Research Center Inc.	Oct 2
	OSU Physicians	Oct 2
	Department of Athletics	Nov 13
	WOSU Public Media	Dec 7
	OSU Global Gateways LLC (as of and for year ending December 31, 2019)	May 31
	Campus Partners for Community Urban Redevelopment and Subsidiaries	Oct 2

[1] *Final financial statements subject to Audit & Compliance Committee approval on Nov 19th.*
[2] *Final financial statements subject to OSU Foundation's Audit Committee approval in Nov.*

Audit Deliverables and Timeline, cont'd

Other Deliverables	Reporting Entity	Timeline
Compliance Opinion	Uniform Guidance Compliance	Nov 30
Review Report	Wexner Center for the Arts	Oct 5
	OSU Health Plan, Inc.	Oct 26
Agreed Upon Procedures	National Collegiate Athletic Association (NCAA)	Nov 13
Benefit Plan Audit	Transportation Research Center – Benefit Plan	Oct 15

Audit Status (as of Aug 3rd)

	Planning (Apr-May)	Interim (Jun-Aug)	Year-end (Sept-Oct)
University Financial Statement Audit	✓ Perform scoping and risk assessment ✓ Establish materiality thresholds ✓ Perform walk-throughs to update our understanding of the key processes and related controls (including IT) ✓ Make sample selections for interim test of details in certain areas (i.e. cash, payroll, patient service revenue, student tuition and fees, housing and dining revenue, ORC cash deposits testing, pension contributions testing)	✓ Tests of certain IT controls for in-scope applications (focus on security, change management, operations) ✓ Interim testing of certain key controls ✓ Complete interim testing	❑ Year-end update testing of controls ❑ Tests of details in relation to journal entries and consolidation ❑ Tests of details performed in most areas (revenues, operating expenses, investment valuation, 3rd party confirmations, fixed assets, contractual allowance, pledges, various reserves, accounts payable and reserves, etc.) ❑ Review and tie-out of financial statements and disclosures (first full draft targeted for mid-September) ❑ Review and tie-out of CAFR
	Planning (Apr-May)	**Interim (Aug)**	**Year-end (Nov)**
Uniform Guidance Compliance Report	✓ Identify Major Programs ✓ Establish materiality thresholds ✓ Perform walk-throughs to update our understanding of key compliance processes and controls	✓ Interim tests of certain key controls ✓ Interim tests of details (direct costs for major programs, cash management, tests of details related to federal expenditures)	❑ Year-end update testing of controls ❑ Tests of details related to relevant program compliance criteria. ❑ Other tests of details, including review and tie out of SEFA

Our Commitment to Diversity and Inclusion

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Our Diversity and Inclusion Commitment

PwC is deeply committed to helping advance diversity and inclusion (D&I) — within our firm, across business and within society. We work hard to foster a culture of belonging and focus intensely on our people's career journey, supporting an equitable experience. More broadly, we are using our platform to stand against and help to eliminate societal racism, bias and discrimination within society. Here are a few of the initiatives we are proud of:

Six Actions to Fight Racial Injustice
In June 2020, we made the following commitments:

1. Create a D&I staff advisory council, reporting to senior leadership
2. Share our diversity strategy and results annually
3. Donate money to social justice organizations
4. Donate significant time to social justice organizations
5. Empower our markets to engage locally
6. Create fellowship program to advance public policy through CEO Action for Diversity & Inclusion™

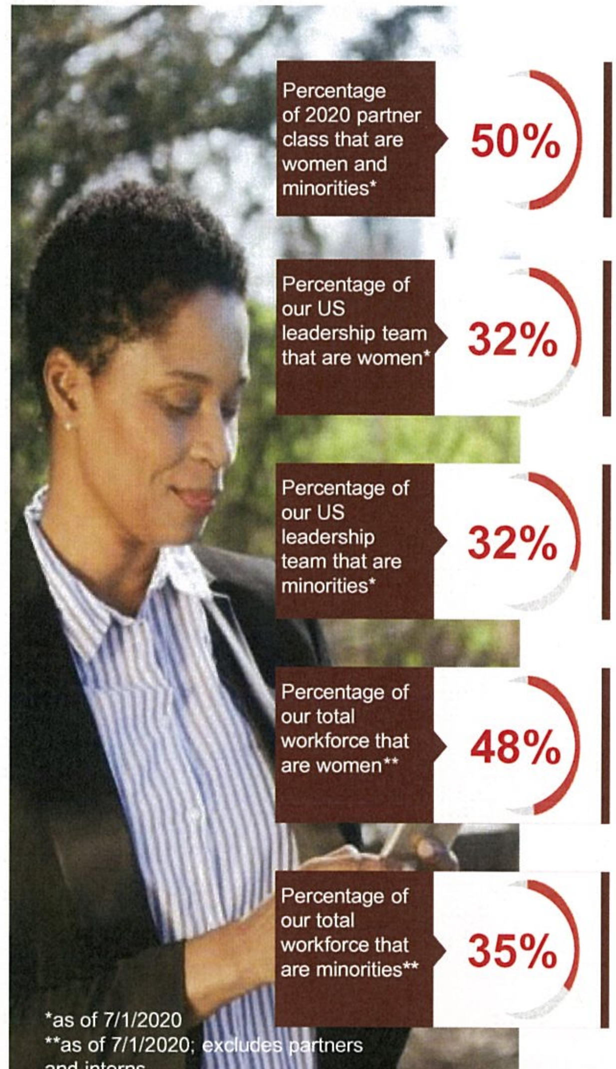
CEO Action for Diversity & Inclusion
As a convener, PwC has helped 1000+ signatories expand their capacity to have candid conversations, educate employees on unconscious bias, collaborate with peers, and share resources across industries and locations.

Inclusive Leadership
These sessions help our people learn how everyday interactions and decisions may impact the experience of others.

Mind the Gap
A program of thought-provoking conversations that brings diverse perspectives, allows us to constructively challenge one another, and enables us to reflect on our own behaviors and beliefs.

Cultivate a Diverse Pipeline
Our early success programs help to create a strong diverse talent pipeline. We have also deepened our relationships and made significant investments in the students and faculty at 35 Historically Black Colleges and Universities.

Unconscious Bias Training
Required for all new hires and promotees, and available to all our people, helps individuals gain awareness of unconscious biases and their consequences.



Six Actions to Fight Racial Injustice

We have created a One Firm D&I staff council, reporting directly to our US CEO and the US Leadership Team.
The council will look at the hundreds of suggestions that PwC people have already shared and will help us determine how to have the greatest impact. Through the council, we're inviting US associates through directors to have a seat at the table to help build our plan and make decisions that impact our lives and well-being at the firm.

We will transparently share our diversity strategy as well as our results annually.
We will invite everyone to a webcast later this summer to hear the plan, and then report our results to the entire firm. Once we confirm the date, we'll send a calendar invite so that anyone in the firm who wants to learn more can join the webcast.

We will donate money to social justice organizations.
The PwC Charitable Foundation will give $250,000 to each of the following: NAACP Legal Defense and Education Fund, Dream Corps, ACLU Foundation and The Center for Policing Equity — and the firm will match up to $1,000 of our people's personal donations to these organizations. Additionally, we will give up to a $1,000 grant per eligible PwC crowdfunding campaign, which means our people can raise funds for an organization they support or give to nonprofits that their colleagues are passionate about.

We will support social justice organizations in their crucial work to build a more equitable society.
We will deploy up to 2.2M hours (40 hours per person) in support of nonprofits and other organizations focused on social justice through Skills for Society projects of all shapes and sizes. This is a very exciting opportunity for us to make a difference as individuals.

We will empower our markets to engage locally.
We know our markets and local communities face their own set of unique social justice issues that local organizations are responding to. We will empower the markets and local offices to engage with these organizations as they deem fit.

We will put our best minds to work with other companies across the US to advance public policy.
Solving the issue of systemic racism is too big for any organization alone. We will invite our CEO Action signatory organizations to make available, for two years, up to 1,000 employees (in total) to jumpstart this effort. As a firm, we will provide opportunities for 30 of our people to be part of this effort.

Candid Conversations

Midwest Market is listening, learning & taking action together

In June 2020, we began a series of Candid Conversations, hosted by our Midwest Market leaders and open to all Midwest Market Partners and staff.

Our conversations have been full of personal stories and raw emotions.

We have heard that:

- Our Black professionals need time to process and grieve.
- Our Black professionals do not want the responsibility of educating our other staff on what it feels like to be Black.
- Silence from non-Black professionals is hurtful.
- Reaching out to our Black professionals on how they are feeling and what they are experiencing is important.
- We all need to speak up for each other, every race and ethnicity, showing that we care and calling out things that aren't fair or equitable - in our teams, our firm and our communities.

Actions every ally can take

Read • White Fragility • How to be Anti-Racist • The New Jim Crow • Divided Sisters • The Bluest Eye • Their Eyes Were Watching God • They Can't Kill Us All • I Know Why the Caged Bird Sings

Watch • 13th • American Son • Dear White People • If Beale St Could Talk • King in the Wilderness • See You Yesterday • The Hate You Give • When They See Us

Listen • 1619 • About Race • Code Switch • Seeing White • Momentum: A Race Forward Podcast

Donate • Black Visions Collective • Reclaim the Block • George Floyd Memorial Fund • Campaign Zero • Black Lives Matter • I Run with Maud

Our next steps

We are going to continue these Candid Conversations, at least quarterly.

We are investigating local social justice causes we can support in the Midwest market.

We are encouraging everyone who is wondering where to begin to read, watch, listen, and donate.

Relevant Resources and Tools to Share

To the extent you have interest, below are links to a number of tools and resources utilized by PwC, and frequently shared with external clients:

Ability Reveals Itself Impact Report

Blind spots video series

CEO Action

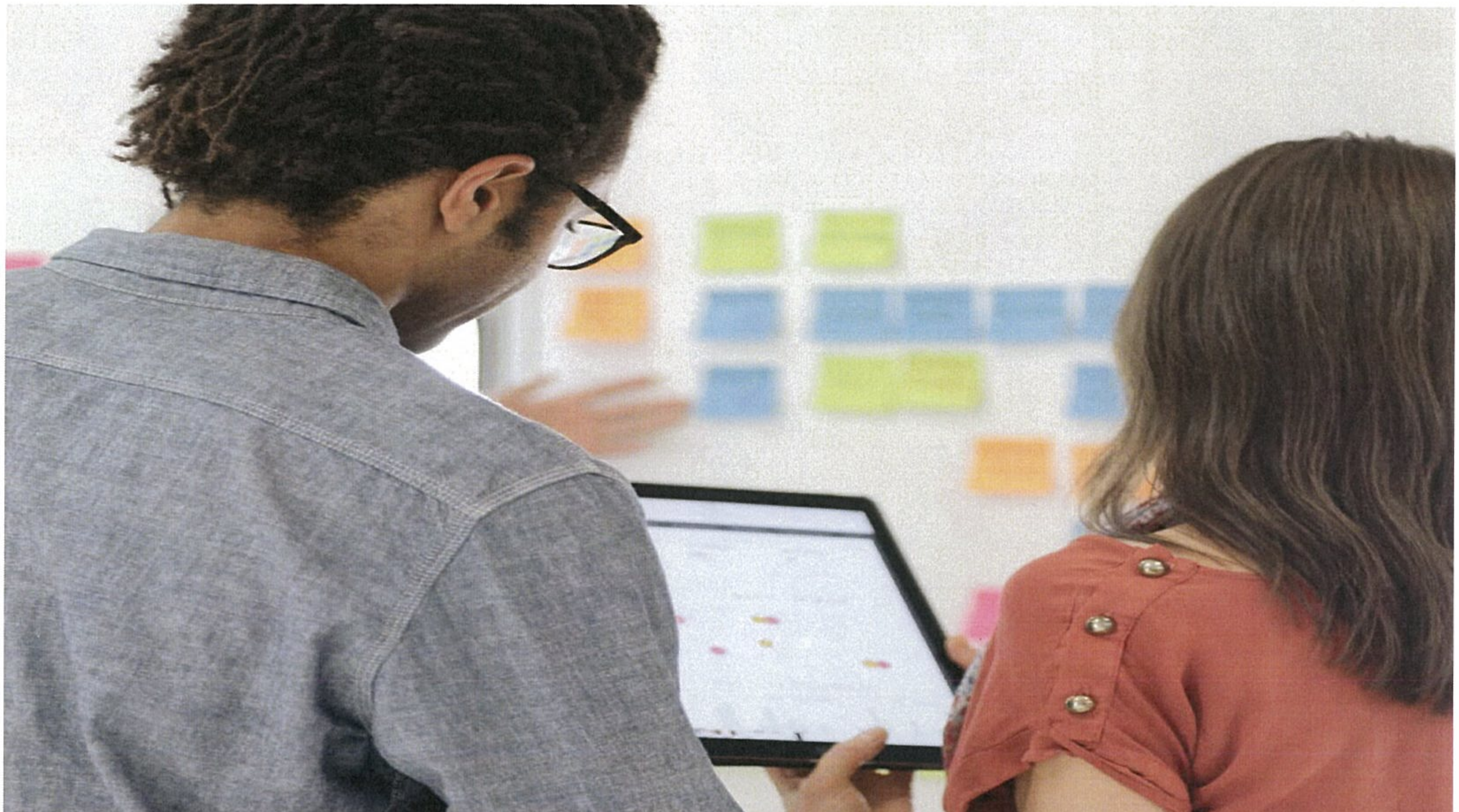
Global diversity & inclusion survey

Implicit Association Tests (IAT)

Outsmarting Human Minds series

Pursuit of Happiness podcast

Workforce of the Future



Appendix

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Perspectives in Higher Education

Spring 2020

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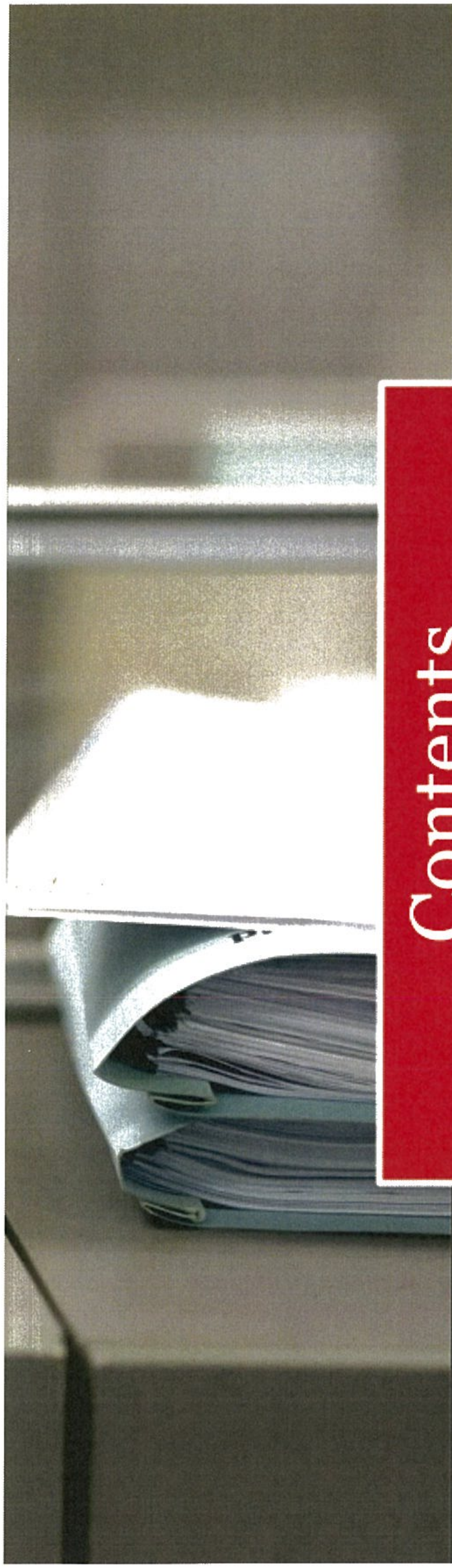


Contents

Introduction

Looking back just a few months, no one could have predicted that the world would be combating a global pandemic of such scale. The result has been mass casualties globally, dire economic circumstances, and a need to rethink how we do everything from working to learning. By necessity, colleges and universities have transitioned their students to distance learning, while their employees have adjusted to working remotely. Endowments have experienced declines in value, compelling institutions to revisit their financial modeling and forecasting.

