

**Resources Committee
Ohio Board of Regents
Minutes of the Meeting of December 16, 1999**

The meeting of the Resources Committee of the Ohio Board of Regents was held in the main conference room of the Regents' offices in Columbus, Ohio. In attendance were the following:

Ohio Board of Regents members:

Ralph Schey, Committee Chair
Jeanette Grasselli Brown
Tahlman Krumm
Gerald Miller

Ohio Board of Regents staff:

Matthew Filipic, Senior Vice Chancellor
Richard Petrick, Vice Chancellor for Finance
Clyde Eberhardt, Director of Capital Development
Kristina Frost, Director of Operations
Deborah Gavlik, Director of Budgets & Resource Planning
Catherine Hill, Job Prep Administrator
Neal McNally, Administrator for Financial Analysis
Robert Sheehan, HEI Project Director

Guests:

William G. Bittle, Kent State University – Stark Campus
Christopher Culley, Ohio State University
Gerald Goodson, Jack Nicklaus Museum
Ginny Hamilton, Shawnee State University/Ohio Faculty Council
John G. Hines, Jack Nicklaus Museum
Jim Johnson, Sinclair Community College/Ohio Faculty Senate
Herman L. Koby, Rio Grande Community College
Mary Leonard, Controlling Board/Office of Budget & Management
Dan Maher, Jack Nicklaus Museum
John McGrath, President, Stark State College of Technology
John Minnick, Medical College of Ohio
William J. Napier, Ohio State University
Donna Burns Phillips, Cleveland State University/Ohio Faculty Council
Jessica Poprocki, Association of Independent Colleges & Universities
Mike Porter, Medical College of Ohio
Stephanie Soltis, Office of Budget & Management
Mary Southards, Kent State University – Stark Campus
Paul Unger, Owens State Community College
Sarah Williams, Inter-University Council

The meeting was called to order by Regent Schey. Introductions were conducted and the minutes of the previous meeting were approved without objection.

General Update

Vice Chancellor Petrick updated the Committee on the potential termination of the Joint Use Agreement between the University of Akron and the City of Akron, Summit County, and the Akron/Summit Visitors & Convention Bureau for use of the Knight Center. Vice Chancellor Petrick cited a termination clause in the agreement stipulating that the state would be reimbursed on a pro-rata basis should the agreement be terminated. The University had advised the City in September that if several previously agreed-upon governing provisions were not adopted within 60 days, the University would cancel the agreement. Vice Chancellor Petrick said that the University's action sets a precedent since it marks the first time a Joint Use Agreement has been cancelled, and since the procedures are unclear on how to proceed, the University is in consultation with the State Attorney General's office.

Vice Chancellor Petrick updated the Committee on the Board's vision, mission and goals statement, stating that continuing routine processes conducted by OBR staff should be incorporated into the statement. Vice Chancellor Petrick outlined examples of such processes that aren't projects per se, but are part of ongoing agency operations. According to Vice Chancellor Petrick, such processes include the development, submission, implementation and analysis of the capital and operating budgets, and the various aspects of OBR's information services. Regent Krumm asked about the several ongoing processes conducted collaboratively with campuses and whether these have been reviewed to ensure proper necessity. Vice Chancellor Petrick responded that he is sensitive to this issue and cited the HEI project as an effort that has eliminated several onerous reports previously required of campuses and which has enhanced other elements that continue to be required of campuses. Vice Chancellor Petrick also noted that the new capital process is simplified and decentralized. Regent Krumm inquired about the existence of statute that mandates the Board of Regents to perform certain functions or require reports of campuses, which may no longer be needed, and, if so, asked whether the Committee should explore changing the law. Vice Chancellor Petrick said that Kris Frost is reviewing this issue and cited the recent change in the local administration rule as a step in the right direction. Noting the value of campus partnerships, Regent Schey commented that campuses continue to be viewed as being vital to the state's economic growth and that the Board should aim to help them grow in this capacity. Regent Krumm agreed, saying that it is important that the Board take advantage of opportunities to change. Regent Brown said that she found the process descriptions provided by Vice Chancellor Petrick to be very informative and suggested that this also be done for other committees.

Vice Chancellor Petrick updated the Committee on the tobacco settlement legislation, Senate Bill 192, which passed out of the House of Representatives and is now in the Conference Committee. Vice Chancellor Petrick also commented on Senate Bill 206, which enacts State Issue 1 allowing the state to sell general obligation bonds to help finance facilities for K-12 and higher education while establishing a 5% debt service cap. Vice Chancellor Petrick noted that this bill represents only an interim provision for one year and that permanent law will most likely appear in the capital bill. Regent Schey asked if these general obligation bonds require a review process. Vice Chancellor Petrick said that these bonds are managed by the Auditor of State or the

State Treasurer through the state sinking fund and do not require approval from the Board of Regents. Responding to Regent Schey's concern that too much debt can lead to problems, Vice Chancellor Petrick identified the 5% debt service cap and the Senate Bill 6 ratio analysis as two safeguards.

