

Minutes  
OHIO BOARD OF REGENTS  
Special Meeting  
December 12, 2001

**CALL TO ORDER AND ROLL CALL**

The meeting was called to order by the Chair, Jeanette Grasselli Brown.

The roll was called by the Acting Secretary, Thomas W. Noe. Those present were:

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| Edmund J. Adams    | Floyd W. Nickerson |
| Jeanette G. Brown  | Thomas W. Noe      |
| Gerald M. Gordon   | J. Gilbert Reese   |
| Tahlman Krumm, Jr. | Ralph E. Schey     |
| Gerald M. Miller   |                    |

Regent Noe stated “the record should show that notice of this meeting has been given in accordance with provisions of the Board of Regents’ Rule 3333-1-14, which rule itself was adopted in accordance with section 121.22(F) of the Ohio Revised Code and of the State Administrative Procedures Act.”

**APPROVAL OF MINUTES OF NOVEMBER 15, 2001**

A motion was made by Regent Reese to approve the Minutes of the November 15, 2001, meeting of the Board. The motion was seconded by Regent Miller and it was unanimously passed.

**CONSIDERATION OF HIGHER EDUCATION CAPITAL RECOMMENDATIONS FOR THE FY 2003-FY 2004 CAPITAL BIENNIUM**

***FY 2003 – FY 2004 Higher Education Capital Recommendations***

Presentation to the Ohio Board of Regents  
By Richard L. Petrick  
Vice Chancellor for Finance

Madame Chair, Members of the Board, Chancellor Chu, and distinguished guests:

I am pleased to present to you today the higher education capital recommendations for FY 2003 – FY 2004.

Before I dive into the details of these recommendations, let me take a minute to remind the Board and our guests of the scale and scope of the higher education facilities operated by state-assisted colleges and universities in Ohio.

Overall, Ohio’s campuses manage about 100,000,000 square feet of space. *To help us all better comprehend this number, 100,000,000 square feet of space is in*

*fact the equivalent of 16 Pentagons.* About one-half of these facilities are auxiliary facilities – dormitories, dining halls, bookstores, hospitals, and the like – that are self-financed and require little if any support from the state. The other half, about 52 million square feet of space, is state supported, as these facilities have been constructed or purchased with state dollars. The replacement value of this state-supported portion alone is conservatively valued at \$10.4 billion. These facilities serve over 550,000 students annually.

Some people erroneously believe that Ohio is overbuilt, and that we have too many campuses or too many facilities. Our studies demonstrate unequivocally that this belief is wrong: compared to national data and available data from other states, Ohio is just about average in terms of total number of campuses per capita, or total square feet per student.

#### I. Why Additional Funds Are Needed

The Board is asked to consider approval of FY 2003 – FY 2004 higher education capital recommendations totaling \$544.7 million<sup>1</sup>, which is a \$44.7 million increase over the capital recommendations made two years ago.

These recommendations represent the first real increase in recommended capital appropriations in about 10 years. Due to flat funding from the state and the effects of inflation, the real value of the state’s capital investments in higher education has eroded between 3% - 5% per year. The amounts recommended here represent an increase of almost 9% over the FY 2001 – FY 2002 recommendations. Even if fully funded at this level, these amounts would still be insufficient to help offset the effects of inflation over the past ten years, let alone significantly address the pressing needs of campuses to upgrade their aging facilities.

About 65% of these facilities were built or last rehabilitated before 1981, and a large percentage – almost 50% -- was built between 1960 and 1980 to serve the Baby Boom generation. “Block Obsolescence” refers to the almost simultaneous aging of this large block of facilities that are now between 20 and 40 years old. As a result of this problem, campuses need a major increase in state capital resources to rehabilitate, renovate, or replace these facilities. This capital request includes a recommendation for a major increase in the Basic Renovations allocation to assist campuses in addressing this problem.