Some might argue that institutions should have been better prepared. Others could argue that the Academe has shown great resilience in its ability to react to events and collaborate with faculty, students and peers to ensure that safety is the top priority, while trying to provide its communities with a high-quality education and some level of normalcy. Remote learning, once widely considered a nice alternative revenue stream, has become a mandatory vehicle for business continuity. The transition to totally virtual classrooms has not come without hurdles, but most colleges and universities have shown agility in the face of adversity.

While the future is still uncertain, it's clear that COVID-19 will have a lasting effect on the way the Academe operates moving forward. Challenges will continue for all colleges and universities throughout 2020 and beyond. There may be fewer options and the academic landscape will undoubtedly look different, but higher education remains a cornerstone of the US and Global economies, and will be part of the solution as we move forward.

Please see below for links to resources related to COVID-19 that you may find useful.

PwC's COVID-19: What US business leaders should know

PwC's COVID-19 Navigator

PwC's COVID-19 CFO Pulse Survey

Overview

As the pace of change within higher education continues to accelerate, institutions face increased risks which generally fall into one of the following four categories:

- **Brand preservation and reputation** – Actions or events attributable to an institution that may damage its ability to fundraise and attract and retain the best faculty, staff and students. How institutions respond during the current crisis will shape how they are viewed for future generations.
- **Information security** – Incidents that compromise sensitive information and can result in significant financial, regulatory and reputational consequences. Often these are the results of cyber attacks, data-rich environments, and the decentralized nature of higher education institutions. This has become increasingly important in a near-virtual world.
- **Regulatory** – The risk of noncompliance with laws and regulations can be challenging given the number of rules that must be adhered to. Additionally, disparate systems can create limitations to efficiently monitoring compliance on a proactive basis. The rapidly shifting policy landscape adds further challenges as institutions navigate those regulations that could have lasting impact beyond the current pandemic.
- **Operational** – Colleges and universities are large, complex and decentralized organizations that strive to balance student life needs with teaching and research functions, all while navigating a resource constrained environment. Revenue models are being challenged and institutions will need to rethink operating models.

In this edition of Perspectives in Higher Education, we highlight ten areas that fall within these overarching risk categories. From a reputational standpoint we highlight the current climate around accepting donations and the impact that certain gifts may have on an institution's brand. Related to information security, utilizing big data and addressing the potential perils associated with a large system implementation are items that should be considered. Within the regulatory environment, the government's focus on foreign influence in academic research, as well as our annual update on happenings in Washington, offer our views on rules and regulations that are affecting the industry. Finally, related to operational risk, we address such topics as talent retention in the workforce and leading through economic uncertainty, as well as considerations around transactional activity within the industry.

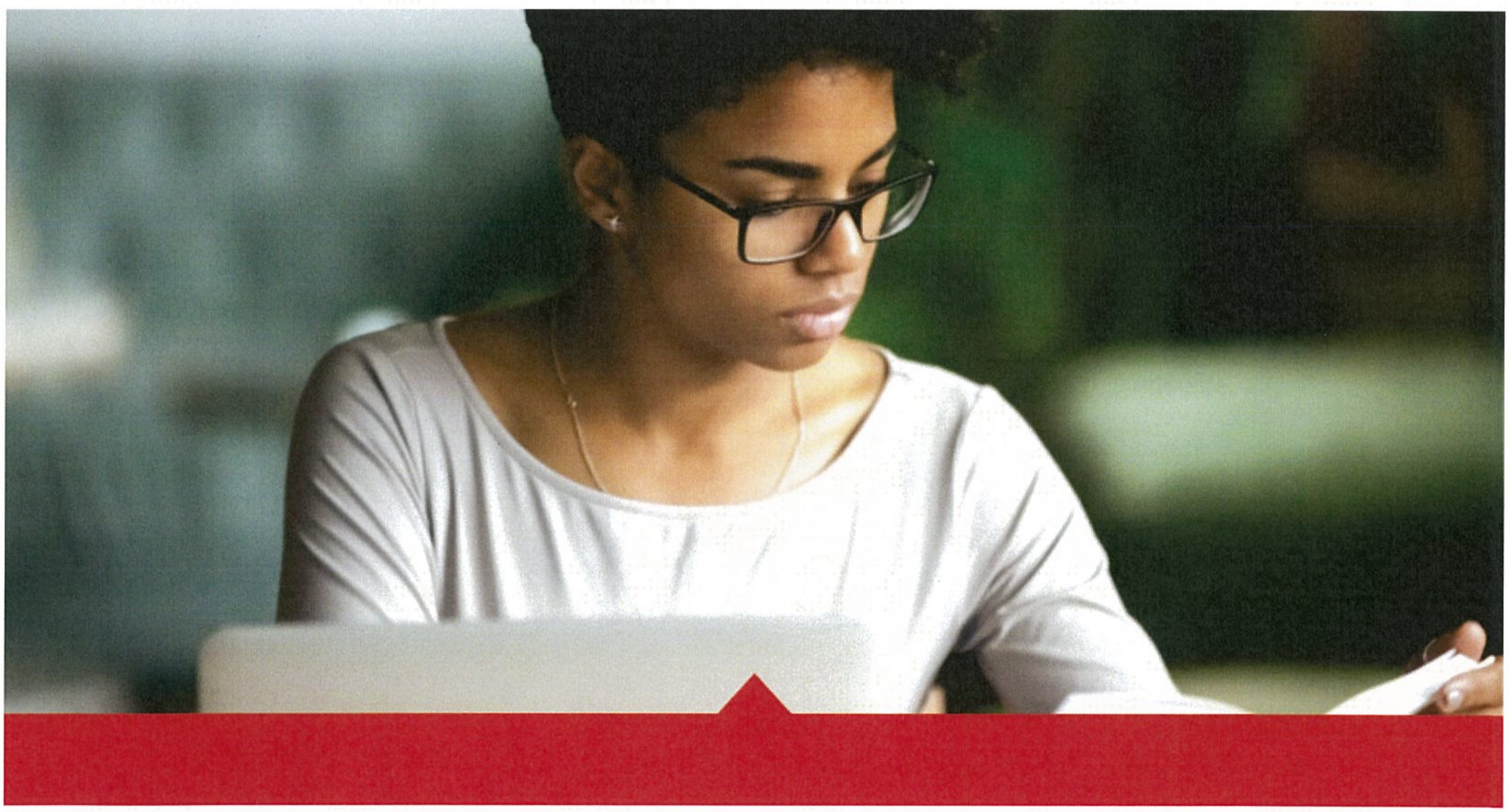
This publication shares our insights on several of the challenges and opportunities facing higher education institutions, while offering an informed point of view on how colleges and universities might respond, as well as how to prepare to emerge stronger in the long term. As a market leader in providing audit, tax and advisory services to the higher education industry, we have been honored to work with many of the nation's premier educational institutions in addressing their most pressing challenges. These opportunities provide us with a national view into industry issues, which we leverage to bring value-added advice to our clients.

While this document is not meant to be comprehensive in nature, it draws upon our understanding of the diverse nature of higher education institutions that have complex educational, research and clinical activities, and can serve as a broad platform for discussing these issues in a proactive and collaborative manner.

Please feel free to contact Chris Cox at (508) 259-1557 or christopher.cox@pwc.com, or Tom Gaudrault at (207) 232-0499 or thomas.k.gaudrault@pwc.com with any questions or comments you may have.

Chris Cox
National Higher Education Assurance Leader

Tom Gaudrault
National Higher Education Chief of Staff



Leading Through Economic Uncertainty

Background

Before the novel coronavirus (COVID-19) pandemic, the US was in the longest economic expansion in its history.[1] The pandemic has caused dramatic swings in global markets, travel restrictions, business interruptions and a bleak financial outlook for 2020. The economic consequences of the crisis are driving changes to the US and global economies so quickly that forecasting is even more challenging than usual. The Chief Executive's April 2020 survey found that CEO confidence in the current business environment fell by 34% since March. Yet, optimism for business conditions one year from now remains positive among those polled.[2]

Additionally, PwC's COVID-19 CFO Pulse survey, taken in March 2020, noted the top three concerns of CFOs are (1) the potential for a global recession (2) the financial impact, including the effect on results of operations, liquidity and capital resources, and (3) the decrease in consumer confidence, reducing consumption. The survey noted that finance chiefs are broadening cost-reduction measures and looking to shift supply chain strategies as a growing majority fear a significant impact on their business.

The level of uncertainty regarding how COVID-19 will impact society and business around the globe is adding to the intensity of the challenges organizations are facing. Until recently, colleges and universities were focused on such areas of uncertainty as the following:

- Maintaining enrollment despite negative perceptions of the value of higher education and declining international enrollment.
- Evaluating student debt given the growing levels that graduates are facing.
- Developing new revenue streams due to potential declines in government funding, which has heightened the focus on strengthening philanthropy and outreach to non-federal funding sources such as foundations and corporations.

The pandemic is causing massive disruption for colleges and universities, having far-reaching impacts on students, faculty, and staff, as well as on institutional operations and finances. The virus poses multiple challenges in building a pathway to recovery, going beyond the concerns that were top of mind for many institutions before the crisis.

1 Forbes, Longest economic expansion in United States history, David John Marotta, January 21, 2020

2 Chief Executive Magazine, Melanie C. Nolan, April 6, 2020

Impact on educational institutions

For colleges and universities, the crisis brings to the forefront numerous financial and logistical hurdles. Closing campuses, transitioning to online classes, canceling events and providing support to the campus community all come at a cost. Although the severity of the financial impact will differ, all will be impacted and need to adapt to uncertainties and uncharted territory. To sustain themselves and stay competitive, it is critical that institutions innovate the traditional business model to adjust quickly and keep pace with market conditions. How well an institution responds and navigates through the economic uncertainty will depend on how prepared it is to handle the economic pressures.

The CARES Act which created a $31 billion Education Stabilization Fund, with approximately $14 billion going directly to higher education, will provide some relief to colleges and universities, but it is only a small amount compared to what institutions expect to spend. "For fiscal 2020, Moody's estimates the higher education sector would have incurred approximately $640 billion in expenditures before the impact of the coronavirus. Of the $14 billion allocated to higher education, universities need to use at least half for emergency financial aid to students. The remainder can be used to offset lost revenue and increased expenses due to the coronavirus. Assuming half is allocated to financial aid, the remainder is equal to around 1% of total university expenditures. Lost revenue and additional expenditures related to the coronavirus outbreak are likely to exceed the amount of aid colleges and universities receive, according to Moody's. Therefore, financial performance for the sector is expected to tighten."[3]

Colleges and universities are examining budgets and building in scenario planning to evaluate what could be done to stabilize and mobilize in the short-term, and strategize longer term. These scenarios include such assumptions as the duration of the crisis, volatility of the stock market, impacts on fundraising, and changes in the amount of student financial aid awarded. Institutions are also focusing closely on liquidity under best- and worst- case scenarios. Sensitivity analyses and stress testing the impact on both traditional and nontraditional revenue streams and cost models are being incorporated into the financial planning process. Examples of the strategies that institutions are considering implementing to help counter the effects of the crisis and economic downturn include the following:

- Evaluating the salary base by considering hiring freezes, temporary salary cuts, furloughs and headcount reductions.
- Assessing administrative cost controls, such as deferring purchases, freezing discretionary expenditures and evaluating the overall supply chain.
- Deferring or foregoing capital projects and expenditures.
- Assessing the viability of summer programs, the timing of the start for the fall semester, and determining how sustainable remote learning is for faculty and students.
- Analyzing endowment spending and potential changes to the institutional spending rate.
- Evaluating the faculty model, such as consideration of part-time contingent faculty members.

3 Inside Higher Ed, www.insidehighered.com/print/news/2020/04/03live-updates-latest-news-corona

- Developing tactics around new services and innovative offerings to attract new and nontraditional student populations.
- Scrutinizing the affordability of the institution's tuition rates and related financial aid policies.
- Assessing partnerships with other institutions to capture efficiencies and move into new markets.
- Considering new revenue sources to fund future initiatives.
- Examining profitability of academic offerings and departments, including assessing the impact of curriculum changes and /or eliminating courses or majors that are not supported by the number of participating students.
- Increasing advancement efforts such as focusing on nontraditional givers.
- Outsourcing and shared services opportunities.
- Pursuing automation solutions for business process efficiencies.