Action Items for December

FY 2000 Instructional Subsidy

Vice Chancellor Petrick outlined the release and distribution of \$1.6 billion in FY 2000 instructional subsidy allocations representing a 3.97% increase from FY 1999, which nearly matches the Higher Education Funding Commission's recommended 4% increase. Vice Chancellor Petrick noted that he and his staff have been working with campuses for the past four to five months finalizing the calculations. Vice Chancellor Petrick also noted that House Bill 282 appropriations were actually under-spent by \$2 million, which will allow the fee assumption to be marginally lowered upon Board of Regents and Controlling Board approval. Regent Schey asked about the level of increase in the Higher Education Price Index (HEPI), to which Vice Chancellor Petrick responded was historically higher but now just about equals the Consumer Price Index. Regent Schey asked if the HEPI and the CPI should be tied together for analytical purposes. Vice Chancellor Petrick said that to drive subsidy, OBR shifted from using the HEPI to using a combination of the CPI and the Employment Cost Index from the U.S. Department of Commerce, which contains white-collar professional data that are independent of higher education costs. Vice Chancellor Petrick reminded the Committee that the guarantee was inclusive of not only the instructional subsidy but also of selected challenge line items. Vice Chancellor Petrick said that the varying levels of increases at campuses from FY 1999 to FY 2000 could be for different reasons. For example, NEOUCOM witnessed only modest growth as the result of their usage of funds from the new capital system, whereby a certain amount of their capital request was deducted from their operating appropriations. Conversely, Owens State Community College's significant growth reflected the College's large enrollment increases. Regent Brown asserted that the Access and Success Challenge line items have had a positive effect on enrollments and that such increases should improve Ohio's standing in terms of college graduates. Paul Unger and President John McGrath confirmed a 5% reduction in tuition at both Owens State Community College and Stark State College of Technology, which has contributed to enrollment growth despite a strong economy. Jim Johnson noted that two-year colleges are providing better services and responding faster to local needs, factors that have also helped enrollments increase. Regent Brown emphasized the need for campuses to adapt to globalization, citing the recent protests of the World Trade Organization's meeting in Seattle as evidence of just how misunderstood this issue is.

Capital Recommendations

Vice Chancellor Petrick described what he referred to as a "block obsolescence problem" for state higher education – over 65% of available space was constructed prior to 1980. That's 35 million square feet, much of which is in need of renovation. Vice Chancellor Petrick said that the amount of state capital resources for new construction was over 50% in the early 1990's but is projected to drop to below 20% by 2003-2004, whereas the amount of state resources devoted to rehabilitating

existing facilities is projected to grow from 16% to over 40% during this same time period. Responding to Regent Brown, Vice Chancellor Petrick stated that rehabilitation includes projects costing over \$500,000. Although it typically isn't necessarily a cost effective strategy, Vice Chancellor Petrick also observed that campuses allocate capital resources to preserve historic buildings, which is important to the state's historical legacy as well as to alumni. Regent Brown emphasized the importance that such decisions be made at the campus level. Regent Miller asked about the trend of total capital resources between 1991 and 2004, to which Vice Chancellor Petrick responded is dropping when adjusted for inflation. Vice Chancellor Petrick noted that higher education is operating under a \$500 million cap on capital resources imposed by the Office of Budget & Management, a feat made possible by asking campuses to reexamine capital needs and to scale back capital requests by 4 - 5%. In addition, Vice Chancellor Petrick noted cuts to the Ohio Supercomputer Center and to OhioLink that were needed to meet the cap and to maintain other key investments. Consequently, the Board will need to be flexible in allowing campuses to readjust and reconsider capital requests because of the short notice given to campuses regarding the effects of the cap.

Vice Chancellor Petrick briefly outlined the child daycare center allocations and moved on to the first of three joint use agreements. Addressing the first joint use agreement on the agenda, Regent Krumm asked the representatives from Ohio State about the benefits the University would receive from its agreement with the Jack Nicklaus Museum. William Napier responded that the agreement would provide several benefits to OSU, including educational opportunities for students and faculty in turf management research, for example, and internship opportunities for students. Additionally, Dr. Napier said the museum would serve as an attraction for tourists, students, and athletes, and that OSU would own the facility through a lease agreement with the museum. Noting that Controlling Board requests tend to peak in the summer and level off during the winter months, Vice Chancellor Petrick commented on two other joint use agreements between Stark State College of Technology and the Canton City Board of Education, and between Rio Grande Community College and the Meigs County Community Improvement Committee, both of which were reviewed at the November meeting of the Resources Committee.

Vice Chancellor Petrick directed the Committee's attention to the Medical College of Ohio's request to reallocate House Bill 850 capital funds. Michael Porter said that MCO is seeking Controlling Board approval to transfer \$5.4 million from the College's *Classrooms of the Future* project to seven other projects, some of which are already complete. Mr. Porter described this as MCO's effort to keep up with the rapidly changing world of medicine and to ensure Y2K compliance. Mr. Porter detailed the steps taken by MCO to ensure Y2K compliance, which has cost the College over \$20 million. Mr. Porter acknowledged that the new capital process forced MCO to reconsider the College's capital plan and to seek this request to re-deploy its HB 850 appropriations. Senior Vice Chancellor Filipic stated that the new capital process has encouraged MCO to rethink their capital priorities. Senior Vice Chancellor Filipic asserted that MCO's request shows that the new capital process has resulted in greater campus accountability, while decentralizing decision-making and increasing campus control, which is consistent with the Board of Regents' overall principals. Mr. Porter agreed and stated that the new capital process allows campuses to react to

changing campus needs. Regents Schey and Miller applauded MCO's efforts and recommended approval of the College's request.

Review Items for January

Vice Chancellor Petrick turned the Committee's attention to the proposed \$1 million Joint Use Agreement between Cleveland State University and the Cleveland Playhouse. Donna Burns Phillips stated that the University is satisfied with the terms of the agreement, which will provide scholarship, internship and employment opportunities for CSU students. Regent Krumm noted the importance that such Joint Use Agreements provide clear and unambiguous benefits for higher education.

Other Items

Vice Chancellor Petrick acknowledged the diligent work of his staff, including Clyde Eberhardt for his work on the capital budget, Deborah Gavlik for her work on the instructional subsidy, and Neal McNally for recording the Committee minutes. The meeting was adjourned.

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