

**Resources & System Efficiency Committee
Ohio Board of Regents
Minutes of the Meeting of March 11, 2004**

The meeting of the Resources & System Efficiency Committee of the Ohio Board of Regents was held at the University Center on the campus of Shawnee State University in Portsmouth, Ohio. In attendance were the following:

Committee members:

J. Gilbert Reese, Committee Chair
Bruce Beeghly
Donna Alvarado

Other Board members in attendance:

Jeanette Brown
Anthony Houston
Gerald Miller
Thomas Noe
Ralph Schey

Ohio Board of Regents staff:

Jamie Abel, Assistant Director for Media Relations
Harry Andrist, Director, Research & Graduate Programs
David Barber, Consultant, Academic & Access Programs
Roderick Chu, Chancellor
Jack Connell, Asst. Director, Degree Programs, Private Inst./Tuition Reciprocity
Bret Crow, Assistant Director for Communications
Jocelyn Frasier, Assistant Director, Knowledge Economy Awareness Initiative
Kris Frost, Vice Chancellor for Operations
Deborah Gavlik, Associate Vice Chancellor, Government Relations
Darrell Glenn, Director for Performance Reporting & Analysis
Jay Johnson, Assistant Director, HEI System
Robert Johnson, Assistant Director, Workforce Development
Kathy Hill, Administrator for Workforce Development
Neal McNally, Assistant Director, Budget & Resource Planning
Jim Nargang, Assistant Director, Capital Development
Leslie Sawyer, Director, Access Initiatives
Garry Walters, Vice Chancellor for Access & Academic Programs
Shaun Yoder, Legislative Liaison

Guests:

John Buttelerwerth, Faculty Senate	Jim Johnson, Sinclair College
Linda Carr, University of Toledo	John Kotowski, Ohio University
Larry Christman, AICUO	Rich Lewis, NEOUCOM
Larry Corrigan, Ohio University	Cindy McQuade, IUC
Jill Craig, Sen. Robert Gardner	August Napoli, Cleveland Clinic
Laurie Day, Cleveland St. Univ.	Jeannette Petrolia, Geneva St. Park
Lonnie Dishop Liberty/Washington Fire Dept.	Joan Steidle, KSU-Ashtabula
	Terry Thomas, OACC

The meeting was called to order by Regent Reese and the minutes of the November 2004 Committee were approved without objection.

Reports and updates

Associate Vice Chancellor Deborah Gavlik told the Committee that the House of Representatives is working on the capital re-appropriations bill, which would re-appropriate moneys from previous capital bills that have not yet been spent. Even though this is usually a technical procedure, the bill contains new appropriations of \$522.6 million for K-12 construction, \$120 million for local public infrastructure, and \$50 million for the Third Frontier Project. The new K-12 appropriations are of concern because this reduces the pressure on the legislature to move forward on the next capital bill. Ms. Gavlik also alerted the Committee to an amendment to the re-appropriations bill that would give two-year public colleges the authority to issue bonds to build residence halls and dining facilities. The amendment originally gave only Hocking College the authority to issue local bonding, but had been modified to include all two-year public campuses. Larry Christman voiced his opposition to the amendment, stating that two-year campuses are intended to serve local constituencies and that the amendment could encroach on the missions of four-year campuses. Terry Thomas voiced his support for the amendment, stating that it would simply give two-year campuses more flexibility to deal with capital issues as they arise. Mr. Thomas also stated that Regents staff had not voiced concern over the earlier version of the amendment that affected only Hocking College. Noting his concern over the construction of residence halls at some of Ohio State University's regional branch campuses, Regent Reese said he supports the notion of local missions for two-year campuses, but said that the issue of dining facilities is an entirely different matter. Regent Alvarado asked if the Regents were being asked by the General Assembly to take a position on this issue and whether there is an urgent need to do so. Ms. Gavlik said the issue came up somewhat unexpectedly, and that legislative staff had asked for the Regents' opinion prior to passage of the bill, which is expected within the next week or so. Cindy McQuade said that the IUC had not had a chance to closely examine the issue, but said that given the current economic environment, committing additional state resources to construction projects is nonsensical. Chancellor Chu stated that the amendment would not require additional state resources, but rather would allow two-year campuses to issue local debt for construction. Chancellor Chu suggested looking at the issue as free market versus protectionism, and said the issue should be considered in the context of the Regents' central goal of educating more Ohioans. He noted the Regents' statutory obligation to provide policy advice on higher education issues, and hoped that the General Assembly would seek such advice from the Regents in a timelier manner. Regent Noe stated that it would be politically expedient for the Regents to refrain from opining on the matter. Given the brief timeframe in which to respond to the legislature, the Committee chose not to take a formal position on this issue, and would ask that the General Assembly provide more time in the future for the Regents to consider such policy issues.