Continuous communication is taking place with the campus community to keep constituents informed and to help reduce anxiety and stress during the crisis. Leaders across the institution are involved in assessing revenue and cost strategies that can be operationalized in a short-term or sustained downturn in the economy.

Our perspective

The COVID-19 crisis impacts all institutions, including universities with large endowments, as well as tuition dependent colleges. Institutions will need to assess operational budgets under various scenarios and determine the financial, operational, and strategic levers that can be pulled to respond, stabilize and recover as mindsets shift from crisis-mode to an opening back up of the economy. Short- and long-term financial strategies and planning should be integrated across the institution. University leaders and board members should work collaboratively to ensure that measures taken are aligned with the strategic goals of the institution.

Institutions should also consider whether changes to their traditional business model should be made in order to adjust to a post-pandemic world. Analyzing how processes, technologies and resources are used to deliver educational services and integrating data throughout processes may provide different solutions and enable more informed decisions. Incorporating business intelligence and analytics is an important element not only in scenario planning but also managing the activities of the institution in a more connected way.

To navigate the economic uncertainties, extensive communication with, and support from, leadership, the board and other stakeholders is paramount. A forward looking, well-structured and organized approach can enable colleges and universities to assess their strategic initiatives and risks and opportunities when developing a path forward.

Washington Update

Background

Over the past three years, with the support of the Republican-controlled Senate and Republicans in the House of Representatives, the Trump administration has continued to carry out its deregulatory agenda. While the Democratically-controlled House has been unable to block the agenda, members have utilized their oversight power to scrutinize and oppose the rollbacks. Deregulation has only accelerated as the government shifted into response-mode for the crisis, with many changes to the regulatory landscape expected to last beyond the pandemic.

COVID-19 Response Efforts

Higher education institutions face historic challenges and changes as a result of COVID-19. Recognizing this, Congress included several provisions in the Coronavirus Aid, Relief, and Economic Security (CARES) Act to aid institutions and their students. Included in the Act was language to support students by:

- Allowing institutions to continue issuing Federal Work Study payments.
- Preventing the semester's subsidized loans and Pell grants from counting against lifetime eligibility limits for students who dropped out due to the outbreak and waiving requirements that the loan amounts be returned to the Department of Education (ED).
- Clarifying that leaving school due to the outbreak will not impact a student's satisfactory progress standing.
- Providing flexibility on National Service Corps program requirements.
- Requiring ED to extend its mid-March decision to defer student loan payments, principal and interest, and halt wage garnishments for six months, without penalty to the borrower, for all federally owned loans.

For colleges and universities, the CARES Act provided the following assistance:

- Waived the institutional matching requirement for campus-based aid programs at public institutions.
- Allowed institutions to award Supplemental Educational Opportunity Grants to undergraduate and graduate students impacted by the outbreak.
- Allowed Historically Black Colleges and Universities (HBCUs) to defer Capital Financial loan payments and waived certain grant outcome requirements for HBCUs and Minority Serving Institutions (MSIs).
- Loosened allowable uses of funds for several other institutional grant programs.

Additionally, the CARES Act included an economic stabilization fund to provide grants to colleges and universities for emergency financial aid, addressing financial impacts due to the pandemic. FEMA also provided disaster relief funds for such items as repurposing university spaces to meet the needs of overwhelmed healthcare facilities.

Separately, ED issued proposed rules to govern distance learning and to provide institutions with additional time to submit their career and technical education plans during the pandemic. With the majority of campuses shuttered, institutions were forced to make a sudden shift to online learning. As SAT and ACT exam dates are also postponed, a growing number of colleges are waiving the exam component of their applications.

The Office of Management and Budget has also issued several memorandums to the heads of executive departments and agencies noting the following key items to date:

- Providing a six-month extension for submitting Uniform Guidance audits with year-ends through June 30, 2020 (extension should presumably be due to a COVID-19 matter, but that is not explicitly stated).
- Federal agencies can allow grant recipients to continue to charge salaries and benefits to currently active federal awards consistent with the recipients' policy of paying salaries from all funding sources; federal and non-federal (subject to other caveats provided on this topic). However, there is no mention of award budgets being increased to cover the additional costs.
- Instructs federal agencies to require recipients to maintain records and cost documentation to substantiate the charging of any cancellation or other fees related to interruption of operations or services. Other areas of guidance in the memo include exemptions of certain procurement requirements, extensions of currently approved indirect cost rates, and other various application and reporting waivers and extensions.

In addition, many Federal agencies have issued guidance to implement the above noted OMB memorandums for their specific programs. ED has also issued guidance which modifies existing student financial aid administrative requirements to facilitate college and university efforts to convert classroom instruction to distance learning, as well as temporary relaxation of certain financial aid program compliance requirements to accommodate the remote working environment.

2020 Presidential Election

Stepping back from the current crisis, President Trump has generally proposed cuts to the Department of Education and specifically to student financial aid programs. His 2021 budget proposal included a $5.6 billion funding cut to ED from current enacted levels. Among its provisions, the President's budget proposes to implement a new, single Income Driven Repayment (IDR) plan that would cap loan payments at 12.5% of discretionary monthly income, limit loan payments to 15 years for undergraduate borrowers and 30 years for graduate borrowers, and forgive any remaining debt owed. It would also set borrowing limits for Parent PLUS and graduate student loans, eliminate Public Service Loan Forgiveness, and eliminate subsidized student loans, meaning that students would incur interest immediately on student loans rather than after they graduate.

Former Vice President Joe Biden has shared forms of education policies ranging from explicit education platforms to statements at town halls. His proposal focuses on lowering student debt and making college more affordable. He does not advocate for a complete cancellation of student loan debt. His plan centers around revamping income-based repayment programs and streamlining the Public Service Loan Forgiveness (PSLF) program to provide up to $10,000 in loan forgiveness for each year of qualifying public service employment instead of requiring borrowers to wait until the end of the

10-year service period to receive repayment assistance. He also supports up to two years of tuition-free community college and an increase in Pell Grants.

Appropriations and Legislation

In December 2019, President Trump signed a $1.4 trillion appropriations package that boosted spending for certain higher education priorities, such as Federal Work-Study and MSIs. Overall, the budget gave the Education Department $72.8 billion in discretionary spending: $325 million set aside for HBCUs; $143 million designated for Hispanic-serving institutions; $1.1 billion for federal TRIO programs; $365 million for GEAR UP; and $130 million for the Office of Civil Rights. Notably, ED issued a final rule in October 2019 to loosen federal standards for college accreditors, arguing that the changes would spur innovation. In addition, President Trump also signed the FUTURE Act in December, which secured a 10-year renewal of mandatory federal funding for HBCUs. The bill seeks to provide a more seamless sharing of tax data so students can speed up the financial aid application process. Congress included technical changes to the first round of COVID-19 aid in the CARES Act to improve its implementation and provide additional support to student borrowers.

Higher Education Act Reauthorization

Despite two years of efforts to reauthorize the Higher Education Act (HEA), lawmakers have yet to reach an agreement. The legislation, which supports a variety of federal aid programs that benefit both students and institutions, has not been reauthorized since 2008. House Education and Labor Chair Bobby Scott (D-VA) and Ranking Member Virginia Foxx (R-NC) have held five bipartisan hearings to address issues stalling the HEA reauthorization process. After the hearings, Chair Scott released a report, "Don't Stop Believin' (in the value of a college degree)," which details the issues addressed in his HEA reauthorization bill. On October 15, 2019, the committee unveiled its long-awaited reauthorization bill, the College Affordability Act (H.R. 4674). The legislation would facilitate access to tuition-free community college, increase Pell Grants and other forms of student aid, and allow existing federal student borrowers to lower their interest rate. However, it is unlikely the bill will gain traction in the Senate, given the current lack of support from conservatives in the House.

In the Senate, both Senate HELP Chair Alexander and Ranking Member Patty Murray (D-WA) have outlined their priorities. Ranking Member Murray's goals echo those of Chair Scott's, while Chair Alexander's include withholding students' loan payments from their paychecks based on income, and tracking student loan repayment at the program level. Though there is bipartisan support for streamlining the FAFSA application process and collecting better data on student outcomes, the proposal to deduct loan payments from students' paychecks has drawn criticism from Democrats and consumer protection advocates alike. After months of stalled talks, Chair Alexander introduced the Student Aid Improvement Act (S. 2557) in September 2019, which would offer a path to piecemeal reauthorization of the HEA. This legislation would simplify the FAFSA and expand Pell Grants for short-term training programs.

Congressional Oversight

Both the Senate HELP and the House Education and Labor Committees have conducted oversight hearings on an assortment of education-related issues, including a March 2019 hearing in which Education Secretary Betsy DeVos defended ED's higher education priorities. Members questioned Secretary DeVos on a number of concerns, including the ED's budget plans. Specifically, Democrats inquired as to how ED is implementing its Borrower Defense to Repayment rules, which officially took effect last year, and its gainful employment rules. Most recently, Secretary Devos appeared before the committees in late February and early March 2020 to present the administration's fiscal year 2021 budget request. Members pressed her on the proposed cuts to ED funding and her preparedness for the then-imminent COVID-19 outbreak. In addition, the administration finalized changes to Title IX, which bars gender discrimination at institutions receiving federal funds. These, as well as the June 2019 repeal of the Obama-era gainful employment regulations and the Borrower Defense to Repayment rules, have been the subject of several House oversight hearings.

Tax Developments

As a result of COVID-19, the IRS and other government agencies have provided relief through legislation, administrative guidance and programs. Tax-related provisions issued in the first wave of relief with particular impact to institutions of higher education are listed below; other general employer-related and charitable provisions such as qualified disaster relief under Section 139 and existing IRS guidance on employee relief funds and paid leave sharing programs can also play an important role in this crisis.

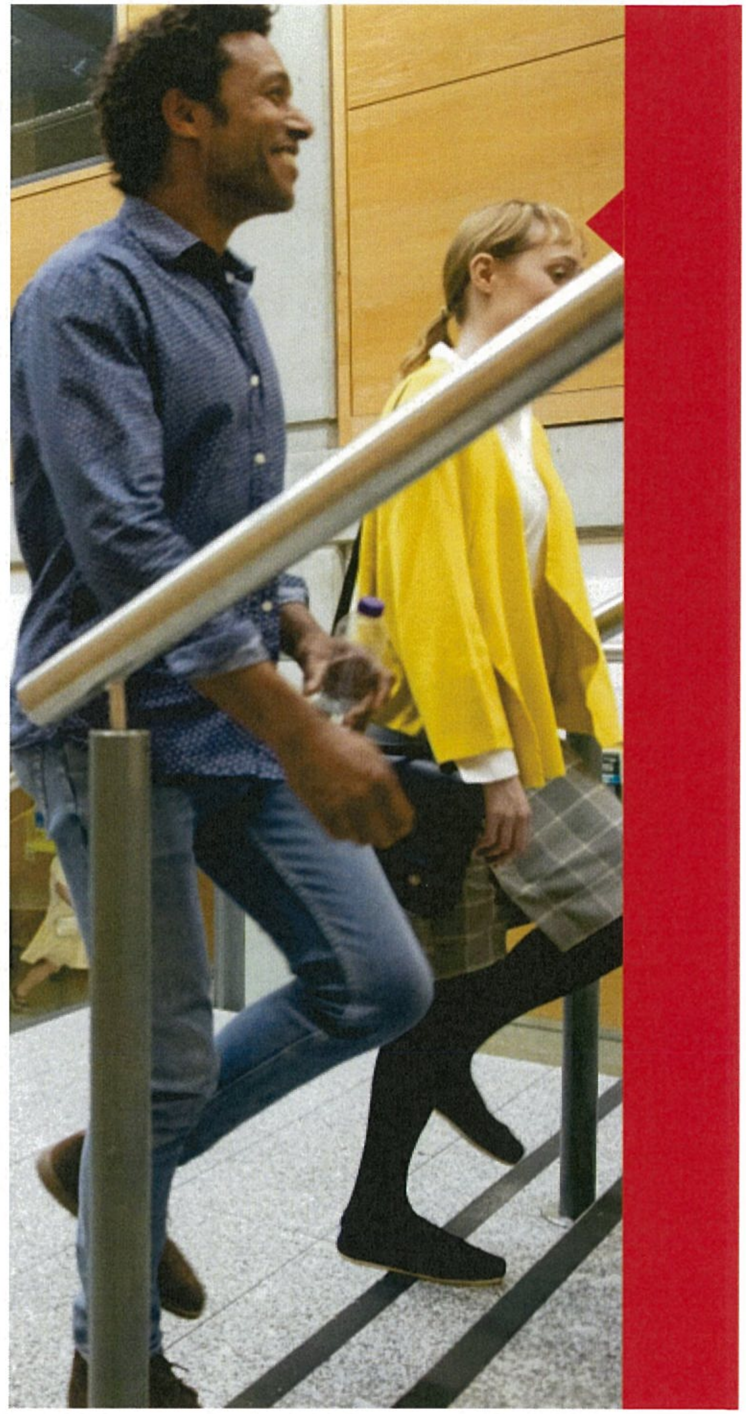
The IRS postponed filing and payment of federal income taxes for returns due April 15, 2020 to July 15, 2020, including Form 990, Return of Organization Exempt From Income Tax, and Form 990-T, Exempt Organization Business Income Tax Return. The CARES Act allows delayed payment of the 2020 employer portion of social security taxes from the date of enactment through December 31, 2020. Half of the deferred tax is to be deposited by December 31, 2021 and the remainder by December 31, 2022. The CARES Act also created a partial "above-the-line" charitable contribution deduction. Non-itemizers can deduct up to $300 for cash contributions made to public charities. The CARES Act also lifts the existing annual cap on deducting charitable contributions for individuals who itemize, raising the cap to 100% of adjusted gross income for cash contributions made in 2020 to public charities. The CARES Act also provides a new temporary refundable 50% employee retention credit for employers subject to full or partial business suspension due to the COVID-19 emergency, or for employers whose gross receipts have significantly declined due to COVID-19.

