

**Resources Committee
Ohio Board of Regents
Minutes of the Meeting of March 21, 2002**

The meeting of the Resources Committee of the Ohio Board of Regents was held at the Regents' offices in the Rhodes State Office Tower in Columbus, Ohio. In attendance were the following:

Ohio Board of Regents members:

Tahlman Krumm
Floyd Nickerson

Ohio Board of Regents staff:

Kyle Gephart, Assistant Director, Capital Development
Kathy Hill, Administrator for Workforce Development
Neal McNally, Assistant Director, Budget & Resource Planning
Richard L. Petrick, Vice Chancellor for Finance

Guests:

Bob Burke, Association of Independent Colleges & Universities of Ohio
Larry Christman, Association of Independent Colleges & Universities of Ohio
Charlie Clark, University of Akron
John Cotman, Ohio Aerospace Institute
Keith Kamerer, VP for Finance, Edison State Community College
Jim Johnson, Ohio Faculty Senate/Sinclair Community College
Earl Keese, President, Lima Technical College
Chuck Mann, Owens Community College
Lea Pappas, Calfee Halter & Griswald, LCC
James Plummer, University of Cincinnati
Bill Sanford, BioEnterprise Corporation

The meeting was called to order by Regent Nickerson and introductions were conducted. The minutes of the January 2002 Committee meeting were approved without objection.

Reports and updates

Vice Chancellor Petrick briefed the Committee on the special independent review of Edison State Community College's new financial system conducted by Deloitte & Touche at the request of the Regents. In a letter to Chancellor Chu, Deloitte & Touche reported that Edison State's new financial system is completely operational. Keith Kamerer assured the Committee that Edison State would meet all future financial reporting requirements. Mr. Kamerer also confirmed that Edison State had submitted all necessary financial reports to date, and noted that the College's FY 2001 audit showed that Edison State is fiscally strong.

Vice Chancellor Petrick updated the Committee on the status of the state's finances. Mr. Petrick stated that recent data shows an estimated \$1 billion budget deficit for the FY 2002-2003 biennium—\$400 million in FY 2002 and \$600 million in FY 2003. Mr. Petrick noted that House Bill 405, the FY 2002-2003 budget-balancing act, does not provide funds or expenditure reductions sufficient to meet this shortfall. The main cause of the budget shortfall is the fact that revenues from personal income and corporate franchise taxes have been below estimates. However, because state

expenditures are also below estimates, the net budget shortfall for FY 2002 is projected to be about \$71 million. Mr. Petrick said that although Governor Taft might propose using the state's rainy day fund to help balance the budget, the General Assembly might be adverse to such an option. And given the political climate in the state legislature, Mr. Petrick also ruled out an increase in taxes as a possible solution.

Mr. Petrick briefed the Committee on the agreement reached between the governor and the IUC presidents regarding FY 2003 tuition increases. The agreement would keep tuition increases (for resident undergraduates) at public universities below 10% in FY 2003. The agreement would also allow Ohio State and Ohio University to implement two-tiered tuition rates through one-time increases of \$300 and \$475 for incoming freshman at OSU and OU, respectively. Mr. Petrick said that this agreement was based on a quid pro quo, that is, campuses would agree to keep tuition increases to the agreed-upon levels as long as the higher education budget is not further cut in FY 2003. Regent Krumm asked how the increasing costs in Medicaid would impact the state's finances. Mr. Petrick said that healthcare-related costs have increased by 12.5% above last year's levels, and that this same cost pressure is also impacting campuses. Chuck Mann agreed and stated that health insurance rates for faculty and staff at Owens Community College are rapidly increasing. Consequently, Owens has had to reduce personnel, which makes it difficult for the College to fulfill its mission, especially in light of Owens' growing enrollments. Regent Krumm noted the economy appears to be improving but that Ohio has historically lagged the nation in recovering from economic downturns. Jim Johnson suggested that campuses create purchasing pools to cut healthcare costs. Mr. Petrick said that an IUC subcommittee is currently reviewing this option and that two-year campuses are included in these discussions. Mr. Petrick told the Committee that the mediator in the *DeRolph* case has left and that the case has been sent back to the Ohio Supreme Court. The failure of parties in the *DeRolph* case to reach a compromise could mean an additional \$1.2 billion annual budget constraint.

