

**Resources Committee
Ohio Board of Regents
Minutes of the Meeting of November 15, 2001**

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

Ohio Board of Regents members:

Floyd Nickerson
Tom Noe
Gilbert Reese

Ohio Board of Regents staff:

David Barber, Consultant
Rod Chu, Chancellor
Kyle Gephart, Assistant Director, Capital Development
Robert Johnson, Assistant Director, Workforce Development
Neal McNally, Assistant Director, Budget & Resource Planning
Richard L. Petrick, Vice Chancellor for Finance
William Wagner, Financial Analyst

Guests:

Christa Adams, President, Owens State Community College
Charles Clark, University of Akron
Lisa Frankel, American Jewish Archives
Jim Johnson, Sinclair Community College/Ohio Faculty Senate
Earl E. Keese, President, Lima Technical College
Frederick Krome, American Jewish Archives
Chuck Mann, Owens State Community College
Pat Meyers, Kent State University
Sarah Williams, Inter-University Council
Paul Unger, Owens State Community College

The meeting was called to order by Regent Noe and introductions were conducted. The minutes of the October 2001 Committee meeting were approved without objection. Vice Chancellor Petrick amended the agenda to include the proposed joint-use agreement between the University of Cincinnati and the Hebrew Union College.

Reports and updates

Vice Chancellor Petrick updated the Committee on the FY 2002 state operating budget and outlined House Bill 405, the budget balancing legislation being debated in the state legislature. Vice Chancellor Petrick outlined the differences between the three plans proposed by Governor Taft, the House, and the Senate to address the state's \$1.5 billion budget shortfall projected for the FY 2002-2003 biennium. It was noted that the Senate's proposal reduces the amount of funds used from the state's rainy day fund but increases the amount of funds taken from the state's tobacco settlement. Vice Chancellor Petrick also stated that higher education would be exempt from the additional 2% to 3% budget cuts proposed by the Senate. Referencing Regent Brown's

testimony before the Senate Finance Committee, Vice Chancellor Petrick stated that the budget cuts do not result in corresponding increases in tuition, but that campuses raise tuition only after implementing spending cuts and using reserve funds. According to Vice Chancellor Petrick, the \$170 million in budget cuts ordered by the governor in October amounts to \$550 per full-time student, a problem compounded by an increase of 14,000 students enrolled at Ohio's public campuses this autumn term. Vice Chancellor Petrick also noted that Senate Bill 6 (122nd General Assembly) requires state-supported institutions to maintain relatively substantial reserve fund balances or face state oversight known as fiscal watch. Regent Noe asked if campuses are formally notified of the results of the financial analysis conducted by Regents staff per Senate Bill 6. Neal McNally responded that after completion, the results of the analysis are widely shared with the campuses, and the analysis is posted on the OBR website. Vice Chancellor Petrick also noted that Senate Bill 6 requires a more formal series of notifications to various entities if the analysis indicates that a campus is fiscally unstable, which fortunately has not been necessary.

Vice Chancellor Petrick told the Committee that the FY 2003-2004 higher education capital plan is nearing completion and that he and Kyle Gephart are involved in discussions with OBM about the possibility of increasing the amount of capital funds available to campuses. Vice Chancellor Petrick also discussed the issue of block obsolescence facing many campuses, as well as the special calculation for campuses experiencing space shortages.

Vice Chancellor Petrick briefed the Committee on planning for the Higher Education Funding Commission, which will reconvene next year. The Funding Commission will consider recommendations from other groups, including the Financial Aid and State Share of Instruction consultations, and will ultimately develop budget recommendations for the FY 2004-2005 biennium. Vice Chancellor Petrick said that the group planning the Funding Commission's next round of meetings recommended that the Funding Commission be a smaller group of 20 and that the bulk of its work be conducted in subcommittees. Among the many issues to be discussed by the Funding Commission are identifying additional funding sources for higher education and whether to seek a tax increase, as well as other national policy issues affecting higher education. Regent Noe suggested that the director of the Ohio Department of Development, Bruce Johnson, be invited to serve on the Funding Commission since Mr. Johnson's previous service as a state senator would allow him to bring two perspectives. Regent Noe also suggested that the Funding Commission examine best practices from other states, particularly how states like California are able to provide higher levels of state support for higher education. Vice Chancellor Petrick noted a study conducted by the National Association of State Budget Officers, which indicates that Ohio is comparatively generous in terms of tax cuts and tax refunds, which has impeded the state's ability to support higher education.

Items for action in November

Vice Chancellor Petrick briefed the Committee on the release and distribution of \$1.4 million of FY 2002 appropriations for the state's five Regional Library Depositories, which he described as a great symbol of collaboration among universities. According to Vice Chancellor Petrick, the Regional Library Depositories have provided an efficient

and effective mechanism for safely storing library materials, and have minimized the need to build new libraries.

Vice Chancellor Petrick briefed the Committee on the release and distribution of \$5.1 million of FY 2002 Jobs Challenge funds to support job-training instruction and related activities at member campuses of the EnterpriseOhio Network. In order to sustain the infrastructure of the three main components of Jobs Challenge -- Workforce Incentives, Performance Grants, and Targeted Industries -- Vice Chancellor Petrick noted a request made to OBM to take the entire 6% cut to Jobs Challenge from the newly created Adult Workforce Center component. Vice Chancellor Petrick stated that it would be counterproductive to cut all four components proportionately by 6% but that OBM had not yet responded to this request. President Earl Keese praised the Jobs Challenge program, particularly the Targeted Industries component which he described as being very effective.

Vice Chancellor Petrick noted the release and distribution of the At-Risk and Timely Degree Completion components of the FY 2002 Success Challenge funds. Vice Chancellor Petrick also noted the release and distribution of the FY 2002 State Share of Instruction, which had been recalculated with updated facility and enrollment data. According to Vice Chancellor Petrick, enrollment growth at many campuses caused State Share earnings to exceed the available appropriations by about \$5 million. Vice Chancellor Petrick briefed the Committee on Ohio State University's request to pledge student fees in support of a bond and commercial paper issuance not to exceed \$276 million. Vice Chancellor Petrick noted that OSU's practice of issuing commercial paper allows for flexibility and an accelerated construction schedule, and has saved the University \$3 million in interest costs since OSU began this practice. The Controlling Board items were also noted.

Frederick Krome of the American Jewish Archives spoke to the Committee on the proposed joint-use agreement between the University of Cincinnati and the Hebrew Union College in the amount of \$250,000. According to Mr. Krome, the agreement will provide unparalleled access to one of the largest collections of Jewish and Holocaust-related materials in the world. The Committee recommended the approval of all action items.

Regent Noe thanked everyone in attendance, and stated that while the 6% budget cut ordered by Governor Taft is final and irreversible, there is no guarantee that higher education will remain exempt from further possible cuts. Regent Noe urged everyone in attendance to communicate the importance of state support for higher education to members of the General Assembly. Jim Johnson suggested that universities look into voter-approved tax levies to raise revenues, which Ohio's community colleges have effectively used to foster accountability and relationships with local communities.

The meeting was adjourned.

N:\NM\Board\Resource\FY2002\Minutes_Nov_15.doc