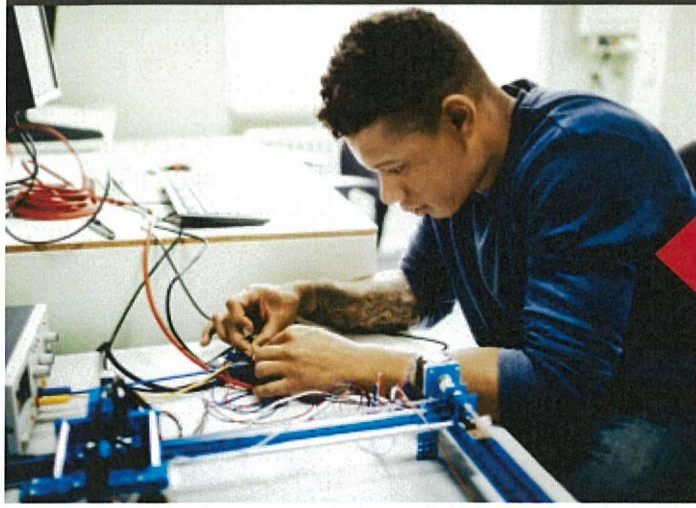
It has been over two years since President Trump signed the Tax Cuts and Jobs Act (TCJA), but much uncertainty remains regarding the application of some of the provisions of the law that are most impactful to colleges and universities. Although the IRS has issued limited non-binding guidance regarding the 1.4% excise tax on the investment assets of certain private colleges and universities and the 21% excise tax on "excess" compensation, organizations are still waiting for detailed regulations even as they are required to file returns and pay taxes based on inadequate guidance. In April 2020, the IRS published proposed regulations on segmenting of UBTI. Although the proposed regulations provide clarity around some issues, questions remain, and the IRS is seeking comments from the public, which are due by June 23, 2020.

In one bright spot, the unpopular tax on employee transportation benefits was retroactively repealed by a provision inserted in the fiscal year 2020 appropriations package enacted in December. Many institutions have already made tax payments that reflected the impact of the tax and may be entitled to refunds. In general, organizations seeking refunds may need to file amended Forms 990-T. The IRS has provided additional refund guidance via IRS.gov.

Our perspective

Higher education is already a frequent topic of discussion on the 2020 campaign trail in both congressional and presidential races. While some relevant legislation has been introduced, and even passed the House, the partisan nature of the measures could prevent further progress once they reach the Senate. The issues summarized here are a high-level overview of noteworthy matters in the higher education space, but the landscape will continue to evolve over the fourth year of the Trump administration, as new rules are introduced and finalized, the COVID-19 outbreak response continues and legislation and campaign proposals are rolled out.





Foreign Influence in Academic Research

Background

Over the past two years there has been a significant increase in awareness among the nation's research universities and academic medical centers that their fundamental premise of open and collaborative research has made them susceptible to state sponsored espionage and foreign influence. Nations conducting these activities seek to take advantage of federally funded research to benefit their local economies and industries, including issuing patents and publishing research derived from stolen information. Institutions face significant reputational risk from these activities including negative press associated with termination of researchers, scrutiny from regulators, loss of resources invested into stolen research, or halting critical momentum related to time sensitive research.

Federal sponsors have responded to the rising threat of foreign influence by issuing new requirements, clarifying existing requirements and introducing new policies, rules and regulations.

Highlights include:

- The Department of Energy (DOE) issued two significant memos; one in 2018 discussed restrictions on collaborating with researchers from "sensitive" countries, the other from January 2019 includes a policy on foreign government talent recruitment programs.
- The National Institutes of Health (NIH) issued notices calling attention to its Financial Conflict of Interest regulation, and concerns of foreign influence.
- The National Science Foundation (NSF) issued a dear colleague letter on research protection in July 2019, reminding readers of its requirements for accurate and timely financial disclosure reports.
- The Department of Education (ED) is conducting investigations related to Section 117 of the Higher Education Act amid concerns that institutions have not been reporting foreign gifts as required.

Institutions are taking the risk of foreign influence seriously and have commenced implementing action plans to mitigate the associated risks.

Impact on educational institutions

Many institutions have felt the impact of enhanced scrutiny through external or internal investigations. More than 70 institutions are investigating 180 individual cases involving potential theft of intellectual property, and the NIH has referred 24 cases with potential evidence of criminal activity to the inspector general's office of the Department of Health and Human Services.[4] Common cases or infractions have included undisclosed relationships with foreign universities or foreign funding on grant applications, attempted export of research to foreign agents, and incomplete foreign gift reporting. In many cases, institutions have determined that their current policies, compliance programs, faculty and administrator training, and data security practices have not been sufficient to prevent instances of foreign meddling in their research.

The resulting impact to institutions has included negative press coverage, termination of impacted researchers, and potential loss of research funding. The impact to individual researchers has been more difficult to prove, however, they include instances where it appears that research was published or commercialized abroad prior to being completed in the United States. Below are some examples of foreign influence in research events that have been published in the last year:

- **Conflicts of Interest (COI)**:
  - April 2019: Three scientists at a healthcare entity were terminated for inappropriately sharing research with third parties and failure to disclose conflicts of interest.
  - May 2019: Two faculty members at an institution were terminated due to lack of disclosure of research relationships with China.
  - August 2019: A professor at a university was indicted for an alleged undisclosed full-time appointment with a Chinese university while conducting research funded by US federal research contracts from the DOE and NSF.
  - December 2019: A research institute settled civil charges with the Justice Department over failing to disclose foreign funding from China for researchers that were also receiving funding from NIH.
- **Foreign Gift Reporting:**
  - June 2019 through February 2020: ED opened several investigations at universities with allegations that they may not have complied with foreign gift reporting disclosure requirements per section 117 of the Higher Education Act.
- **Foreign Talents Program:**
  - January 2020: A university identified faculty members who were participating or were seeking to participate in a foreign talents program. Four faculty members left the university in relation to the investigation.
  - January 2020: A faculty member was charged with misleading the Defense Department and the NIH about his participation in China's Thousand Talents Plan.

Future examples of foreign influence in research are likely to continue to gain regional and national press and could generate long-term impacts on the sector including continued investigations, federal funding decisions, and fines and penalties.

4 NY Times, Vast Dragnet Targets Theft of Biomedical Secrets for China, November 4, 2019

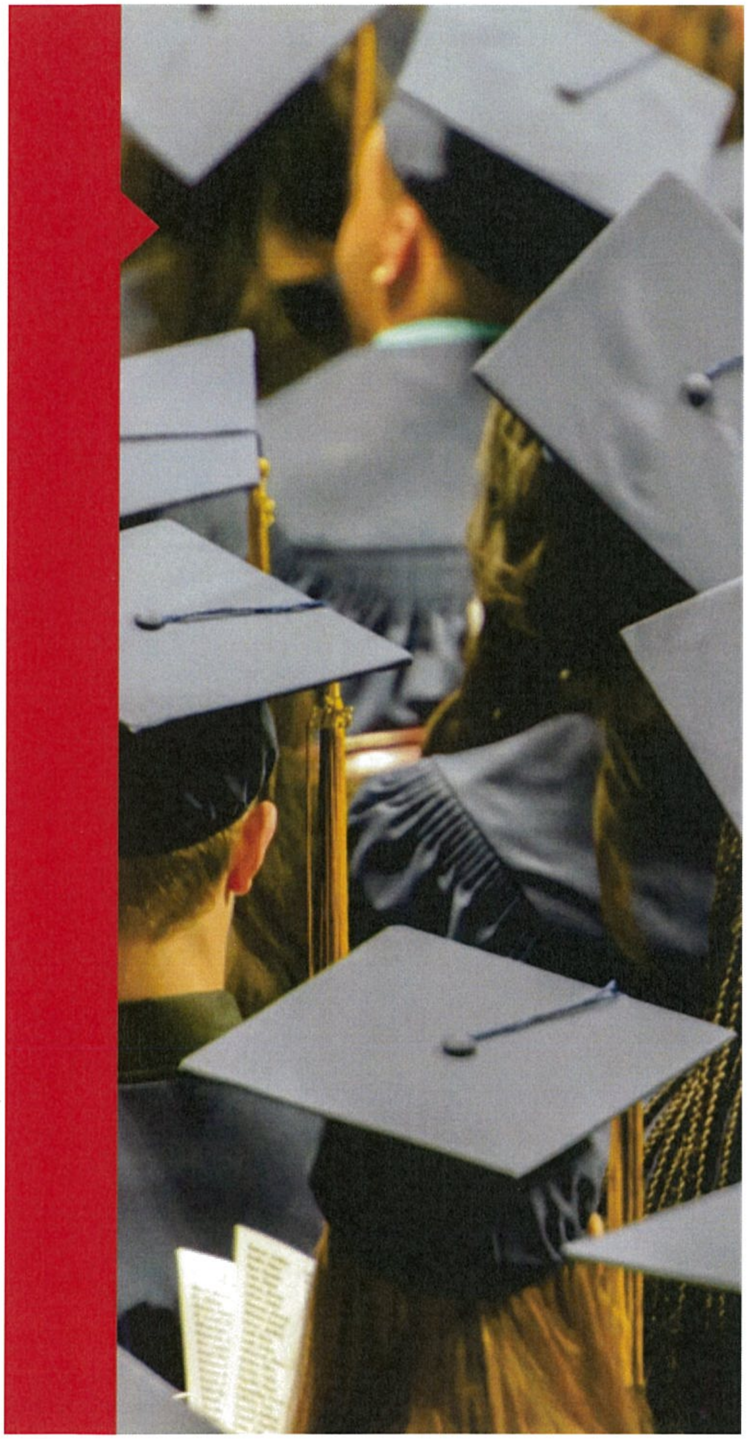
Our perspective

While there may be additional updates on regulations from federal sponsors, institutions have commenced adopting practices to address the underlying risks related to the security of their research, theft of intellectual property, new reporting requirements, and undue foreign influence on their mission. While these are important actions institutions are taking, they must also guard against the perception that application of new policies, controls, or processes are targeted against certain ethnic groups, which may prevent them from attracting the best and brightest researchers from across the world.

To enhance controls and processes and to better protect research and reputation from undue foreign influence, we recommend the following:

- **Compliance programs -** As part of an overall response to foreign influence in research, institutions should revisit the role that their compliance program can play in conveying the tone at the top, providing oversight, training and awareness, and coordinating with the other lines of defense. Other lines of defense can include internal audit, department administrators, and faculty. An effective compliance program can help an institution gain confidence that its policies and procedures are effective and working as intended.
- **Conflicts of interest (COI)-** Undisclosed COI are one of the major risk areas that have resulted in negative press and termination of researchers. Refreshing conflict of interest policies and providing additional clarity can bring potentially troublesome relationships to light. Institutions should conduct due diligence reviews of annual disclosures, management action plans, and potential undisclosed conflicts using publicly available information if they have specific concerns. Additionally, institutions should require that annual disclosures be a mandatory process, consider documenting reasonable repercussions for failure to disclose, and convene a group to review complex COI cases. This group should ideally have knowledge of the researchers and their financial interests.
- **Peer review -** To enhance their risk position, institutions should consider assessing the adequacy of relevant peer review policies and procedures, and make enhancements as needed. Depending on the assessed risk, institutions should monitor faculty travel plans, and limit the ability to transfer information to flash drives or through USB ports.[5] Revamped peer review programs can protect an institution's faculty from the perception of or actual theft of research.
- **Network and data security -** Institutions are moving toward industry standards, such as ISO or NIST SP 800-171 to provide a framework for their policies, and guidance for control and process development. This should include considering the deployment of increased encryption, multi-factor authentication, and virus scanning for devices on their networks. Institutions should also revisit their data governance policies and consider providing faculty with secure data enclaves as resources to facilitate their research and engagement with data collected from third parties.
- **Export control compliance –** To assist compliance with export, trade and financial obligations, including screening of foreign visitors on campus and in laboratories, institutions should consider utilizing third party service providers that specialize in this service. Additionally, policies and procedures should be reviewed, and institutions should consider becoming members of the Association of University Export Control Compliance Officers, which facilitates the sharing of leading practices related to export controls.

5 American Association of Medical Colleges, Foreign data theft: What academic institutions can do to protect themselves, Ken Budd, November 4, 2019



- **Foreign gift reporting** - Institutions should examine their internal gift acceptance policies and compare those practices to recent concerns from the Department of Education regarding disclosures and classification. It may be worth leveraging third party service providers to validate funds are not coming from federal restricted party lists. For those institutions with decentralized advancement functions, additional outreach, monitoring, and development of standard templates should be utilized to mitigate risk.

The risks associated with foreign influence in research continue to evolve, along with expectations from regulators and sponsors. While institutions have already started to respond to these risks, continued vigilance and further enhancements to policies, controls, and processes will be necessary to protect an institution's faculty, research, and reputation.

Managing Donor Risk and Compliance

Background

In recent months, higher education institutions have faced questions regarding public trust and unprecedented regulatory scrutiny. While the highly publicized scandals and allegations of bribery and corruption in admissions and athletics continue, public scrutiny of philanthropy and donors has intensified. Headlines have included institutions that accepted gifts or have buildings, scholarships or professorships funded by disgraced corporations, celebrities or other discredited individuals. The Department of Education has also become involved in gift reporting by enforcing laws that require colleges and universities to be more transparent about their foreign contracts and gifts.

The focus on philanthropy has led to the potential for reputational and financial risks for institutions. The focus can touch upon a wide-range of areas within a university including:

- **Admissions** - How do donations from a parent or relative impact the admissions process and potential decision to admit?
- **Capital projects** - How do gifts earmarked for capital projects impact these projects, such as in the choice of potential contractors and vendors? Are there guidelines in place regarding capital gifts? If there is a subsequent issue with a donor and there are naming rights to a building, are there policies in place or clauses in the original donor agreement to address this?
- **Research** - How do donations from corporate or other sponsors impact the scope and direction of research? Are donations from foreign sources influencing the path of scientific study or resulting in conflicts of interest?
- **Accounting and finance** - Are gifts and pledges properly treated for accounting and financial reporting purposes?

It can be challenging to know where to draw the line on gift acceptance, as donations may be connected to controversy directly or indirectly - whether it be the nature of the business making the donation, beliefs of the donor, or the impact a construction gift may have on the environment. Questions around how an institution decides whose money to accept and whether an institution is more conscientious now than in the past are top of mind for colleges and universities.

