

**Resources Committee  
Ohio Board of Regents  
Minutes of the Meeting of June 20, 2002**

The meeting of the Resources Committee of the Ohio Board of Regents was held at the Columbus College of Art & Design in Columbus, Ohio. In attendance were the following:

Ohio Board of Regents members:

Jeanette Grasselli Brown  
Tom Noe  
J. Gilbert Reese, Committee Chair

Ohio Board of Regents staff:

David Barber, OBR Consultant  
Kyle Gephart, Assistant Director, Capital Development  
Neal McNally, Assistant Director, Budget & Resource Planning  
Richard L. Petrick, Vice Chancellor for Finance

Guests:

Robert Burke, Association of Independent Colleges & Universities of Ohio  
Sunil Chand, Cuyahoga Community College  
Brooke Cheney, Cleveland Botanical Garden  
Christopher Culley, Ohio State University  
Laurie Day, Ohio State University  
Tom Fawquest, Urbana University  
Jim Hauger, Ohio College of Podiatric Medicine  
Tim Keen, Office of Budget & Management  
Joan McCay, Central Ohio Technical College  
Bill Napier, Ohio State University  
Hank Nettling, University of Akron  
Charles Newman, Urbana University  
Dan O'Connor, Cuyahoga Community College  
Sally Perz, University of Toledo  
Bob Rensel, Cleveland Botanical Garden  
John Thomas, Urbana University

The meeting was called to order by Regent Reese. The minutes of the May 2002 Committee meeting were approved without objection.

**Reports and updates**

Vice Chancellor Petrick briefed the Committee on Senate Bill 261, the FY 2002-2003 budget correction bill recently signed by Governor Taft. To address the budget deficit, this legislation uses a combination of one-time monies and new revenues, such as depleting the Budget Stabilization Fund, increasing the cigarette sales tax, closing the loophole on trust-income taxes, delaying the federal depreciation allowance for businesses, and reducing agency budgets. Tim Keen told the Committee that the passage of House Bill 405 last November and Senate Bill 261 will allow the state to

close FY 2002 in balance. Mr. Keen stated that Governor Taft would continue to use conservative revenue estimates when making his FY 2004-2005 budget recommendations, and acknowledged the challenges created by using one-time monies to address the FY 2002-2003 budget deficit. He said that the governor's original FY 2002-2003 budget had contained very generous recommendations for K-12 education and increases for higher education. Mr. Keen noted that Governor Taft had publicly stated that his biggest disappointment regarding House Bill 94, the original budget bill, was the insufficient support for higher education. He said that Ohio is not unique in experiencing less-than-projected revenues from personal income taxes and corporate franchise taxes—the primary causes of the budget shortfalls in several states, including Ohio. Mr. Keen said that OBM is optimistic about FY 2003, so long as a so-called double-dip recession does not occur. He stated that the governor would issue an executive order in July that will effectively reduce FY 2003 appropriations for most state agencies to comply with H.B. 405 and S.B. 261. Mr. Keen said that a capital bill would not be passed until after the November 2002 elections, and that the capital bill's content would depend on the status of the economy. He noted that the \$345 million of tobacco settlement funds (previously reserved for school facilities) had been transferred to the General Revenue Fund per S.B. 261 and thus would not be available for the capital bill. Regent Noe expressed his concern that the \$50 million of capital funds earmarked for the Third Frontier Initiative might deduct from other higher education capital projects in the capital bill. Regent Noe requested that Mr. Keen convey this concern to OBM, and expressed gratitude for the Taft Administration's efforts to exempt higher education from further budget cuts. Bill Napier asked if the tobacco settlement funds transferred to the GRF need to be repaid to the Tobacco Fund. Mr. Keen responded that the funds are based on general obligation bonds that would be repaid, but not specifically to the Tobacco Fund.

Rich Petrick briefed the Committee on the June 17<sup>th</sup> meeting of the Higher Education Funding Commission. The Commission will formulate a subcommittee composed of presidents and chief fiscal officers. This subcommittee will be charged with developing specific short-term and long-term budget strategies. Mr. Petrick also told the Committee that Kyle Gephart had resigned from his position at OBR to accept employment with the Office of Budget & Management. Mr. Petrick thanked Kyle for his hard work and contributions to the capital development department.

#### **Items for review in June, action in July**

Rich Petrick briefed the Committee on the partial release and distribution of \$2.5 billion in FY 2003 operating appropriations. Mr. Petrick noted that the Board would be asked to release the FY 2003 appropriations as passed in House Bill 94 (before cuts) and that any executive or legislative budget cuts would be subsequently applied. Brian Holley briefed the Committee on the joint-use agreement between Ohio State University and the Cleveland Botanical Garden. Regent Brown thanked the representatives from the Garden for its positive impact in the Cleveland community, particularly with regard to science education. Sunil Chand briefed the Committee on the joint-use agreement between Cuyahoga Community College and the Ohio College of Podiatric Medicine.

### **Items for action in June**

Rich Petrick reminded the Committee of the items reviewed at the May meeting—a pledge of student fees by the University of Toledo in support of a \$57 million bond issuance, a pledge of student fees by the University of Akron in support of a \$20 million bond issuance, and the release and distribution of \$240,096 in FY 2002 Police and Fire Protection funds. The May Controlling Board items were also mentioned. Regent Reese made a motion to recommend approval of all of the action items, to which Regents Brown and Noe concurred.

The meeting was adjourned.

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