Using campus-supplied data, we estimate that the accumulated cost – the “due bill” if you will -- of rehabbing or replacing the facilities built before 1980 and suffering the effects of age is almost \$3 billion. But that’s the cost today. The bad news is that these old buildings are getting one year older every year. The

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<sup>1</sup> This amount is slightly revised from numbers distributed December 5, 2001. The major change is a \$1.6 million revision for the Hocking College appropriations. In addition, the Office of Budget and Management has advised that their “tentative planning control total” for higher education is \$525 million. Should OBM’s final control total be less than the Regents’ recommendations, Regents staff will work with campus staff and OBM to scale back the \$544.7 million request.

projected annual increment in costs – that is, the estimated additional annual cost of the progressive aging of these facilities – is between \$200 - \$300 million.

#### *What These Recommendations Will Do*

Simply put, these capital appropriations will provide colleges and universities with some of the resources they need to:

- Better educate more Ohioans, and
- Advance the state’s economic development through increased capacity for advanced research and workforce development.

These recommendations achieve these goals in three separate ways:

#### 1. Addressing the problem of block obsolescence...

The principles of good stewardship dictate that state investments must be protected and, if possible, enhanced. These recommendations will enable campuses to better exercise their stewardship by providing them with additional resources, through the Basic Renovations line and through the capital formula, to rehabilitate, renovate, or if necessary, demolish and replace, aging facilities. To help achieve this goal, the Basic Renovations line item has been increased from \$71 million to \$100 million. The capital allocation amount itself has not changed. It remains at \$354 million, just as it has been for the previous three capital cycles.

One can tell from a quick reading of the formula-based capital requests that campuses are also using significant portions of their capital formula allocations to address some of the pressing basic problems caused by “Block Obsolescence.”

#### 2. Replacing infrastructure with infostructure...

These recommendations include significant investments in a variety of initiatives that require, promote, or facilitate efficient collaboration and innovation in the use of state and campus resources. Most of these investments are computer-related and involve advanced telecommunications techniques. These facilities and entities are referred to not as “infrastructure” but as “infostructure” and include:

- \$8.54 million for OhioLINK, Ohio’s premier electronic library;
- \$12.8 million for OSC and OARnet; OSC is Ohio’s Supercomputer Center and OARnet is higher education’s internet service provider;
- \$1.5 million for Shared Services, a new initiative designed to promote collaboration among campuses in administrative and related computer operations;
- \$6.0 million for a new initiative called the Ohio Network for Research, Innovation, and Economic Growth. This fiber-optic network will provide the

greatly enhanced telecommunications capacity needed for collaboration among campuses in instruction, research, public service, and administration.

- \$20 million for the Action and Investment Fund & \$10 million for Technology Initiatives – both of which place a premium on collaboration in the award of competitive grants that support hi-tech projects.
  - \$5.7 million for the Regional Library Depositories. These funds would build new modules at two of Ohio's five regional depositories, which store infrequently used documents for public campuses in an efficient and cost-effective manner.
  - \$40 million for campus instructional equipment – basic campus IT needs;
  - \$6.3 million for new facilities for workforce training, helping to ensure that employees receive the high-tech skills they need and that campus and employers collaborate in the delivery of this much-needed training, and
  - Finally, many campuses have requested significant support for campus-specific infostructure projects.
3. Providing resources for new facilities for campuses and programs that are rapidly growing...

One key goal of the capital funding formula and policy is to ensure that capital dollars go where they are most needed. One place they are desperately needed is at campuses or in programs that are rapidly growing and are space-short. To a great extent, dollars do follow students in the capital formula, just as they do in the operating formula. Over the long run, this dynamism will ensure that the state's capital resources for higher education flow appropriately to the campuses where enrollments are increasing. So, it is reassuring to see that many campuses that are beginning to overflow with students are able to use their routine formula allocations to plan or construct new buildings to serve these additional students. This enrollment-based incentive in the formula also promotes the allocation of funds within an institution to programs that are growing to meet student demands, and community or state needs.