Impact on educational institutions

Given the spotlight on philanthropy, institutions are revisiting their written gift acceptance policies and procedures. Leading practice is to have policies that address tainted money, conflicts of interest, and other ethical dilemmas, according to the Association of Fundraising Professionals.[6] The Chronicle of Higher Education recently reviewed gift acceptance policies at various institutions and noted that the policies vary widely in how well they describe the universities' ethical and reputational stances.[7] To introduce and harmonize standards across academia, industry groups are producing guidelines on how to determine whether to accept a donation.

Beyond just policies, universities are reviewing their donors in more detail and involving personnel throughout the university in decision-making processes. "Knowing-your-donor" is critical; similar to how many institutions implement know-your-customer and third-party due diligence programs and processes, colleges and universities are now facing a similar need to perform or enhance philanthropy and donor development diligence. This includes addressing both institutional and reputational risks brought on by donors and changing societal expectations.

Robust donor diligence programs are including end-to-end process designs that map key decision points to internal controls. Leading practices that are being implemented include risk-ranking of donors and donation amounts, standardizing assessments of donor profiles, confirming completeness of conflict of interest disclosures, monitoring of donor involvement with university officials, and periodic testing of the process itself.

University leadership has started to consider decentralized donor relations functions, the number of university representatives involved, and how processes can be improved to enable compliance and consistency. Prior to accepting higher risk gifts, institutions are bringing potential gifts forward to established committees for approval, implementing advisory groups, engaging external consultants and even inviting students to participate in the groups/committees.[8] Some believe that bringing students into the discussion may result in policies and responses that are consistent with the institution's values and mission. To supplement this preventative process, colleges and universities are developing crisis response programs to minimize detrimental effects on reputation.

Philanthropy risk and compliance impact many functional areas of a university given the number of representatives involved in donor relations, the endowment, and the overall financial sustainability process. Below is a partial list of functional areas that are increasingly being consulted when assessing or developing a philanthropy compliance and due diligence program:

- Philanthropy, donor and alumni relations (e.g., Vice President of Development and Philanthropy, Director of Alumni Relations, and Endowment Officers)
- Internal financial controls and accounting (e.g., Chief Financial Officer, Vice President of Finance, and Controller)
- Admissions, scholarships, and financial aid (e.g., Dean of Admissions, Director of Admissions, and Director of Financial Aid)
- Athletics (e.g., Director of Athletics and Assistant Directors of Athletics)
- Research (e.g., Vice President of Research)
- Internal Audit (e.g., Internal Audit Director or Manager)
- Legal and Compliance (e.g., General Counsel or Vice President of Ethics and Compliance)

6 The Chronicle of Philanthropy, Donor Demands, Conflicts of Interest, and Tainted Money Are Fundraisers' Top Ethical Concerns, Eden Stiffman, Oct 24, 2019

7 The Chronicle of Higher Education, Universities Are Facing Criticism for Taking Dirty Money. Do Their Donor Policies Protect Them?, Francie Diep, Oct 30, 2019

8 The National Interest, Higher Education Institutions Address the Danger of Donor Dollars, Deni Elliott, Nov 18, 2019

Our perspective

University officers should review their policies, processes, and controls for philanthropy and donor development. Particular attention should be given to key decision points in the process, standardized processes versus exceptions and the overall control environment. Institutions should map out how decisions regarding the acceptance of gifts impact other areas of the university and should consider where enhancements need to be made. Additional areas for university consideration are as follows:

- **Donor due diligence and compliance tracking** – Assessing the institution's policies and controls around philanthropy and donor development including verification of potential donor credentials, identifying potential high-risk donors, interactions with other departments, and documenting oversight and controls in place.
- **Automated fraud detection** - Using artificial intelligence and other technologies, digitize and analyze information so that an institution can quickly get to facts and make decisions. For example, donor information could be compared to adverse press and media coverage, and database checks could be run for potential litigation, sanctions, or disqualifications against individuals.
- **Intelligence capabilities** - Utilize data analytics to make informed decisions, pursue opportunities, protect against threats, and react more confidently to difficult situations. Consider third-party vetting, social media monitoring, and integrity due diligence to help leaders build resilient strategies to protect reputation.
- **Training** - Develop a strong tone at the top, emphasizing an organizational commitment to integrity and ethical behavior. As part of remediation efforts, impacted organizations may consider ways to support the development of an ethical culture, including training key employees on how to recognize and report inappropriate behavior as it relates to admissions activities. An institution should take the time to review and test its controls and should think critically about potential weaknesses and exposure areas.
- **Development of the future compliance program** - Institutions should think holistically about how they prevent and detect improper behavior. This could include developing new policies and procedures related to philanthropy and donor development, including the proper identification, vetting, and monitoring of donors. Establishing new audit procedures related to internal controls should include a closer assessment of the individuals and/or departments that play a larger role throughout the process.

Institutional leaders, including the board of trustees, should make sure donors and other philanthropic endeavors align with the mission, values, and strategic plan of their organization.

Mergers, Acquisitions, and Other Transactional Activity

Background

The value of higher education has never been more challenged than it is today. Moody's has maintained its downgrade of higher education for the second year in a row. The cost of education has increased nearly eight times faster than wages between 1989 and 2016 and continues to rise. Parents are not just asking whether it is worth sending their child to college, they are asking why it costs so much to do so — this has been further accelerated by the need to conduct online classes during the COVID-19 crisis and for the foreseeable future. The climate of change that pervades the industry means many institutions are forced to respond accordingly. In reaction, institutions are assuming more debt, recruiting applicants from a broader diversity, looking for innovation opportunities, and pursuing deals.

Deals activity in higher education is driven by the same major factors that affect other businesses including demographics, technology, and costs. Enrollment is down due to decreases in the number of high school graduates.[9] Technology is causing unparalleled disruption changing the nature of brick-and-mortar instruction and further questioning the value of a traditional education. As institutions deal with these forces and find ways to preserve their core missions, they are increasingly looking at partnering.

9 Forbes, College Enrollment Declines Again. It's Down More Than Two Million Students In This Decade., December 19, 2019.

Impact on educational institutions

Over the last decade, higher education has seen all manner of deals — from focused partnerships (such as the 50-year, $1 billion public-private partnership between University of Iowa and the French multinational energy company, Engie) to mergers (Thomas Jefferson University-Philadelphia University) and large divestitures (Vanderbilt - Vanderbilt Medical Center). At the core of every deal is the question, how does this deal help the institution thrive in this market? The answers differ widely — for the University of Iowa it is finding a financial vehicle to meet their evolving infrastructure needs, understanding that running solo might not keep pace with the energy and utilities market. In Vanderbilt's case, the dynamic nature of the healthcare market was forcing the university to assume greater risk to their credit and taking attention away from their other core missions. The health system, widely acknowledged as the engine that subsidized education and research, faced margin pressures, forcing it to move faster than a traditional university system was comfortable with. Thomas Jefferson University and Philadelphia University envisioned transdisciplinary programming that integrated a traditional health sciences university with a liberal arts college known for its strengths in architecture and design.

Institutions are working to understand their risk tolerance including concerns about their future financial stability. These circumstances force higher education institutions to evaluate the core of their business model and chart a course of action that encompasses potential partnerships, mergers, acquisitions and divestitures over organic growth and internal problem solving. For example, institutions with an academic medical center could decide that education is their top mission priority and pursue divesting their clinical affiliation to sustain long-term investment in their non-health missions.

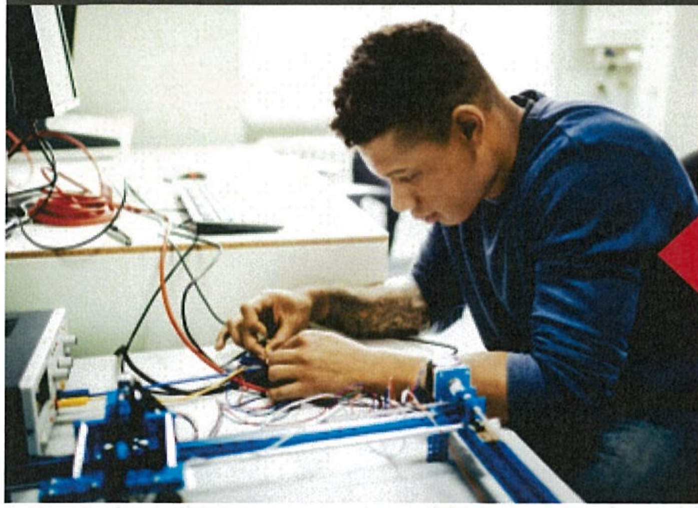
In this unsteady environment, leadership and key stakeholders appear to have an increased appetite for alternative ways of creating value, often leading to consideration of M&A type activities. As a first step, institutions should confirm they have a robust understanding of their current environment across financial and operational considerations including cost drivers and allocation methodologies to serve as the foundation for change. In higher education's consensus driven environment, deal pace is often slower than in other industries, but nevertheless requires a deliberate set of actions to safeguard enough lead time to execute activities, gain stakeholder buy-in, consider change management efforts and secure resources and third-party support.

Our perspective

As colleges and universities, regardless of their size, reputation, or financial circumstances, consider deals activity to respond to external and internal pressures, we recommend the following:

- **Evaluate vision, mission and strategy** - Institutions that identify what is core to their mission and vision and must be maintained, what is core and can be managed differently, and what can be divested in order to support the core, will make strategy-driven decisions when it comes to deals. The type of deal depends on the need and strategy the institution is pursuing. A mission-based set of guiding principles serves as a foundation to support this vision as an institution wrangles with consensus, stakeholders, execution, and the path forward.
- **Define future state** - It is imperative when considering deals activity to have a clear understanding of the university's "to be" state. As a first step, universities should define their target operating model, in line with the guiding principles defined above, and consider how a deal will bring value to the institution (financial, operational, geography, increased capabilities, etc.). The "to be" state and principles should serve as the foundation for decision-making.
- **Leadership** – When it comes to deals activity, leaders often need to straddle the responsibilities of academia while taking on the role of a corporate executive to achieve the desired vision. This quasi-business leader is uniquely positioned to read and respond to forces in the market while anchoring the university's unique role in that very market. The leader must also articulate the value of the institution, making an attractive narrative to partners.
- **Develop a book of facts, clarifying operational implications** - Taking the opportunity to re-evaluate the institution's approach to operations and making transformational change instead of just incremental adjustments is key to the process. This foundational understanding is important to be able to continue operations in a sustainable way and identify opportunities to improve the institution (i.e., robotic process automation, outsourcing, capital investments, etc.).
- **Know regulatory requirements** - As an institution contemplates any kind of major transaction that may have a substantive impact on its programs, students or faculty, it must consider the timelines and processes set forth by regional and professional accrediting bodies. These requirements and an institution's ability to produce the accompanying evidentiary material, can often determine how quickly the transaction can be executed.
- **Board involvement** - An institution's board needs to be clear on the fiscal and mission impacts of the impending deal. Establishing frequent lines of communication with the board, including when to expect key pieces of information, will enable them to stay informed and confirm that they are able to serve in their role of stewarding the institution through a transformation. While a holistic view of the current state provides the board with the "why" of the deal, a clear future state plan can allow them a view of the "what" and "how" of the deal in order to effectuate decision-making.

Deals activity in higher education, often a reactionary mechanism to survive current pressures on the business model, also allows an institution to reflect deeply on its core missions and strategy. These transactions, when done right, can bring together every aspect of an institution as it aligns its future to achieve strategic priorities.



Governance Over Large IT Implementations

Background

Large information technology (IT) implementations continue to be challenging undertakings. Some educational institutions have been delaying investment in information technology, and are now facing aging systems, concerns around their reliability and security, and suboptimal support arrangements. Others are being enticed by the opportunity for agility and modernization in new cloud platforms. All institutions have a desire for lower operating costs that may be promised by newer platforms.

The focus of IT implementation projects in many educational institutions is in the areas of finance and enterprise resource planning (financial reporting and back-office processes), human capital management (payroll, performance, and time tracking), student information systems, alumni donor management, grants management systems, and education delivery support. Decisions around which systems require replacement, and when they need to be replaced are complex. These decisions involve age of systems and related infrastructure, availability of ongoing support, research, student needs, and the funds needed to implement. While "waiting until next year" is a common approach, frequent deferrals can also add costs and prevent operational improvements across an institution.

In contrast to large IT implementations of previous decades, there are significant new trends that can impact successful project execution and ongoing governance. These trends include the following:

- **Long-term "as a service" relationships -** Historically, IT packages were developed internally, or purchased, customized, and installed on-premise. These highly-tailored systems were maintained by each institution and updated through custom programming for additional functionality. Today, many institutions are opting for software or platforms as a service; solutions hosted by a third-party provider who make them available over the internet. Institutions are not just selecting present-day functionality, but rather join a community of users who can benefit from ongoing improvements to the solution. This change in approach to technology is revolutionary and emphasizes the need for changing internal ways of working to fit the solution with minimal or no customization, instead of tailoring the system to the institution's needs. The selection decision is as much about aligning to the provider's capability and future vision, as filling a current need.

- **Integrity of third-party environments** - The introduction of off-premise solutions shifts responsibility for maintaining a secure infrastructure to third parties (compared to the educational institution). Careful consideration is needed to address security of these environments and integration with other infrastructure, including the institution's ongoing role and legal responsibilities.
- **Cross platform integration** - Increasingly, improved technologies allow the footprint of solutions to touch all areas of the institution. Managing integrity across these platforms and modules introduces complexities of the delivered solution, and at each stage of the project lifecycle.
- **Agile delivery techniques** - Organizations are increasingly adopting Agile methodologies for IT development and ongoing maintenance. Agile is characterized by less detailed planning and documentation in advance, with smaller teams working in short, collaborative iterations.

As a consequence of many of these trends, the nature of large IT implementations has shifted. Instead of large teams writing detailed requirements, developing new code, and testing unique functionality over long durations, today's implementations feature short iterations of configuration, integration, and adoption. As a result, there have been fewer cases of projects suffering significant budget overruns or extending years past their deadlines. Current risks are typically operational disruption at the time of go-live, especially considering the need to transform internal processes to adapt to system capabilities. Some estimates have placed the cost of these disruptions at anywhere from 50% to 300% of the original project budget.

