

**Resources Committee  
Ohio Board of Regents  
Minutes of the Meeting of May 18, 2000**

The meeting of the Resources Committee of the Ohio Board of Regents was held at Kent State University's Trumbull County branch campus in Warren, Ohio. In attendance were the following:

Ohio Board of Regents members:

Gerald Miller, Committee Chair  
Gerald Gordon  
Tahlman Krumm

Ohio Board of Regents staff:

Matthew Filipic, Senior Vice Chancellor  
Richard Petrick, Vice Chancellor for Finance  
Garrison Walters, Vice Chancellor for Academic & Access Programs  
Jack Connell, Researcher for Degree Programs  
Kristina Frost, Director of Operations  
Deborah Gavlik, Director of Budgets & Resource Planning  
Neal McNally, Administrator for Financial Analysis  
Robert Sheehan, HEI Project Director  
Jon Tafel, Associate Vice Chancellor for Academic & Access Programs

Guests:

William Kirwan, President, Ohio State University  
William Napier, Ohio State University  
Sally Perz, University of Toledo  
Jessica Poprocki, Association of Independent Colleges & Universities of Ohio  
Nancy Rogers, Ohio State University  
Richard Seimer, VP for Finance, Ohio University  
William Shkurti, VP for Finance, Ohio State University  
Alice Thomas, Columbus *Dispatch*

The meeting was called to order by Regent Miller. Because of the need for the OSU delegation to return to Columbus to address pressing matters on campus, OSU's request for approval of an IT-related fee increase was considered first.

**OSU request for approval of fee increase for exceptional circumstances**

Vice Chancellor Petrick introduced the issue, stating that OSU proposes to increase its student fees by 9.1%, and invited President Kirwan to address the Committee. President Kirwan described OSU's need for a \$50 per term student surcharge, which would generate an additional \$4 million annually to meet technology needs. Noting that such fees are common practice at other campuses nationwide, President Kirwan said that the additional surcharge would address a clear need to upgrade and maintain IT resources, and has the support of OSU's deans, faculty, and board of trustees. More importantly, President Kirwan noted that all three of OSU's representative student groups have spoken in support of the proposed fee, and that

legislative leaders have expressed sympathy for the proposal. President Kirwan argued that without the additional surcharge, OSU's IT resources would continue to erode, and despite OSU's successful efforts to annually reallocate \$2 million for IT needs over the past four years, the University is financially constrained by comparatively low state support and tuition. President Kirwan noted that OSU's proposal marks only the second time in twenty years that OSU had made such a request. President Kirwan said that when the fee caps were imposed by the legislature, OSU became a more selective institution and improved student quality, which effectively changed its institutional mission. Reminding the Committee of past efforts by OSU, IUC, and OBR to remove the fee caps, President Kirwan stated that the caps create artificially low tuition, which OSU sees as an exceptional circumstance. President Kirwan said that Ohio is only a marginal player in the new economy, which is partially reflective of the state's low college participation rate – a problem that can be addressed by allowing OSU to offer the reality and perception of a high quality campus. Regent Miller agreed that the fee caps represent a problem regarding the creation of a true educational marketplace, but that the issue of exceptional circumstances is a separate matter on which the General Assembly provided little guidance. Regent Krumm expressed sympathy to OSU's dilemma and said that although the fee caps allow for increased access to higher education, they also hinder institutional missions that are consistent with state needs and interests. Regent Krumm stated that the problems facing OSU are not exceptional but rather are endemic and common to other campuses. Recognizing that institutions with a higher fee base have more money to work with (and may increase fees at a higher nominal rate), Regent Krumm pledged to work towards having the fee caps removed. Regent Gordon said that OSU's request fails to meet the requirement for exceptional circumstances and that approving the request would go against the legislative intent of the requirement. Regent Gordon expressed concern that if OSU's request were approved, other campuses would seek similar requests to raise fees above the 6% cap. Regent Gordon also stated that the structural changes at OSU are not keeping up with societal needs. Regent Gordon concluded that given the whole playing field, OSU's request is not exceptional, but the overall goal is to make OSU an exceptional institution. Regent Krumm pointed out that there is no mechanism to fund institutional transformation – something the Regents should work to create. President Kirwan expressed hope that the state's higher education community would rally together to develop bold new funding initiatives. Speculating that the Controlling Board would support OSU's request, President Kirwan asked about the feasibility of seeking clarification from the General Assembly on the definition of *exceptional circumstances* since it appears to be an ambiguous issue on which guidance is needed. Regent Krumm rejected this idea because it could create an even higher standard that would change with each new group of legislators. Representing Ohio University, Richard Seimer noted that OSU is recognized as a truly different institution in the state, and therefore needs to be successful in a way that other Ohio campuses do not. Mr. Seimer said that he and OU President Robert Glidden discussed OSU's request and concluded that OU would not make a similar request if OSU's were approved because OSU is viewed by other Ohio campuses as being an exceptional institution. Mr. Seimer was optimistic that Ohio's higher education community would offer broad support to fully fund OSU at its level of need. Regent Gordon noted that the costs of higher education routinely exceed the rate of inflation because colleges and universities are forced to operate inefficiently largely because of built-in fixed costs such as tenure. Regent Gordon said that although he feels that higher education has been historically under-funded, OSU's request would produce an additional \$4 million a year, which is a very small portion of the

