Resources Committee
Ohio Board of Regents
Minutes of the Meeting of June 21, 2001

The meeting of the Resources Committee of the Ohio Board of Regents was held in the Longaberger Alumni House on the campus of Ohio State University in Columbus, Ohio. In attendance were the following:

Ohio Board of Regents members:

Ralph Schey, Committee Chair
Jeanette Grasselli Brown
Gerald Gordon
J. Gilbert Reese

Ohio Board of Regents staff:

Harry Andrist, Director of Research & Graduate Programs
Jack Connell, Administrator, Program Approval & Tuition Reciprocity
Kyle Gephart, Interim Assistant Director of Capital Planning
Robert Johnson, Assistant Director of Workforce Development
Neal McNally, Assistant Director, Budget & Resource Planning
Richard L. Petrick, Vice Chancellor for Finance
Char Rogge, Program Coordinator for Research & Graduate Programs
Robert Sheehan, Associate Vice Chancellor, Performance Reporting & Analysis
Bill Wagner, Financial Analyst

Guests:

Bob Burke, Association of Independent Colleges & Universities of Ohio
Ginny Hamilton, Ohio Faculty Council/Shawnee State University
Bob Hickey, Wright State University
Cindy McQuade, Inter-University Council
Bill Napier, Ohio State University
Jeff Ortega, Youngstown *Vindicator*
Sally Perz, University of Toledo
Paul Unger, Owens Community College
Larry Weiss, Bowling Green State University
Harold Yiannaki, Youngstown State University

The meeting was called to order by Regent Schey and introductions were conducted. The minutes of the April 2001 Committee meeting were approved without objection.

Reports and updates

Vice Chancellor Petrick gave the Committee an overview of the recently enacted House Bill 94, the FY 2002 - 2003 budget bill, which he characterized as a flat budget with few increases and many decreased line items for coming biennium. Regent Brown stated that in inflationary terms, the budget is more aptly described as being negative since its marginal increases fall below the rate of inflation. Vice Chancellor Petrick noted that many campuses would be on the hold harmless guarantee, meaning that campuses would not experience an increase in their State Share of Instruction allocation. Vice Chancellor Petrick observed that H.B. 94 represents an abrupt halt to eight years of moderate growth in state support for higher education, during which much progress had been made in policy areas such as access and performance. According to Vice Chancellor Petrick, the marginal rate of budgetary grown in H.B. 94 compounds the recent 1% cut to FY 2001 appropriations, thereby further straining campus finances. Vice Chancellor Petrick noted the importance of recognizing the consequences of increased cost pressures on campuses. Healthcare costs, for example, are projected to increase by double-digit rates, perhaps forcing campuses to shift a greater share of these costs to faculty and staff. Vice Chancellor Petrick also cited increasing utility and facility costs, as well as increasing costs for IT infrastructure that literally did not exist ten years ago. Further, Vice Chancellor Petrick noted the 4.25% increase to the Employment Cost Index for private sector professionals, to which campuses would need to be sensitive in order to offer competitive professional compensation for faculty and staff. According to Vice Chancellor Petrick, higher education would need an estimated 5.25% increase to meet such cost pressures, which would amount to roughly $115 million in FY 2002. Vice Chancellor Petrick cited three potential ways campuses could meet the financial burden: (1) raising tuition and fees; (2) reducing quality; and (3) using campus reserve funds. But Vice Chancellor Petrick cautioned that using financial reserves would serve only as a short-term solution because reserve funds typically are not deep enough to be used continually, and because the Senate Bill 6 fiscal watch policy requires campuses to maintain a 10% reserve fund balance. Costs may be reduced by reducing quality, such as by deferring maintenance, not filling faculty vacancies, and by increasing class size. Increasing tuition and fees is an option that will be widely exercised by campuses during the biennium. Vice Chancellor Petrick speculated that campuses are likely to increase fees by between 5% and 12% or by an average of between 8% and 9% for the coming academic year. However, Ohio is already a high-fee state, and such fee increases fun counter to the Regents' goal of increased access and affordability. Vice Chancellor Petrick also predicted that higher fees would increase the time it takes for students to graduate, as many students would be forced to switch from full-time to part-time status.