Impact on educational institutions

The traditional view of project success, or the impact of project risks, such as being "on time, on budget, and on scope" is outdated. While meeting financial and milestone commitments are critical, large IT projects are funded and run by institutions with the expectation that they deliver a more extensive set of business outcomes over a long period of time. Examples of these expectations include:

- The project delivers capabilities that enable the institution to better pursue its strategic goals (for example, increasing the productivity of researchers or the alumni relations department).
- The benefits of the program remain valid despite changes to the economy, education sector, and stakeholder needs between project launch, completion and thereafter.
- The project did not disrupt or conflict with other critical initiatives across the institution during delivery.
- Faculty, staff and students are comfortable adopting new ways of working (new screens, new processes, etc.) without significant disruption.
- Suppliers and external users are comfortable with any changes to the way they interact and engage with the institution.
- Short- and long-term support for the system is available and economically viable.
- The solution functionality works — it allows the institution to operate its core processes — and creates value for its users (for example, enabling staff and students to self-service some needs timelier while reducing operating costs).
- Data is complete, accurate, valid and readily available for analytics and business intelligence purposes (including data migration, master data that underpins its decision making, and transactional data).
- All sensitive data is secure, particularly given the rise of state sponsored espionage.
- From the first day of operation, the new operating environment is contained within an effective control environment to manage financial, operational, security, and compliance risks.

Our perspective

Delivering this range of outcomes can seem like an overwhelming set of expectations. Projects frequently face resource constraints, thin margins and small contingencies. Project leaders should make daily compromises, pragmatic decisions, and 'fight fires.' It is no surprise that projects can lose sight of some of the expected outcomes. To confirm the full set of desired outcomes are preserved, we recommend adopting "3 lines of defense" to better define roles and help increase transparency to key stakeholders:

- A delivery team (Governance, project management office, systems integrator, and business leads) that understands the desired outcomes, and has a clear set of accountabilities and responsibilities covering each area.
- A risk and quality function which monitors each planned outcome and tracks early warning indicators of whether they are under threat. Consideration should be given to who mitigates the remaining risks and how a complete view of program risk can be shared with oversight bodies. Many times, the focus is drawn to recent problems or incidents, losing sight of the bigger picture. A dedicated risk and quality function can help maintain the right visibility and attention to risk areas.
- Independent verification and validation teams who confirm that the teams listed previously are operating effectively, and provide incremental, independent assurance over key risk areas. This is often a role for an internal audit function but can be reduced to a narrow review of internal controls shortly before or after go-live. A more valuable approach is applying attention "early and often" to key risk areas, which often requires specialized skills.

Finally, the board of trustees can play a critical oversight role during large implementations. This role includes monitoring the ongoing alignment of the institution's strategic objectives and the implementation, setting accountabilities at the right levels, evaluating key resource competency and capacity to help drive the implementation, and critically assessing the periodic updates they should receive from the three lines of defense (as outlined earlier).

Sooner or later, institutions will have to implement or upgrade their key systems. By establishing clear oversight responsibilities, stakeholders, project managers and trustees can adequately measure and monitor the financial and operational success of these transformational activities.

Harnessing the Promise of Data through Sound Fundamentals

Background

Imagine having advanced analytics that provide the ability to see into all interactions with students, faculty, researchers, vendors and other constituents in real time. Imagine being able to process that information instantly to improve experiences, create new insights, identify inefficiencies and enable sound decision making. Now imagine being able to use that information to predict outcomes and make rapid adjustments to improve results. This is the tantalizing promise of big data and the reason it generates so much attention. The good news is that institutions already own enabling data. The key is to effectively harness it and translate insights into action.

The higher education industry has been accumulating and reporting significant volumes of data for years. This includes federal student aid information, accreditation related information, Uniform Guidance federal grant expenditure figures, and data related to the College Scorecard. This data is intended to provide constituents with the information they need to make informed decisions as educated stakeholders. However, the business of higher education remains inconsistently understood by stakeholders and the general public. A common understanding of the cost of education, how to compare institutions, management and governance, outcomes and other measures that stakeholders seek remains elusive. Yet scrutiny by lawmakers and the general public remains high. There is a clear opportunity to leverage data to provide better information, convey a story, and educate users for more informed decision-making.

One of the National Association of College and University Business Officers' (NACUBO) strategic goals is to enhance industry integration of data analytics to facilitate achievement of institutional goals. While there are examples of advancements in the use of analytics, such as admissions trends, and predictive analytics with the goal of improving student performance and experience, these advancements generally remain limited or siloed in scope and are inconsistently implemented. In the 2019 NACUBO Study of Analytics, approximately 90% of leaders agree that data analytics should be a higher priority for achieving operational efficiencies, enhancing student outcomes, balancing workloads, and achieving strategic goals. However, barriers to effectively using data analytics include cost, employee skills, time, data quality and the cultural change required for good data governance. Additionally, regulation and risk surrounding data security and privacy, further reinforces the need for a focused strategy around data and data governance.

Impact on educational institutions

Effective analytics starts with trusted data, and data quality requires solid data governance. There are few items that can disrupt progress faster than distrust in the information being provided.

With investments in sophisticated enterprise resource planning systems, structured data is generally available for analysis in areas such as finance and human resources. Challenges with data supporting departments other than finance and human resources include inconsistencies in reporting, access to information, and a general lack of understanding of key information. Departments such as institutional research are heavy users of large volumes of data, but the data is often housed in disparate systems across the institution and in different formats with varying levels of access for users that need the information. Advancements in analyzing student performance, students at risk academically or in other areas requiring intervention are being attempted, but this also generally utilizes unstructured data that is difficult to manage without definition, retention, and other key elements of data management and governance. Additionally, certain individuals and departments remain siloed in their views and are hesitant to share information for a variety of reasons, including distrust over intended use or concern with giving up control.

As a result of these challenges, many institutions are not progressing as quickly as they could in advancing their use of data and technology. Further, there is often not a clear plan or roadmap of where the organization wants to go and how to get there. Much of the focus has been on confirming compliance with privacy and security regulations. However, viewing data governance as a compliance exercise is a missed opportunity to strengthen strategic decision making, enhance student and stakeholder experience, and increase operational efficiency.

Our perspective

Effective data governance is foundational to becoming data driven and optimizing performance across an institution. Users must see consistent, accurate information and must trust it. Institutions should start by assessing their current state, and depending on those results, developing a data governance framework and building a data strategy. The framework can then be used to improve the data structure, systems and processes to create the culture and tools for success.

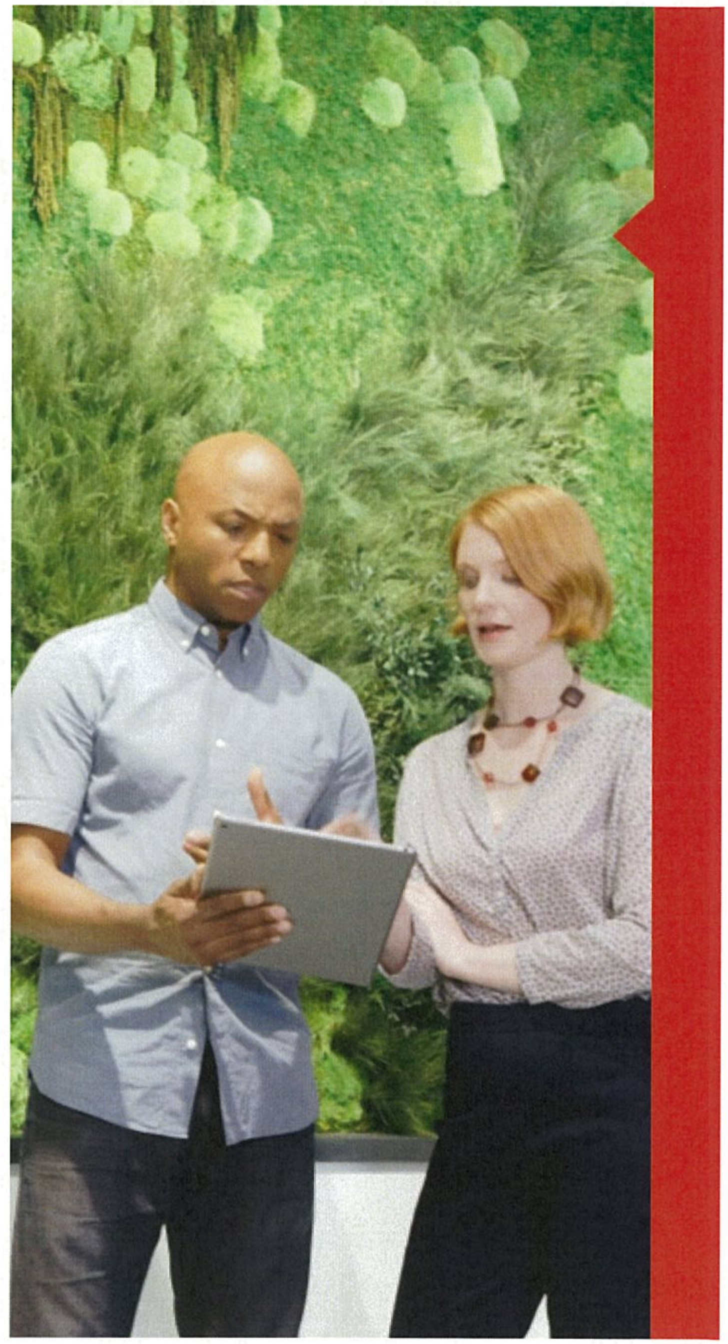
As institutions develop an effective data governance framework, the following key elements should be considered:

- Leadership mandate and support are critical to effect meaningful change.
- Creating a formal structure so that ownership and accountability are clear. Consider an office of data governance, a chief data architect with support by data stewards and data trustees.
- Partnership and engagement across an institution are needed. The requirements of the community need to be understood upfront so that tools and structure support the need, and the business units have the capability and accountability for stewarding the data to confirm its accuracy.
- There should be documented policies and procedures that address guiding principles, responsibility, regulatory considerations and other key aspects of effective data management.

Successful institutions have built positive momentum by demonstrating quick wins that support the business, such as targeted dashboards that address a key focus area for the organization. One leading institution leveraged the data governance process to develop an executive dashboard for the president's council. The dashboard included key operational and financial performance metrics consistently displayed across the organization allowing for more productive discussion when comparing results and action plans, instead of questioning the source and reliability of information. Leading organizations also structure and enhance the quality of data to allow for the use of artificial intelligence and other tools. In some institutions, Institutional Research has moved beyond the traditional reporting of data to more of a consultant to business units. This has led to better understanding of key data, such as student performance and other information, to identify potential issues and more proactively work on solutions. This is also being done within investment offices that are advancing the use of technology seen in the financial services industry. Advances in use of data for research and health data are growing exponentially and requiring institutions to rethink how it needs to be supported given volume, cost, privacy and other constraints.

Institutions also need to engage and develop the right people to champion the progress. The most significant concern noted in the 2019 NACUBO analytics study was the ability and capacity of employees to translate the analytics into action. Building a network of individuals, sometimes called stewards, superusers, pacesetters or accelerators, helps create increasingly positive momentum. Having a sound foundation can enable analytics, automation, data visualization and other technology tools that can propel institutions forward. Data trust pacesetters can help bring the value creators (from the business side) and value protectors (from the risk, IT and cybersecurity sides) together to develop data policies and practices that meet the needs of customers, employees and regulators.

Evolving data governance activities can support organizations in moving from primarily compliance focused towards a well-controlled institution that leverages data for informed strategic decision making.



Retaining Top Talent in the Workforce

Background

The higher education sector, like many others, finds itself at the center of a workforce that is transforming by the minute. The size, distribution, age, and expectations of the workforce are shifting. As Baby Boomers retire, the workforce will soon be comprised primarily of employees belonging to Generation X, Millennials, and now Generation Z. Workforce participants are more mobile than ever before as evidenced by a recent survey conducted by the Bureau of Labor Statistics that revealed most Americans change jobs on average 12 times during their career.[10] Big data, artificial intelligence, robotics, machine learning and other forms of emerging technology are disrupting the required skill sets and career paths for employees. Moreover, the health and safety of faculty and staff are now taking center-stage.

The rapid pace of change has created fierce competition for the right talent. While leaders realize the definitions of talent today are very different from ten years ago and will change even more dramatically in the next ten years, PwC's 23rd US CEO Survey revealed that only 21% of CEOs report "significant progress" in defining the talent and skills needed to drive their growth strategy for the future.[11] Institutions should not take a wait and see approach to addressing their talent pool needs. Colleges and universities should develop strategies that will position them to attract and retain top talent today to successfully navigate the uncertainties of changes tomorrow.

10 Bureau of Labor Statistics Number of Jobs Held, Labor Market Activity, and Earnings Growth among the Youngest Baby Boomers: Results from a Longitudinal Survey

11 PwC's 23rd US CEO Survey, https://www.pwc.com/us/en/library/ceo-agenda/ceo-survey.html

Impact on educational institutions

Colleges and universities face multifaceted challenges as it relates to workforce development. Not only must they recruit talent with the essential knowledge and skills to excel, but they must also retain talent within the institution to maximize the value delivered to stakeholders. Certain institutions have tackled this challenge head on and are well on their way to implementing changes to their talent strategies. Other institutions are just beginning to identify areas requiring enhancements and have yet to develop sustainable plans to address deficiencies. No matter what stage the institution is in, there is common acknowledgement that the cost of outdated talent strategies is one that is too great to bear. Ineffective strategies affect employee motivation and productivity, increase turnover costs, negatively impact the successful management of the talent pipeline, and limit the institution's ability to develop high potential talent. Colleges and universities are looking to transform several critical areas that impact their ability to attract and retain talent. These areas include:

- **Compensation and Benefits -** Workforce participants are requiring a more balanced compensation and benefits package —- one that not only focuses on a salary that is competitive, but that also contains benefits that have a less obvious dollar value. These benefits include appropriate healthcare coverage, parental leave, wellness in the workplace initiatives, milestone rewards, and adaptable paid time off including flexible hour arrangements. Workforce participants are seeking more autonomy around when and where they work, thus giving rise to a new generation of gig workers as opposed to those seeking full-time employment. Institutions are working to refine their compensation and benefits model to address the demands of the workforce without compromising the ability to satisfy the requirements of their constituents.
- **Diversity and Inclusion -** The evolving workforce is requiring that diversity and inclusion be embedded into an institution's culture. Workforce participants are seeking institutions with programs and practices where diversity and inclusion is viewed as a core competency and where messaging from leadership down through the various levels of the institution is consistent. There are greater expectations around diversity on the board, the leadership team, and throughout the institution. Many colleges and universities have made strides in addressing diversity and inclusion in their admissions practices and student retention strategies and are working toward greater diversity and inclusion throughout their workforce.
- **Upskilling -** Technology will continue to be a game changer in years to come and workforce participants are keenly aware that their ability to expand their existing skill set will be critical to career advancement. A recent workforce study revealed that 37% of workers believe automation will significantly change or make their job obsolete within the next ten years and 74% of workforce participants are willing to learn new skills now or completely retrain to improve their future employability.[12] Although colleges and universities are working to provide employees with the opportunity to upskill, an institution's continuous learning offerings will need to expand to encompass opportunities to increase digital acumen. Both faculty and staff will require a more diverse skill set that enables them to provide students with digital skills throughout the entire academic experience as opposed to limited offerings in single courses. A combination of in person, virtual, and hands on learning opportunities to master certain digital skills is a must. Colleges and universities should also look to provide employees with a digital playground that can be used to create automated solutions that help improve curriculum delivery and business performance across the institution. Equipping employees with a unique set of competencies and skills, rather than job or task specific experiences, can provide for greater adaptability to changes in technology and the skillset demands in the workforce.

