

**Resources Committee
Ohio Board of Regents
Minutes of the Meeting of June 19, 2003**

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

Ohio Board of Regents members:

Edmund Adams
Bruce Beeghly
Jeanette Brown
Gilbert Reese (Committee Chair)

Ohio Board of Regents staff:

Jamie Abel, Assistant Director, Media Relations
Harry Andrist, Director of Research & Graduate Programs
Roderick Chu, Chancellor
Bret Crow, Assistant Director, Communications
Jocelyn Frasier, Assistant Director, Ohio Innovation Alliance
Deborah Gavlik, Associate Vice Chancellor, Government Relations
Darrell Glenn, Director for Performance Reporting & Analysis
Kathy Hill, Administrator for Workforce Development
Jay Johnson, HEI Assistant Director & OBR Residency Officer
Neal McNally, Assistant Director, Budget & Resource Planning
James Nargang, Assistant Director, Capital Development
Richard Petrick, Vice Chancellor for Finance
Char Rogge, Administrator, Research & Graduate Programs
Tom Rudd, Director, Student Financial Access
Yavonne Stertzler, Analyst, Budget & Government Relations
Jon Tafel, Vice Chancellor, Educational Linkages & Access
Mike Taggart, Director for Workforce Development
Bill Wagner, Research Analyst

Guests:

Bob Burke, Association of Independent Colleges & Universities of Ohio
Eric Harrell, Ohio Attorney General's office
Earl Keese, President, James Rhodes State College
Randall McCullough, James Rhodes State College
James Plummer, University of Cincinnati
Alvin Rodack, Ohio State University
William Shkurti, Ohio State University
Alice Thomas, *Columbus Dispatch*

The meeting was called to order by Regent Reese and the minutes of the May 2003 Committee meeting were approved without objection.

Updates and reports

Vice Chancellor Rich Petrick updated the Committee on the status of the FY 2004-FY 2005 operating budget that the House-Senate Conference Committee was deliberating on. Mr. Petrick said that Conference Committee's initial draft of the State Share of

Instruction provides a 100% hold harmless guarantee in FY 2004, and a 98.01% guarantee in FY 2005.

Vice Chancellor Petrick turned the Committee's attention to the budget language regarding tuition policy for resident undergraduate students. One draft of the budget bill contained language permitting the Board of Regents to adopt special provisions that would allow campuses to raise tuition up to 3.9% above the 6% tuition cap in FY 2004 and FY 2005. Mr. Petrick outlined four proposed provisions that the Board might adopt if the language were retained in the final version of the budget. Under these provisions, campuses would be permitted to exceed the 6% cap by up to 3.9% in order to: (1) Enable a campus to provide additional or improved services to students, such as technology, transportation, smaller class sizes, or additional course sections; (2) promote collaboration between or among institutions of higher education, or between or among institutions of higher education and school districts; (3) enable any campus with fees that in FY 2003 or FY 2004 are less than certain percentage of the average for its sector to move its fees toward the sector average; and (4) help offset losses in state subsidy that occur as a result of any budget cuts imposed after the passage of Am. Sub. H.B. 95 of the 125th General Assembly. Only campuses that experience a loss in state subsidy per FTE shall be eligible for consideration under this provision. "State subsidy" is defined here to include State Share of Instruction, Access Challenge, and Success Challenge. Regent Adams asked if the proposed provisions would be exclusive or if the Board would have some discretion. Mr. Petrick said he was uncertain, given that the budget language had not been finalized, and suggested that the Committee recommend the Board's approval of a contingent resolution that would permit campuses to make timely tuition policy decisions for the coming academic year. Regent Beeghly stated that the word "promote" in the second provision seemed ambiguous, and suggested that a more defining term be used instead. Regent Adams also questioned the second provision, noting that it seems counterintuitive that collaboration among campuses would require an increase in tuition costs to cut other costs. Mr. Petrick said that startup costs are often a factor, but that continuing costs might also arise from collaborative efforts. Regent Brown noted the importance of conveying to legislators that increased technology and collaboration do not immediately translate into cost-savings. Chancellor Chu concurred, noting the business-sector motto: it takes money to make money. Regent Adams raised the possibility of a sunset provision for the fourth provision. Mr. Petrick observed that probably all campuses would qualify for the additional tuition increase under the fourth provision because all campuses would likely have experienced a loss in inflation-adjusted state support per FTE.

Items for review in June, action in July

Jim Plummer briefed the Committee on the University of Cincinnati's request to pledge student fees in support of an \$11.5 million bond issuance to support two capital projects on campus. Mr. Plummer said that UC purchased the Bellevue Gardens housing facility from the medical school/endowment, and that UC plans to sell the facility in five to seven years as market conditions warrant.

President Earl Keese briefed the Committee on Rhodes State College's request to pledge student fees to support the construction of a new technology building on

campus. President Keese said the College would provide the Regents' staff with complete documentation of the request, which will be between \$3 and \$3.1 million. Vice Chancellor Petrick said that as is done each year, the large resolution for the partial release and distribution of FY 2004 operating appropriations would be presented to the Committee in July.

June consent agenda items

Vice Chancellor Petrick briefed the Committee on the partial release of FY 2004 operating subsidies that will be disbursed to campuses in July. Even though the budget bill hadn't been passed, the first electronic subsidy payment will occur prior to the Board's July meeting. Therefore, to prevent cash flow problems for campuses, this action would allow for the initial distribution of FY 2004 funds in July. A complete and detailed report of the distribution will be provided to the Board prior to next month's meeting.

Jay Johnson briefed the Committee on revisions to Regents' Rule 3333-1-10 regarding student residency rules for subsidy and tuition purposes. The revisions would grant residency status for students who would not be considered Ohio residents under current rules, such as students serving in the National Guard, VISTA, Americorps, and the Peace Corps. Regent Adams asked if these revisions address Representative Seitz's concerns. Mr. Johnson stated that Representative Seitz's concerns are addressed and that this would be communicated to him. Chancellor Chu said these revisions also raise the issue of domicile as it relates to state tax-collection policy.

Bill Shkurti briefed the Committee on Ohio State University's request to pledge student fees in support of a \$577 million bond issuance to support 35 capital projects on campus. Mr. Shkurti said this request represents an investment by OSU that would, among other things, help the University leverage federal and industry-sponsored research funds. Mr. Shkurti said that although this request is a pledge of student fees, OSU will not use student fee revenues to support the debt. Rather, revenues generated by each individual project will cover the bulk of the operating costs and debt service payments. Regent Brown asked if this would change OSU's debt rating. Mr. Shkurti stated that OSU is very sensitive to the need to maintain strong bond ratings, but he said he does not expect OSU's bond ratings to be affected by this issuance.

Vice Chancellor Petrick briefed the Committee on a consideration of a joint use agreement between Muskingum Area Technical College and the Muskingum Watershed Conservancy District, which had been reviewed by the Committee at its May meeting. The May 2003 Controlling Board items were also noted.

The Committee recommended approval for all of the action items on the consent agenda.

The meeting was adjourned.

N:\NM\Board\Resource\FY2003\Minutes_May 22.doc