Vice Chancellor Petrick briefed the Committee on a college cost study conducted by the National Center of Education Statistics that shows that costs at Ohio's colleges and universities are not above average. Mr. Petrick noted that while tuition is 4% to 4.5% above inflation, state and federal support for higher education has decreased 1% to 1.5% annually. Mr. Petrick said that college costs have annually increased by only about 1% per student above inflationary increases. The report shows that revenues have shifted at campuses—declining government support is offset by revenues from increases in student tuition and fees. Mr. Petrick said that the report would be distributed to the members of the General Assembly who have expressed an interest in college costs.

Items for review in April and action in March

Jim Plummer briefed the Committee on the University of Cincinnati's request to pledge student fees in support of a bond issuance not to exceed \$48 million. The bond proceeds would be used by UC to finance the construction of a 480,000 square-foot, multi-level parking garage on Calhoun Street near UC's main campus, to be used primarily by students, faculty, and staff. According to Mr. Plummer, the garage would essentially pay for itself through user fees and rental revenues. The garage is part of UC's master plan that includes the elimination of all surface parking. Mr. Plummer assured the Committee of the need for the new garage, stating that the shortage of

parking is one of the most commonly heard complaints received by UC's administration.

John Cotman briefed the Committee on the \$300,000 joint use agreement between the Ohio Aerospace Institute and the Board of Regents. This agreement continues the OAI-OBR relationship that dates back over multiple biennia. As in the past, OAI intends to apply the funds toward miscellaneous renovations, including network cabling replacement and damper system reconstruction. According to Mr. Cotman, the agreement augments the existing partnerships between OAI and the state universities with engineering programs.

Items for action in March (reviewed in January)

Kyle Gephart briefed the Committee on the release of child daycare funds appropriated in House Bill 640. According to Mr. Gephart, the distribution of the funds was prioritized in a manner consistent with the legislative intent of H.B. 640, that is, to provide funds for the construction of campus daycare centers that serve the children of students. Vice Chancellor Petrick also noted that every public campus in Ohio would now have a child daycare center built with state funds. This represents the culmination of an initiative started in 1992 to achieve this goal. Available funds that were not awarded during this biennium have been re-appropriated to allow for a future request for daycare proposals, planned in FY2003-2004.

Bill Sanford briefed the Committee on the joint use agreement between the BioEnterprise Corporation and the Board of Regents. Mr. Sanford said that the purpose of the agreement is to help improve the commercialization of biomedical inventions developed in Ohio and particularly at Ohio's research universities. He said that the Corporation expects to raise \$500 million in outside contributions during the next five years. Regent Nickerson asked about commercialization efforts that have been successful in the past. Mr. Sanford cited the successful clinical relationship developed between the Cleveland Clinic and an Israeli company that consequently established its U.S. headquarters in Ohio. Vice Chancellor Petrick told the Committee that this item had not been reviewed in January and was requested to be fast-tracked. Mr. Petrick noted that pursuant to House Bill 640, the Board of Regents' approval of this item is contingent upon the approval of an additional oversight committee. Mr. Petrick said he had already received assurances from the Office of Budget & Management that the appropriate oversight committee would review this joint use agreement.

Vice Chancellor Petrick noted the other action items on the agenda that were reviewed in January. These items included fee pledges by Kent State University and the University of Cincinnati to support bond issuances not to exceed \$60 million and \$53.2 million, respectively. The January and February Controlling Board items were also noted.

Regent Nickerson motioned to recommend approval for all action items, and Regent Krumm concurred. The meeting was adjourned.

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