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12 PwC Workforce of the Future, The Competing Forces Shaping 2030 https://www.pwc.com/gx/en/services/people-organisation/publications/workforce-of-the-future.html

- **Mentoring and Feedback Programs-** Colleges and universities are continuing to look to mentoring programs as a tool to cultivate institutional talent. Mutually beneficial mentoring relationships promote a continuous learning culture where seasoned employees transfer relevant institutional knowledge and experiences in exchange for fresh perspectives from junior team members. These types of programs create an environment where clear communication and honest feedback are welcome, and when maximized can assist employees at all levels of their career. In addition to mentoring, employees should be provided with more frequent, direct and honest feedback sessions. Consistent recurring feedback allows top performing individuals to maximize their strengths and develop plans to address performance gaps. In an institution where the importance of real time feedback is emphasized, annual performance reviews become more forward looking as opposed to a hindsight review of past experiences.
- **Advancement Opportunities-** Top performing employees tend to be future oriented and often perceive the number of long tenured employees that remain at an institution as a hindrance to the advancement of others. In order to combat this perception, colleges and universities are providing greater transparency into various paths of advancement. Knowing the internal talent pool, understanding their goals for success, and mapping a path forward is critical. This may require institutions to transition from a traditional linear advancement model to a non-linear model. Non-linear career models provide highly talented employees with more opportunities for rotations and exposure to other positions within the institution where their skillset and path to advancement may be better aligned.

Our perspective

There is no one size fits all approach to addressing the challenges of attracting and retaining top talent. Developing effective talent strategies continues to be a challenge not only for the higher education sector but for many other sectors as well. As many sectors prepare return to work strategies, colleges and universities may look to other industries and peers to benchmark and identify leading practices that can be replicated. The institutions that will emerge as best in class for talent strategies are those that view the changing workforce demographics, employee mobility, and technological disruption as opportunities to maximize their talent pool. Talent strategies will vary by institution depending on size, complexity, and nature of operations but at a minimum should be fluid enough to allow the institution to swiftly respond to people and technological developments. Institutions that adopt a data driven decision model to deepen their understanding of their potential and existing talent pool may better position themselves to adapt to change. A talent strategy that includes the use of data analytics could give an institution a critical edge in broadening their pool to include underrepresented groups, gauging future talent needs, predicting and monitoring skills gaps in the workforce, understanding how to create a compelling people experience, and eliminating potential biases in hiring and the performance appraisal process. Derived data insights can provide valuable feedback for institutions when developing concrete, actionable retention plans.

The demands placed on colleges and universities from various constituents including students, parents, regulators, donors and federal and state governments will likely continue to grow. Amidst several uncertainties, one thing is almost certain —- as the competition in the job market for talent escalates, a strategic plan that is compatible with the dynamics of the transforming workforce is no longer an option but seen as a requirement to retain talent and to thrive. Developing talent is critical to the institutions ability to execute its mission and achieve its goals. Institutions should develop a clear vision for an evolving workforce —- one that is transparent about the plans to equip employees with the knowledge and skills to take on new roles, embraces diversity, addresses the well-being of the entire person, and consistently rewards creativity and innovation. The investment in the workforce today can return dividends in the years to come as nurtured talent becomes the future leaders of the institution. In the end, people will always be the institution's greatest asset.

The Future of Academic Tenure

Background

Tenure was first established in the early 1900s. Tenure was meant to "protect academic freedom by insulating faculty from the whims and biases of administrators, legislators, and donors, and provides the security that enables faculty to speak truth to power and contribute to the common good through teaching, research, and service activities."[13] Through the mid- to late-1900s as enrollment growth continued and outpaced the growth in PhD candidates, faculty were in high demand and offering tenure to prospective faculty made the institution more attractive. During this time, many institutions prided themselves and included in student admissions marketing and faculty recruiting materials, the number or percentage of tenured and tenure track faculty on staff. In the current environment, as many college administrators are facing financial pressures and competing priorities, they are forced to explore other lower cost options to tenure by staffing an increasing amount of their teaching positions with non-tenured faculty sometimes referred to as adjunct or contingent faculty. These faculty can be full- or part-time positions and include non-tenure track faculty, part-time instructors, and graduate student employees.

In 1975, approximately 45% of the academic labor force was full-time tenured and full-time tenure track faculty compared with only 29% in 2015, which means that over 70% of all instructional staff appointments in higher education are non-tenure track positions and over 50% of these positions are being filled by part-time or graduate student employees.[14] This is true across all types of institutions which follow the Carnegie Classification of Institutions of Higher Learning, from R1 Doctoral Universities which have the highest research activity to Associate's institutions which includes community colleges. The prevalence of part-time employees filling teaching positions increases substantially for non-Doctoral Universities with as much as 65% of the positions being part-time. While tenured positions are permanent appointments that can only be terminated for cause or under extraordinary circumstances, non-tenure track positions can be terminated at will and offer faculty little job security.

13 American Association of University Professors, Data Snapshot: Contingent Faculty in US Higher Ed https://www.aaup.org/sites/default/files/10112018%20Data%20Snapshot%20Tenure.pdf

14 American Association of University Professors, Labor Force Trends https://www.aaup.org/sites/default/files/Academic_Labor_Force_Trends_1975-2015.pdf

Impact on educational institutions

While academic tenure offers job security and academic freedom, many critics of the tenure process argue the benefits are outweighed by several drawbacks. The discussion of tenure versus non-tenure often includes the following types of considerations:

- **Tenure may impact the quality of instruction -** Some argue that a tenured professor is more impactful to a student's education due to the fact they can instruct openly without fear of retribution for potentially unpopular views. Additionally, there is less turnover of tenured faculty. However, others argue that once a professor achieves tenure, their nearly permanent employment can result in less incentive to improve the quality of their instruction. Increased pressure is also placed on new faculty to publish while in the tenure process which can have a detrimental effect on students' learning, as faculty may be focused on publishing rather than instruction.
- **Student engagement –** Non-tenure track faculty often have large teaching loads and teach many of the introductory level courses. In some instances, students may be in upper level courses before being taught by a tenured professor. Given the level of turnover in the non-tenured faculty group, this can result in introductory courses being repeatedly taught by first-time faculty. This impedes a student's ability to develop effective relationships with faculty before they become upperclassmen which can hinder learning and research opportunities.
- **Faculty morale –** Tenure may inadvertently create a culture of "haves and have nots". Tenured positions typically include opportunities for advancement and promotion, retirement plans, dedicated office space, sabbaticals and other leave opportunities. Conversely non-tenured faculty are typically paid by the course taught and are not offered benefits. For these faculty "pay varies widely by region, institution and discipline. Some private universities offer as much as $8,000 to teach a semester-long course, while some community colleges provide as little as $1,500 a class."[15] Additionally, non-tenured faculty may not participate in planning and strategy discussions despite instructing a significant portion of the course load. These types of differences between faculty can have a significant impact on morale.
- **Budget implications –** Tenure can have a significant impact on the budget of an institution. Often when a professor is granted tenure they are at the pinnacle of their career, therefore, gaining near permanent employment with lucrative benefit packages. "A bad tenure award is often literally a million-dollar mistake."[16] As many institutions have been investing in campus facilities and other strategic initiatives, they are now considering shorter term contingent employment agreements to close budget gaps.

The above factors need to be considered and weighed by management and trustees to help determine the future strategy for academic instruction for their institution.

15 Washington Post, "It keeps you nice and disposable: The plight of adjunct professors", Daniel Douglas-Gabriel, Feb 15, 2019

16 Forbes, Is Tenure Dying? Does It Matter? Richard Vedder, May 3, 2018

Our perspective

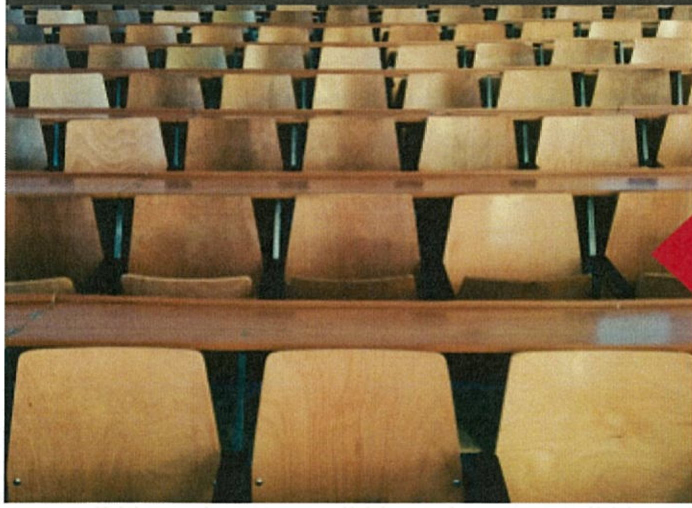
With the changing landscape in higher education, institutions are revisiting their policies and practices surrounding faculty tenure and how it fits in with their overall strategy. Given that non-tenured faculty now account for over 70% of the teaching staff, a part of this assessment needs to consider this group.

Many institutions have seen a trend in non-tenured faculty seeking to unionize in order to collectively bargain for better compensation and benefits, and for an increased voice on campus. Institutions should be proactive in establishing a dialogue with this group to ensure they feel a valuable part of both the institution and the individual department they work with. This dialogue should consider such items as compensation, benefits, developmental opportunities and having a say in decision-making as it relates to curriculum and departmental goals.

Employment contracts have proven to be a way to bridge the gap between full tenure and non-tenured faculty. At four-year institutions (including research universities), an average of 38% of full-time non-tenure track faculty are on annual contracts, with 58% on either multi-year (20%) or indefinite/at-will contracts (38%); only 4% work on contracts that are less than a year in duration.[17] From a recruiting perspective, it can be easier to recruit faculty for positions if there is a certain level of job security. Faculty who are on campus for longer periods of time can become more influential in the campus community. The student experience is also likely to improve with more consistency in the faculty who are instructing courses.

Board members should familiarize themselves with their institution's strategy for fulfilling the academic mission including the complement of tenure and non-tenured positions. It is unlikely tenure will ever completely go away. It is a vital part of higher education in supporting the mission of teaching and research and ensuring students receive an education free from bias. However, as the percentage of tenured faculty continues to decline, it is imperative institutions make efforts to confirm the mission is protected. This will likely involve an evolution of the role of non-tenured faculty on campuses.

17 American Association of Tenure Professors, Data Snapshot: Contingent Faculty in US Higher Ed https://www.aaup.org/sites/default/files/10112018%20Data%20Snapshot%20Tenure.pdf



The Evolving Academic Medical Center Landscape

Background

Academic medical centers (AMCs) have faced significant disruption over the past decade including heightened competition, advancements in technology, and empowered consumers. Continued pressure on thin clinical operating margins has threatened the ability to fund the tripartite mission of delivering clinical care, advancing research, and educating the next generation of providers and researchers. As AMCs rely on clinical revenue to fund portions of the education and research missions, disruptive forces in the provider market have squeezed financial support and created great internal competition for dollars. AMC finances have been further stressed by the COVID-19 pandemic, as many medical centers reduced revenue-driving elective procedures to make room for patients with the virus. Compounding this is consumer behavior; a survey of consumers in PwC's publication "Future Academic Medical Centers: Forging new Identities in the New Health Economy" showed that 50% would not pay more for care at an AMC.

In response to disruptive forces, health systems have been more deliberate about reshaping their strategic identity. This has meant different things for different health systems — some are consolidating costs, others are focusing on customer-focused strategies, some are delivering advanced care by investing in innovation in specific service lines, and some are focusing on population management to improve overall health outcomes.

For a university that is also an AMC, how the clinical enterprise positions itself strategically in reaction to the disruptive forces in the healthcare market matters. AMCs can represent 60% to 80% of a university's budget, and the healthcare arm of most AMCs is growing faster than education or research. The implications of clinical strategy must be considered on the academic and research missions of an AMC, and by the entire university.

Impact on educational institutions

Although the clinical enterprise may evolve in several ways, some key changes will be required. These changes include more investment in technology, evolving the research portfolio beyond traditional "basic science," and growing the network of partnerships for the institution.

