

**TITLE:** Higher Education Institution Financial Reporting and Oversight

**DESCRIPTION:** The Finance Committee was briefed on the SHEEO report on assessing financial health and risk, and guest speakers from the Ohio Department of Higher Education discussed their work in this area.

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## **COMMITTEE'S REVIEW**

The Finance Committee received this information update at their January 16, 2024, meeting. It will not be covered or presented in detail at the January 19 board meeting; however, staff will be available for questions.

## **BACKGROUND**

The State Higher Education Executive Officer organization (SHEEO) produced a report in October 2018 titled, "Monitoring and Assessing the Financial Health and Risk of Colleges and Universities." This publication notes that since the Great Recession, states have seen an increase in institutional closures, particularly private institutions, and in mergers and consolidations of public institutions. In a 2021 report, Ithaka S+R states that,

"Across American higher education, institutional consolidations are on the rise. In particular, multiple state systems have proposed or completed mergers of regional universities and/or community colleges with the stated goal of increasing efficiency. The conditions prompting these consolidations have been mounting for years—among them a long-term downward trend in state support for higher education and demographic shifts away from traditional-aged college students, especially in rural areas where numerous public institutions are located."<sup>1</sup>

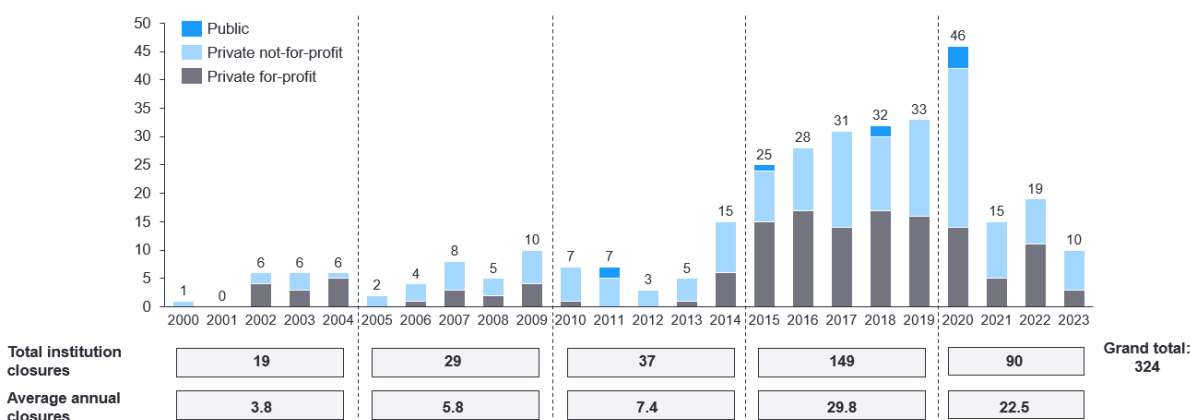
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<sup>1</sup> *Public College and University Consolidations and the Implications for Equity*, Ithaka S+R, August 30, 2021, <https://sr.ithaka.org/publications/public-college-and-university-consolidations-and-the-implications-for-equity/>

Examples of states completing consolidations and mergers in recent years include Georgia, Pennsylvania, and Wisconsin. Furthermore, a total of 324 public and private institutions have closed since 2000, with notable acceleration in recent years.<sup>2</sup>

The SHEEO report, which is attached, recommends that SHEEO agencies take steps to better assess the financial health of institutions to enhance transparency and accountability and protect students and taxpayers, who could be adversely affected if institutions face financial hardship or close.

**Figure 1. Count of campus closures of higher education institutions, by year of completion and sector, 2000-2023 YTD**



CPE has begun developing tools to assess institutional financial health and risk from market pressures. Additional funds from the Governor and General Assembly have been requested to build capacity for this work. In the coming months, the Finance Unit will be conducting a review of financial oversight policies in a sample of other states. To help initiate discussions, staff invited representatives from the Ohio Department of Higher Education to today's meeting to give an overview of their agency's financial monitoring and oversight policies and procedures.

<sup>2</sup> Part 5: Rise in institutional closures, Kasia Lundy, EY-Parthenon, September 21, 2023, <https://www.linkedin.com/pulse/part-5-rise-institutional-closures-kasia-lundy/>