**Background**

Senate Bill 6 of the 122nd General Assembly was enacted into law in 1997. It is designed to increase financial accountability of state colleges and universities by using a standard set of measures with which to monitor the fiscal health of campuses. Using the year-end audited financial statements submitted by each public institution, the Ohio Department of Higher Education (ODHE) annually applies these standards to monitor individual campus finances. In addition, Senate Bill 6 requires state colleges and universities to submit quarterly financial reports to the ODHE within 30 days after the end of each fiscal quarter.

**Ratio Analysis Methodology**

In order to meet the legislative intent of Senate Bill 6, the ODHE computes three ratios from which four scores are generated. The data and methodology used to conduct the ratio analysis along with The University’s figures are as follows:



\* Fiscal year 2019 is not final until certified by the Ohio Department of Higher Education in early calendar 2020.

The methodology for calculating the three ratios and the composite score is as follows:

* Viability ratio: Expendable net assets divided by plant debt.
* Primary Reserve ratio: Expendable net assets divided by total operating expenses.
* Net Income ratio: Change in total net assets divided by total revenues.
* Composite Score: A weighted summary score of all three ratios. This is the primary indicator of fiscal health.

**Assignment of Scores**

Based on the calculations described above, each ratio is assigned a score ranging from zero to five according to the criteria listed in the table below. A score of 5 indicates the highest degree of fiscal strength in each category.



NOTE: A composite score of or below 1.75 for two consecutive years would result in an institution being placed on fiscal watch. The highest composite score possible is 5.00.

|  |  |  |
| --- | --- | --- |
|  |  | **Composite Score**  **Fiscal Year 2019**  **2.8** |
|  |  | **Viability Ratio**  The Viability Ratio measures the availability of expendable net assets to cover debt should The University need to settle its obligations as of the balance sheet date. |
|  |  | **Primary Reserve Ratio**  The Primary Reserve Ratio measures the financial strength of The University by indicating how long the institution could function using the expendable reserves without relying on additional net assets generated by operations. |
|  |  | **Net Income Ratio**  The Net Income Ratio measures The University's profitability or ability to operate within its means. Continued gains or losses measured by the ratio will impact all the other fundamental elements of financial health over time. |