

# The University of Akron

# Senate Bill 6 Ratio

## 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 Board of Regents 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 Board of Regents 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 Board of Regents 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:

Financial Statement Categories		The University of Akron (in millions)				
		2010	2011	2012	2013	2014
Expendable net assets	The sum of unrestricted net assets and restricted expendable net assets	\$126.5	\$174.5	\$161.2	\$158.2	\$176.8
Plant debt	Total long-term debt (including the current portion thereof), including but not limited to bonds payable, notes payable, and capital lease obligations	\$424.9	\$398.9	\$386.7	\$407.9	\$474.0
Total Revenues	Total operating revenues, plus total non-operating revenues, plus capital appropriations, capital grants and gifts, and additions to permanent endowments	\$482.2	\$500.3	\$506.2	\$492.6	\$497.9
Total operating expenses	Total operating expenses, plus interest on long-term debt	\$442.3	\$464.7	\$495.0	\$506.6	\$490.0
Total non-operating expenses	All expenses reported as non-operating with the exception of interest expenses	\$1.1	\$2.6	\$0.2	\$0.1	\$0.2
Change in total net assets	Total revenues (operating and non-operating) less total expenses (operating and non-operating)	\$38.8	\$33.0	\$11.0	(\$14.2)	\$7.7

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

- x Viability ratio: Expendable net assets divided by plant debt.
- x Primary Reserve ratio: Expendable net assets divided by total operating expenses.
- x Net Income ratio: Change in total net assets divided by total revenues.
- x 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.

Ratio	Composite Weight	Ratio Scores					
		0	1	2	3	4	5
Viability Ratio	30%	< 0	0 to .29	.30 to .59	.6 to .99	1.0 to 2.5	> 2.5 or N/A

Composite Score

Fiscal Year 2014

**3.2**

Viability Ratio

The Viability Ratio measures the availability of expendable net assets to cover debt should The University need to settle its obli