

**Resources & System Efficiency Committee
Ohio Board of Regents
Minutes of the Meeting of June 15, 2006**

The Resources & System Efficiency Committee of the Ohio Board of Regents on the campus of Xavier University in Cincinnati, Ohio. In attendance were the following:

Committee members:

Jerry Tatar, Committee Chair
Jenny Brown
Donna Alvarado

Other Board members in attendance:

Edmund Adams
Anthony Houston
James Patterson
Walter Reiling

The meeting was called to order by Regent Tatar, and the minutes of the May 2006 meeting were approved by the Committee without objection.

Reports and Updates

Vice Chancellor Rich Petrick briefed the Committee on the transfer of \$28.7 million to the Ohio Instructional Grant line item to make up for the FY 2006 shortfall. Of this amount, \$24.2 million was transferred from other line items within the Board of Regents' operating budget. The remaining funds were transferred from the state General Revenue Fund.

Mr. Petrick also told the Committee that per its request the Education Tax Policy Institute's study has been widely disseminated to external parties. This study indicates that Ohio's tax burden is about average. He also noted that this very same point was recently made by state Representative Bill Seitz during a speech on the floor of the Ohio House of Representatives. During his speech, Mr. Seitz said that promoting the misconception that Ohio is a high-tax state will deter prospective employers from coming to Ohio.

Mr. Petrick briefed the Committee on the final report of the Higher Education Funding Study Council. Most recommendations are projects in process and with which the Regents agree and support. One major recommendation is to distribute through the State Share of Instruction formula the additional \$30 million appropriated to the SSI in FY 2007. Mr. Petrick also distributed a two-page document that identifies each recommendation, provides a brief summary and identifies the OBR staff person who has been assigned to oversee or monitor each recommendation. Mr. Petrick said that the only potential problem is the issue of staff workload, especially given the tight timeline for the state budget process. Regent Adams commended Mr. Petrick and the Regents' staff for all of their contributions to the final report. Regent Adams suggested creating a measure to demonstrate how the additional \$30 million in SSI funds would be used by campuses and how higher education would benefit from these additional

funds. He noted that the legislators with whom he had previously spoken agreed that such an accountability measure would be useful.

Jim Nargang briefed the Committee on the master capital plan, support for which is also included in the Funding Study Council's final report. Regents' staff hosted an initial brainstorming session on May 19th to develop a framework for the process. This session was well attended by campus representatives, who collectively agreed that a decentralized state capital policy should be maintained. This group also formed a 9-member subcommittee composed of mostly campus representatives as well as a member from one of the state's higher education-related "utility" organizations. This subcommittee will meet on June 19th to identify a charge, focus on placing facility needs in a strategic context, review the \$150 million supplemental request that was part of the Regents' recent capital budget request, and review qualifications for the outside expertise needed to validate a master capital plan. Regent Adams said that this group must also develop some out-of-the-box ideas for funding higher education capital needs (i.e., bonds). He added that identifying a source of funds is equally as important as identifying the amount of funds needed for capital purposes. Regent Alvarado cautioned that the General Assembly might question the request for \$10 million to support outside expertise. Mr. Nargang said that \$10 million represents an investment in creating an effective solution to the facility needs of public campuses, and Mr. Petrick pointed out that the need for outside expertise is explicit in the Higher Education Funding Study Council's final report. Regent Tatar said that the master capital plan should represent a model that can be used again and again—not simply a one-time tool. And Regent Brown suggested producing another *Issue* on this topic to help inform the General Assembly about higher education capital needs.

Mr. Petrick gave a brief update on the Higher Education Funding Commission, which next meets on June 29th. He noted that Regents Patterson and Tuschman had agreed to serve on the Commission, but that legislative leadership had not yet appointed any legislators to participate. Mr. Petrick was hopeful that some legislators and representatives from some other state agencies, including the Department of Development, would be able to participate.

Old Business

The Committee approved the following items for the Board's June consent agenda:

- The release and distribution of the FY 2006 Student Support Services subsidy from Amended Substitute House Bill 66.
- The adoption of a rule for the higher education capital funding policy. (This rule had previously been adopted by the Board. However, the Office of Budget & Management made two agreeable changes. Therefore, the Committee recommended approval of the rule, as amended by OBM.)
- The May 2006 controlling items.

New Business

Neal McNally briefed the Committee on the release of more than \$2.5 billion in FY 2007 operating appropriations from Amended Substitute House Bill 66. Mr. McNally described this action as the Regents' ultimate financial control, and noted that this was only for Committee review in June, with full Board action in July. He said that the largest component of the release is the distribution of \$1.589 billion in State Share of Instruction funds, which includes the additional \$30 million. While the release of the SSI funds had been submitted to the state Controlling Board as required by H.B. 66, the distribution will be revised and finalized in September after campuses report actual enrollment data for FY 2006. Regent Alvarado noted the significance of releasing such a large amount of funds and suggested including in the document additional information about the state's return on investment that results from each program. Mr. Petrick embraced this idea and noted that some of this is already accomplished in the annual performance report. [OBM's required format for the submission of the biennial operating budget request also requires thorough documentation of the return on investment for each program and line item in the Regents' operating budget.]

Mr. Lou Luedtke from the Center for National Composites Systems Technology briefed the Committee on a joint-use agreement between the Center and the University of Akron for \$1.7 million. Mr. Luedtke noted that the University of Akron has expertise in this field and that as part of the agreement the Center would provide the University with consulting services, lab space and guest lecturers.

Carl Powell and David Barber briefed the Committee on a \$500,000 joint-use agreement between the Board of Regents, Cuyahoga Community College and OneCleveland. Mr. Powell and Mr. Barber described the current status of negotiations between OneCleveland and OARnet regarding a collaborative agreement. The joint use agreement requires that a collaborative agreement be in place between OneCleveland and OARnet. Regent Tatar requested that the joint use agreement not be presented to the Board of Regents for approval until a collaborative agreement is in place. Regent Brown requested that a status report be provided to the Board of Regents in six months to demonstrate the effectiveness of the agreement.

The meeting was adjourned by Regent Tatar.