There are times, however, when enrollment growth outpaces the formula's ability to meet campus needs, and special interventions are needed. The new capital formula anticipated these situations and provided for what are called space shortage allocations. Three campuses – Columbus State, Owens State, and Cincinnati State – have experienced tremendous growth over the years and were deemed to be most in need of special consideration in this cycle of capital recommendations.

Final note: These recommendations do not include amounts for The Ohio Plan, which is being discussed by a joint legislative commission. We have received encouraging comments recently from state leaders and opinion makers about the centrality of The Ohio Plan, or something much like it, to Ohio's future economic development. We hope that the FY 2003 – FY 2004 capital budget includes significant start-up investments for The Ohio Plan. Without this investment, progress on The Ohio Plan would be delayed yet again.

In closing, I want to recognize and thank some of the people who contributed so much of their time and creative efforts to bringing this work to its conclusion. Here at the Regents, I benefited from the hard work and focused creativity of Stephanie McCann and Michael Long from HEI. Kyle Gephardt had his baptism by fire in being the point person who worked with campuses to develop and refine these recommendations. Rob Sheehan, Deborah Gavlik, and David Barber contributed in many major ways as well. I thank them all. I also want to extend my gratitude to the hundreds of campus staff who have cooperated and contributed to this effort for the past 9 months.

We continue to work with campuses to help them refine these requests as needed, and we are already working with the state Office of Budget and Management to refine or revise these requests as is necessary.

This concludes my remarks. Thank you.

**APPROVAL OF HIGHER EDUCATION CAPITAL RECOMMENDATIONS FOR THE FY 2003 – FY 2004 CAPITAL BIENNIUM:**

A motion was made by Regent Schey to approve Agenda Item 4, Consideration of Higher Education Capital Recommendations for the FY 2003 – FY 2004 Capital Biennium. Regent Miller seconded the motion and it was unanimously passed.

RESOLUTION 2002-64  
Agenda Item 4

WHEREAS, Section 3333.04 (I) of the Ohio Revised Code provides that the Ohio Board of Regents shall make recommendations to the Governor and the General Assembly concerning the development of state-financed plans for higher education; and

WHEREAS, the capital recommendations are based on the submission of capital plans from colleges and universities regarding the design, cost, financing, and function of capital projects; and

WHEREAS, the capital recommendations are also based on the submission of capital plans from other entities, such as OhioLINK, that provide services to higher education throughout the state; and

WHEREAS, 65 percent of college and university state-supported facilities were constructed, or last rehabilitated, before 1981; and

WHEREAS, the cost of renovating, rehabilitating, or replacing these aging facilities is estimated to be almost \$3.0 billion.

NOW THEREFORE,

BE IT RESOLVED, upon the recommendation of the Chancellor and with the concurrence of the Resources Committee of the Ohio Board of Regents, that

the higher education capital plan attached and made a part hereto is hereby approved for submittal to the Governor and the General Assembly.

**CONSIDERATION OF RELEASE OF 2001 OHIO COLLEGE AND UNIVERSITY PROFILE (FORMERLY CALLED THE 2000 PERFORMANCE REPORT)**

Chancellor Chu: We have just had a press briefing here in Columbus for members of the press to provide details of the report and to address some of their questions. As you know, Associate Vice Chancellor Sheehan and his team have been at work for the past year on this second annual performance report, and I will turn it over to Vice Chancellor Sheehan.

Associate Vice Chancellor Sheehan: Madame Chair, Members of the Board:

Specifically, let me draw attention to Regent Gordon. There's a wonderful chapter, Regent Gordon, on space utilization. It was not included in last year's report, and that is just one example of many of how the report has been enhanced as we have wrapped up this report.

We have both increased the depth of the report as well as its range; and by range, I would draw attention to the inclusion of independent and proprietary campus data in the report. We had a very successful collaboration which we hope to grow even a bit further in that regard as we look ahead to the third year of the report. We have several new chapters, the space utilization being one of them. We also have a wider scope on the employment outcomes. We are now looking at Ohio graduates, one year, two years, and three years out and showing that, indeed, in Ohio the more you learn the more you earn.