Ms. Gavlik briefed the Committee on the operating budget cuts announced by Governor Taft for the current FY 2004-2005 biennium, which are needed to address a projected state revenue shortfall of \$620 million. Preliminary figures from the state Office of Budget & Management indicate that the higher education's share of the cuts would be \$13.6 million in FY 2004 and \$20.7 million in FY 2005. This represents a 4% cut to most agency line items in FY 2004, and 6% in FY 2005. Chancellor Chu noted

that the FY 2004 cuts come late in the fiscal year and that most of the FY 2004 appropriations have already been disbursed and/or expended. Therefore, Regents staff are exploring options to deal with the cuts, such as possibly deferring a portion of the FY 2004 cuts by incurring a larger cut in FY 2005.

Items for Review in March, action in April

Neal McNally briefed the Committee on the distribution of \$209,046 in Police & Fire Protection subsidies from H.B. 95. This routine distribution is designed to assist local governments in the provision of safety services when the influx of college students significantly increases the local population of certain Ohio municipalities. The only notable change this year is the addition of the city of Nelsonville, the site of Hocking College. Previously, these funds had been reserved for municipalities where certain university main campuses are located. H.B. 95 added Nelsonville, recognizing that Hocking College, though a 2-year campus, does have student housing.

Mr. McNally also briefed the Committee on the release and distribution of \$6.2 million in Primary Care and Family Practice appropriations. These routine distributions are intended to support medical instruction at the state's six medical colleges and are based on the number of recent graduates practicing medicine in the fields of primary care and family practice. The formula used to distribute the funds places a special emphasis on graduates who remain in Ohio to practice medicine, particularly in under-served regions of Ohio. Mr. McNally noted that the distributions had been reviewed and approved by the medical deans of each institution.

(Editor's note: Both of these items were inadvertently added to the consent agenda in March and approved by the full Board. These funds have not yet been disbursed.)

March action items

Lonnie Dishop briefed the Committee on a joint-use agreement between Northwest State Community College and the Washington Township Fire Department for \$200,000, which would make several fire and rescue facilities available to the college. Regent Alvarado noted the Board's two-month review process, and expressed concern about acting on items that the Board has not had a chance to thoughtfully consider. Regent Noe concurred, stating that a 30-day review period is needed to allow the public the opportunity to provide input. When asked by Regent Alvarado whether it was urgent for the Committee and Board to act today on the joint-use agreement, Mr. Dishop said there is no urgency and that Board action could wait until April. The Committee recommended deferring action until the April Board meeting.

Jeannette Petrolia and Joan Steidle briefed the Committee on a joint-use agreement between Kent State University and Ashtabula County for \$560,000. The agreement would support the construction of a training center at the Geneva State Park Lodge and Conference Center, and allow KSU-Ashtabula to use the center for non-credit job training. Both Ms. Petrolia and Ms. Steidle said that due to timing issues associated with the project, it was important that the Committee and Board bypass the review period and approve the agreement in March. In light of this, the Committee recommended approval of this joint-use agreement.

August Napoli briefed the Committee on a joint-use agreement between the Board of Regents and the Cleveland Clinic Foundation. The \$1 million agreement was appropriated in H.B. 675 for the Cleveland Clinic Heart Center Infrastructure Project. The agreement would provide access to the Heart Center for Cleveland State University faculty, technicians and graduate and undergraduate students who are engaged in research and educational programs under existing joint programs. Mr. Napoli indicated that Committee and Board action was urgent, given timing and construction issues. Jim Nargang stated that the agreement had not gone to the Committee for review earlier because of a misunderstanding with Cleveland State, which mistakenly thought it was party to the agreement. The Committee recommended approval of the agreement.

John Kotowski briefed the Committee on Ohio University's request to pledge student fees in support of a bond issuance not to exceed \$58 million. The bulk of the bond proceeds would support the construction of a new university center, for which OU intends to implement a new student fee when the center opens in FY 2007 to support the debt and operating costs. This bond issuance would also refund short-term debt incurred for utility improvements on campus, and reimburse an internal OU loan for the purchase of a new airplane. This new plane replaced two older models and would save OU more than \$100,000 a year in maintenance costs. Regent Alvarado asked for clarification on the Regents authority when considering such requests. Kris Frost said that language in H.B. 95 vaguely requires Regents' approval of such fee pledges. The language does not stipulate whether the Regents shall examine all aspects of the projects included in the request, or if the Regents shall simply examine the financial viability of issuing local debt. Regent Beeghly said that given the scope and size of OU's request, he would prefer to defer action until April. Mr. Kotowski said that this would be problematic, particularly due to the possibility that interest rates could rise and significantly increase borrowing costs for the University. He explained that internal delays at OU had prevented OU from submitting the request in time for the Regents' January meeting, although the materials were submitted to Regents staff in late January. Regent Alvarado noted that OU's projected viability ratio, which includes the \$58 million liability and increased debt service obligation, is projected to fall below 60%. Larry Corrigan said that the projected ratios are modeled by Regents staff and represent very conservative estimates. He said the projected ratios do not reflect the fact that the University would retire \$7 million in current debt this year. Mr. Corrigan asserted that OU's actual viability ratio would remain strong next year. The Committee moved to recommend approval for OU's fee pledge. However, Regent Beeghly emphasized to Regents staff the need for the Committee to have more time to review such requests in the future, and asked that this be communicated to campuses as well.

Finally, the March Controlling Board items were approved by the Committee, and the meeting was adjourned by Regent Reese.