

Sensitivity Analysis – State Universities

Across the FY21 sensitivities, up to four state universities could experience liquidity below a threshold of 30-days of cash operating needs

	Shortfalls below cash threshold	Months below threshold	Observations	Mitigating strategies
Base Case	0	N/A	<ul style="list-style-type: none"> State university system in aggregate burns ~17% of starting liquidity All 9 end FY21 in positive liquidity position None have shortfalls after considering a cash threshold of 30-days operating spend 	<p>Proposed MSCBA restructuring could help avoid estimated FY21 liquidity shortfalls under the sensitivities performed</p> <ul style="list-style-type: none"> Proceeds from new bonds could result in lower FY21-FY28 debt service payments
Downside Case	0	N/A	<ul style="list-style-type: none"> System burns ~31% of starting liquidity, all end year in positive liquidity position None have shortfalls after considering a cash threshold of 30-days operating spend 	<p>Even with MSCBA restructuring, there could be a considerable cash burn unless institutions undertake significant cost reductions; identified strategies include:</p> <ul style="list-style-type: none"> Furlough program, hiring freeze, raise cap, and other personnel cost reductions Reduction of travel and transportation expenses Decrease in administrative, facilities, equipment, and other costs
Pessimistic Case	4	One to three months during spring semester	<ul style="list-style-type: none"> System burns 58% of starting liquidity, but all 9 end FY21 with positive liquidity balances However, 4 of the 9 universities fall below the threshold of 30-days operating spend during the course of the year 	

Note: Cash threshold calculated as projected average 30 days of cash operating expenditures; actual minimum cash needs of the individual institutions may vary and should be considered by each institution; operating expenditures refers to cash portion of projected operating expenses in the Base Case; revenue refers to total annual revenue in the Base Case; state university set (9 institutions) excludes UMass system
Source: Internal data