At the request of Governor Taft, we have increased our focus in this report on remediation and we are drawing a very clear bull's-eye around the two very similar statistics, one of which is that 36% of recent Ohio high school graduates require remediation. The second statistic is that 36% of our entering student population from high school are entering college without what ACT calls its academic core – that's four years of English and three years of math, science and social studies. It's very clear in this report, at the request of Governor Taft, that we have some work to do and, hopefully, we have already begun that with the issuance of standards and the continued work of the joint efforts of the Board of Regents as well as the State Board of Education.

As you know, this report was developed with the oversight of the Performance Committee and Regent Adams is the Chair of that group. We have benefited greatly from the Committee's wisdom and counsel, and Regent Adams in particular, and I invite Regent Adams to comment on it.

Regent Adams: I do have a couple of comments, but the first is to thank Rob Sheehan and the rest of the staff for a job very well done. You put in a lot of time and this is a substantially improved product over last year's report, and you have already given us indications that the next report will be even better. Our expectations are rising with each product that you produce.

Secondly, we have a commitment on the Board of Regents and in the Performance Committee to use this document as a device for analysis of policy issues and prospective policy decisions. That is a commitment that we all have made and that we intend to fulfill, not only in the coming year, but thereafter. As you indicated, one of the fruitful areas for us to explore in that respect is the subject of remediation and the credentials that 36% of the incoming freshmen are not bringing to college. Those are areas that we can fruitfully explore and perhaps come up with suggestions for improvement.

We should point out that notwithstanding the change in the name of the report, that does not symbolize a shift in the focus of the Regents from a results oriented and a performance and accountability oriented document to one that is merely descriptive of the campuses and what they are doing. At some point in this next year, we need to revisit this naming issue, but I do want to signal that at least from my standpoint, and I think from the standpoint of the Regents, that that does not represent a shift in our approach to what this report is supposed to be accomplishing.

Regent Brown: Today, the *Plain Dealer* newspaper announced the final approval of the state standards for K-12. This work was initiated by the Joint Committee of the Ohio Board of Regents and the Ohio Department of Education, and we are very pleased that these standards have been rolled-out and approved. This remediation issue, in particular, was part of the reason for forming the Joint Committee. Hopefully, the new standards will help to address the problem of students graduating from high school who are not yet prepared for admission into college. We are happy to see the action that the State Board took and that we will continue to work with the Joint Committee on these issues.

This should be a splendid document for students, parents, legislators, and all of us in Ohio who are so interested in seeing education become the driving engine for Ohio's economic development. The facts and figures in this report give us ways to measure the performance we are making towards new improved ways of using education to improve Ohio's access and affordability.

### **ACCEPTANCE OF REPORT: 2001 OHIO COLLEGE AND UNIVERSITY PROFILE (FORMERLY CALLED THE 2000 PERFORMANCE REPORT)**

A motion was made by Regent Reese to accept the report "2001 Ohio College and University Profile." Regent Miller seconded the motion and it was unanimously passed.

Chancellor Chu: Last year's version of the Performance Report gained great respect and notoriety amongst my fellow Chancellors and system heads around the nation. I believe it is the single, most comprehensive, most inclusive report on higher education performance in the nation. It has become a model now for all states. Congratulations to Rob Sheehan and his team for producing such an outstanding report and continuing to refine it and having it lead the nation.

Associate Vice Chancellor Sheehan: What was outstanding was the process that was followed. The campus involvement in creating this document, meeting month after month from March to the present, is something that I am unaware of happening anywhere else. As I said in each of those meetings, each month the report got better as a consequence of input that came to us, from the campuses and from their association representatives. Much of the credit for the report as it exists today should go right back out to the campuses as well.

**MEETING ADJOURNED AT 1:55 P.M.**

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Chair

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Acting Secretary

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Date

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Date