- **Information technology -** Artificial intelligence (AI) and predictive analytics are at the heart of the changing clinical industry. With a focus on value, quality, and precision medicine, the need to get the right treatment to the right patient at the right time will require significant investment in analytics and technology. For AMCs, this may mean leveraging expertise in AI and analytics from other departments, namely math and engineering, to enhance their technology and analytics capabilities. At the same time, scientific and technological advances such as genomic medicine, are driving a deluge of data in healthcare and research systems. This data is inherently valuable as a tool to further drug development, improve clinical trials, and better predict the effectiveness of drugs and treatments. While the infrastructure to house the data can be expensive, it represents a potential asset for AMCs and parent universities.
- **Evolving the research portfolio -** The funding environment for research has changed over the past decade and the cost of conducting research has grown significantly. According to a 2015 study by the Association of American Medical Colleges, academic medicine invests 53 cents for every $1.00 received of sponsored research funding. Many AMCs have begun to address this issue through cost containment approaches such as shared service models. Federal funding agencies, as well as foundations and philanthropic organizations, are looking to fund "team science" that extends beyond a single investigator and spans disciplines. Further, the focus on translational research and speedy application of discoveries in the clinic requires collaboration among researchers and clinicians. This changing landscape offers universities the opportunity to help drive collaboration between its researchers in the medical school and across other departments. Investment in modern technology transfer and business development approaches can help universities move their discoveries into the market faster and offer opportunities for new revenue streams.
- **Growing the network of partnerships -** Support for new analytical capabilities, infrastructure development, and alternative sources of funding for research are requiring universities to develop a network of partnerships. Universities will be seeking partnerships for many different reasons including capital investment and rounding out capabilities not present within the institution. These relationships should be driven in support of the mission and can provide economic upside back to the university. Many industry partners will include 'new entrants,' or companies that have not traditionally participated in healthcare.

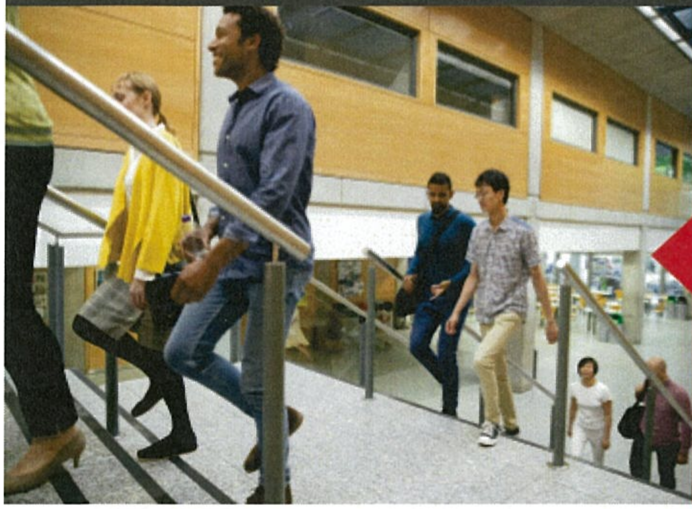
Our perspective

As AMCs evolve in the face of changing dynamics in the healthcare market, opportunities exist to leverage those changes for the benefit of the entire university. The COVID-19 pandemic highlights the challenges faced by AMCs. With reductions in clinical revenue due to the pandemic, and volatile times ahead, AMCs should strategically review ways to continue to fund their critical research and education missions. Re-thinking how universities pay for biomedical research has been thrust into the spotlight at a time when the benefits of research are desperately in need. Questions such as where alternative revenue sources might come from, what skills physicians and other care providers will need in the future and whether medical education can be taught virtually are all items that should be considered.

Tackling these changes does not come without risk. In order to help better manage that risk, universities should consider:

- **Aligning the AMC strategy to the university mission and vision -** It is important for university leadership to confirm that investments, new ventures, and partnerships align to and strengthen the university mission.
- **Establish leadership oversight -** New initiatives into value creation from data or development of a partnership ecosystem should be overseen by the highest leadership levels. Universities should confirm they have appropriate business development and other expertise in house to help manage these considerations.
- **Focusing on efficiency and cost structure -** New ventures and infrastructure require investment. This can be difficult for an AMC facing lower clinical margins and less capital available to support its current academic portfolio. Universities should continue to consider cost transformation approaches and cost containment across both the university and clinical enterprise to enable the most efficient use of current resources.
- **Seeking alternative revenue streams -** Development of new assets and infrastructure provides the opportunity to drive new revenue to the AMC and university. Data gathered from the health system has value in the market and could be utilized for value creation. Industry partnerships and philanthropic organizations represent opportunities for new funding streams for collaborative research projects.
- **Identifying the need for enhanced curricula** - As the university develops new initiatives, it should consider how they can contribute to developing the next generation of workforce. For example, more integrated education programs between medical students, nursing students, and other allied health specialties might be appropriate. The infusion of bioethics and humanism into medical school curricula will be important as physicians need to manage genomic medicine in the future. These evolving strategies offer universities the opportunity for new educational approaches.

AMCs are going through a period of challenges and disruptive change. These challenges offer opportunities to evolve and benefit from updates in information technology, research portfolios, and partnerships. Management of the risks associated with these changes can be the key to success.



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Audit, Compliance & Finance Committee Charter

Purpose of Committee

The Audit, Compliance and Finance Committee is a standing committee of The Ohio State University Board of Trustees established to assist the Board of Trustees of The Ohio State University in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the university's process for monitoring compliance with ethical, legal, and regulatory requirements. The Committee also considers and makes recommendations to the Board of Trustees regarding matters pertaining to the financial, business, and administrative management of the university. The Committee assists in assuring the integrity of the financial accounts of the university in a manner consistent with the mission and purpose of the university. The Committee serves as the focal point of open communication between the Board of Trustees, the external auditors, the internal auditors, the state and federal agency auditors, the chief compliance officer, and management. The Committee also is responsible for evaluating the quality, independence and objectivity of the external and internal auditors.

Committee Authority and Responsibilities

In furtherance of its purpose set forth above, the committee shall have the authority to conduct or authorize investigations into any matters within its scope of responsibility. Specifically, it is empowered to:

- Recommend a contract with the external auditor for the annual audit of the university. The nomination of the independent public accountant shall be approved by the State of Ohio, Auditor of State;
- Resolve any disagreements between management and the external auditor regarding financial reporting;
- Pre-approve all auditing and non-audit services to be provided by the external auditor and/or delegate this authority to the Committee Chair;
- Provide oversight for university's investment program;
- Seek access through the university to obtain counsel, accountants, or other expertise to advise the Committee or assist in the conduct of an investigation;
- Seek any information it requires from employees - all of whom are directed to cooperate with the Committee's requests - or external parties;
- Meet with university officers, external auditors, internal auditors, compliance officer, university counsel, or outside counsel, as necessary; and
- Serve as an objective party, independent of management, to monitor the university's financial reporting process, system of internal control over financial reporting, and compliance with laws and regulations.

The Committee will carry out the following responsibilities:

Financial Statements

- Review and approve the external auditor engagement letter;
- Review with management and the external auditors the results of the audit, including any difficulties encountered;
- Review and discuss the university's annual audited financial statements with management and the external auditors prior to submission to the appropriate regulatory officials;
- Evaluate annually the external auditor's qualifications, performance and independence, including a review and evaluation of the lead partner, taking into account the opinions of the university's management and the internal audit director, and report its conclusions

to the Board of Trustees;

- Discuss significant adjustments proposed by the external auditor and complex or unusual transactions in highly judgmental areas;
- Discuss any related significant findings and recommendations of the external auditors;
- Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing standards;
- Review any disagreements between the external auditor and management about matters that could be significant to the university's financial statement or the auditor's report. The fundamental responsibility for the university's financial statements and disclosures rests with management, while the external auditor is responsible for accurately auditing such statements and disclosures. The Committee is not responsible for guaranteeing the accuracy of the university's financial statements or the quality of the university's accounting practices. The Committee does not prepare the university's financial statements nor is it responsible for determining GAAP.

Internal Control

- Consider the effectiveness of the university's system of internal control over financial reporting, including information technology security and control;
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit

- Approve the internal audit charter;
- Review annually with director of internal audit the guidelines, plans, activities, staffing, and organizational structure of the internal audit function;
- At least once per year, review the performance of the internal audit director and concur with the annual compensation and salary adjustment;
- Review the effectiveness of the internal audit function, including conformance with the Institute of Internal Auditors' Definition of Internal Auditing, Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing;
- Approve the decisions regarding the appointment, review, and removal of the director of internal audit;
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, review, replacement, or dismissal of the director of internal audit;
- On a regular basis, meet separately with the director of internal audit to discuss any matters (including fraud) that the Committee or internal audit believes should be discussed privately;
- Ensure there are no unjustified restrictions or limitations on the internal audit function.

External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit;
- Review the performance of the external auditors, and exercise input on the appointment or discharge of the auditors;
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the university, including non-audit services, and discussing the relationships with the auditors;

- Provide oversight for the rotation of the lead external audit partner;
- On a regular basis, meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance;
- Obtain regular updates from chief compliance officer and university legal counsel regarding compliance and legal matters;
- Review the findings of any examinations by regulatory agencies, and any auditor observations;
- Discuss university policies with respect to risk assessment and risk management and review any contingent liabilities and risks that may be material to the university;
- Discuss with management, internal auditors, and independent auditors significant risk exposers and steps to monitor, mitigate, and control these risks;
- Review compliance with Related Party/Conflict of Interest Disclosure Statements for senior management annually;
- Approve the decisions regarding the appointment, review, and removal of the chief compliance officer;
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, review, replacement, or dismissal of the chief compliance officer;
- Review annually with the chief compliance officer the guidelines, plans, activities, staffing, and organizational structure of the compliance function;
- Review the effectiveness of the compliance function;
- On a regular basis, meet separately with the chief compliance officer to discuss any matters that the Committee or compliance believes should be discussed privately;
- Ensure there are no unjustified restrictions or limitations on the compliance function.

Finance

- Provide oversight of the University's financing plans, financial condition, borrowing and investment policies, annual operating budgets, insurance and risk management programs, capital investment and financial reporting practices.
- On an annual basis, review and approve the university's operating budget and capital investment plan; including the approval of the utility system capital improvement plan.
- On an annual basis, review and approve tuition and fees; including room and board rates
- Approve university issuance of debt and authorize approvals associated with Bonds, Commercial Paper Notes, and Subordinated Indebtedness.
- Review and approve the financing for university real property matters including the sale and purchase of property,
- Approve funding plans for major capital projects of the University; including leases. Authorize the university to enter into professional services and construction contracts. Approve funding of utility system capital improvement projects.
- On an annual basis, approve the Athletic fees for men's' football, men's basketball and the Ohio State Golf Course.
- Periodically review the University's overall risk management programs and major insurance policies and related issues.

- Review and approve the university's investment policy. Provide oversight of short-term, intermediate-term and long-term investments
- Review university long-range financial planning and monitor the long term fiscal health of the university in alignment with the overall university strategic plan.
- Review on an annual basis the university's board policy on purchasing and competitive bidding; waivers of competitive bidding activities, the internal bank, and efforts related to commercialization.

Reporting Responsibilities

- Regularly report to the Board of Trustees about Committee activities, issues, and related recommendations;
- Provide an open avenue of communication between internal audit, the external auditors, compliance and integrity, and the Board of Trustees;
- Review any other reports the university issues that relate to Committee's responsibilities.

Other Responsibilities

- Perform other activities related to this charter as requested by the Board of Trustees;
- Provide oversight for the university's enterprise risk management program;
- Institute and oversee special investigations as needed;
- Given the reporting relationship, receive regular reports from director of internal audit, general counsel, and chief compliance officer and provide opportunity for them to meet separately to discuss any matters that the Committee or director of internal audit, general counsel, and chief compliance officer believes should be discussed privately;
- Establish procedures for the confidential and anonymous receipt and treatment of complaints regarding the university's accounting, internal controls and audit matters;
- Establish standards for ethical conduct, and ensure that management has established processes to meet these standards;
- Perform any other activities consistent with this charter, the university's Bylaws and governing law, as the Committee or the Board of Trustees deems necessary or appropriate;
- Review and assess the adequacy of this Committee charter annually, requesting the Board of Trustees approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation;
- Report to the Board of Trustees, at least annually, regarding the Committee's activities in discharge of its duties as described in this Committee charter;
- Evaluate the Committee's and individual members' performance on a regular basis.

Committee Meetings

The committee generally shall meet in conjunction with the regularly scheduled meetings of the full board, and at such other times and places as it deems necessary to carry out its responsibilities. The Committee has the authority to convene additional meetings, as circumstances require. As necessary or desirable, the chair of the Committee may request that members of management, the director of internal audit, the chief compliance officer, and the representatives of the external auditor be present at a meeting of the Committee. Meeting agendas will be prepared and provided in advance to members, along with the appropriate briefing materials.

Audit, Compliance & Finance Committee Charter

As part of its job to foster open communication, the Committee shall meet at least annually with management, the director of internal audit, the chief compliance officer, and the external auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately.

A majority of the voting members of the committee shall be present in person at any meeting of the committee in order to constitute a quorum for the transaction of business at such meeting.

Committee Membership

All members of the committee, as well as the committee chair and vice chair, shall be appointed by the chair of the board. The chair and vice chair of the committee shall be trustees or charter trustees. Trustees, student trustees, charter trustees and non-trustee committee members shall all be voting members of the committee.

In addition to the trustees appointed to the committee, the committee shall also consist of at least one student trustee and up to three additional non-trustee members. Each member of the committee shall serve for such term or terms as the chair of the board may determine or until his or her earlier resignation, removal or death.

All committee members must be independent of management and the external auditor. With the exception of student member, financial literacy and/or an understanding of GAAP and financial statements is necessary for membership on the committee. In order to be deemed independent, the committee member:

a. Is not, and has not been for a period of at least three years, an employee or non-employee executive officer of the university or any of its affiliates;
b. Does not directly have a business relationship with the university;
c. Is not employed as an executive of another corporation/university where any of the corporation's/university's executive officers serve on that corporation's/university's compensation committee; and
d. Does not have an immediate family member who is an executive officer of the university.

At least one member of the committee must be designated as the "financial expert," In order to be deemed a "financial expert," at least one member of the Committee must have:

a. An understanding of GAAP and financial statements;
b. The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
c. Experience in preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the issues that can reasonably be expected to be raised by the university's financial statements (or experience actively supervising one or more persons engaged in such activities);
d. An understanding of internal controls and procedures for financial reporting; and
e. An understanding of audit and compliance committee functions.

Staff and Other Support

Primary staff support for the committee shall be provided by the Office of Legal Affairs and Office of Business and Finance, with support from the Office of University Compliance and Integrity and the Department of Internal Audit. Further, the committee shall obtain advice and assistance as needed from internal or external auditors, accountants, or other advisors as deemed necessary by the committee.

Audit, Compliance & Finance Committee Charter

University Bylaws

The provisions of this charter are intended to comport with the bylaws of the university. To the extent that these provisions conflict, the university bylaws shall control.