Vice Chancellor Petrick noted a new provision in H.B. 94 that allows lapses in the Ohio Instructional Grant (OIG) line item to be transferred to Student Workforce Development Grants. Unlike the OIG grants, which are reserved for needy students at all public and private institutions, the Student Workforce Development Grants are not need-based and are reserved only for students attending for-profit institutions. Noting that Governor Taft denied a veto request of this provision, Vice Chancellor Petrick stated that it would have been preferable to allow OIG lapses to be transferred to Part-Time Student Grants since the imminent tuition increases would almost certainly result in a greater number of part-time students. On a more positive note, Vice Chancellor Petrick pointed to another new provision in H.B. 94 that allows lapses in debt service funds to be transferred to the State Share of Instruction. However, not until April 2002 will it be known how much, if any, of the debt service funds would be transferred to the State Share of Instruction.

Vice Chancellor Petrick updated the Committee on the Regents filing of an *Amicus* brief with the Ohio Supreme Court in response to the adverse effects the *DeRolph* decision has had on higher education, college students, and the state's economy. The brief also addresses the broader constitutional consequences regarding higher education, as 80% of all new jobs require at least an associate's degree while 20%

require at least a bachelor's degree. Regent Schey asked what choices exist for the state to solve its budget dilemma. Vice Chancellor Petrick responded that one option would be to tap into the state's $1 billion rainy day fund which has $850 million unallocated. Bill Napier noted the importance of moving forward on developing alternative funding strategies to fund the Ohio Plan, citing new language in H.B. 94 establishing the Ohio Plan Study Committee to be composed of state and legislative leaders.

Vice Chancellor Petrick updated the Committee on planning for the capital budget, pointing out six steps that will be completed prior to the Board making its capital recommendations. These steps include: (1) conducting a facilities audit, (2) updating the capital allocation formula, (3) obtaining control totals from OBM, (4) collecting capital plans from campuses, (5) reviewing statewide line items, and (6) Board review. Vice Chancellor Petrick also noted that Kyle Gephart would be working with the State Architect's office on a local administration post-audit.

Items for review in June (action in July)

Vice Chancellor Petrick told the Committee that prior to the July meeting, it would be in receipt of a large document outlining the partial release and distribution of FY 2002 operating budget appropriations, which he described as the Board's first and ultimate financial control. The Controlling Board items were also noted.

Items for action in June

Robert Johnson briefed the Committee on the request to release FY 2002 funds for the Targeted Industries program -- a component of Jobs Challenge. The FY 2002 Targeted Industries funds are to be released to Lorain County Community College which functions as the fiscal agent for the funds. Mr. Johnson noted the success of the FY 2001 Targeted Industries program, stating that 11,000 workers were served last year for less than $200 per employee on average, and that participation in job-training has increased from 37% to 51% among small Ohio companies.

Harold Yiannaki briefed the Committee on Youngstown State's request to lease land for the construction of a 400-bed apartment-style student housing facility. Vice Chancellor Petrick noted that YSU's current dormitory occupancy rate ranged from 95% to 100%. Vice Chancellor Petrick also noted that the provision requiring OBR approval of such a request was removed from H.B. 94 -- something the Regents had requested as part of deregulation. However, YSU was nonetheless asked to obtain Board approval since the Regents' staff has not yet had the opportunity to fully review H.B. 94.

Bob Hickey briefed the Committee on Wright State University's proposed $1.1 million joint use agreement with the Miamisburg Mound Community Improvement Corporation. Mr. Hickey said that although the total project cost would be roughly $48 million, this $1.1 million nevertheless represents an important piece.

Vice Chancellor Petrick noted the Controlling Board items. Regent Schey adjourned the meeting.