University's overall budget. After receiving procedural guidance from Kristina Frost, Regent Miller made a motion that the Committee reject the OSU request. Regents Gordon and Krumm agreed.

## **General Update**

The minutes of the March 23<sup>rd</sup> meeting were approved without objection. Vice Chancellor Petrick removed from the agenda the discussion of targeted state funds to out-of-school youth since Sinclair Community College President Ned Sifferlen would make a presentation on this issue at the full Board meeting. Vice Chancellor Petrick then outlined Owens State Community College's plan to purchase property in northwestern Ohio. Jessica Poprocki of the AICUO stated that the University of Findlay is interested in the current Owens-Findlay campus. Senior Vice Chancellor Filipic clarified the issue, stating that the funds for the land purchase had been appropriated in the previous capital bill two years ago but that OBR recommended to delay the purchase because of uncertainty surrounding the status of the relationship between the University of Findlay and Owens.

Vice Chancellor Petrick briefed the Committee on the Instructional Subsidy Consultation's tentative recommendation to change the way IT costs are funded. According to Vice Chancellor Petrick, the change would entail shifting a portion of IT funds from the capital budget to the operating budget since many IT equipment become obsolete after only 18 months to two years of use. This change would also make the operating funds an annual appropriation, while the capital portion would remain biennial. The goals of this funding change as described by Vice Chancellor Petrick include: (1) making every classroom and lab internet ready; (2) providing more public PCs to students; (3) providing for operating personnel and faculty development; and (4) providing a small portion for R&D. Vice Chancellor Petrick noted the importance of being able to identify and describe to the legislature the tangible benefits this change would produce. Expressing concern with such frequent replacement of IT equipment, Regent Gordon wondered how it is determined that IT equipment is obsolete after only 18 months of use. Vice Chancellor Walters asserted that every piece of instructional equipment is technology-related and that this represents another stage of investment. Reminding the Committee that campuses have over-built physical facilities, Regent Gordon cautioned against doing the same with technology. Regent Miller stated that fiscal responsibility needs to be exercised and that increases in productivity (that result from this funding change) should be evident. Vice Chancellor Petrick briefed the Committee on the Higher Education Funding Commission's recent work, stating that the Commission has endorsed continued funding for the Challenge line items. Vice Chancellor Petrick outlined the 101% FY 2001 subsidy guarantee that includes the Challenges, which could actually result in a net decrease in subsidy for some campuses since the FY 2000 guarantee was 103%.

## **Items for review**

Vice Chancellor Petrick outlined the proposed joint-use agreement between the Cleveland Clinic Foundation and Cleveland State University, which would give CSU students and faculty access to the selected Cleveland Clinic resources. Vice Chancellor Petrick also outlined the revised joint-use agreement between Meigs County and Rio Grande Community College, which had been previously approved by the Board but

was amended to provide for a 15-year term of agreement as required by state law. Vice Chancellor Petrick then briefed the Committee on the six-year capital plan. Because of the block obsolescence problem, Vice Chancellor Petrick said that the capital plan designates two-thirds of the funds for basic renovations, and one-third for instructional equipment. Vice Chancellor Petrick noted that campuses were asked to plan conservatively in light of OBM's \$500 million cap. Regent Krumm noted the importance of educating the governor and legislature on the ideas in the capital plan.

Richard Seimer outlined Ohio University's request to build additional student housing. Mr. Seimer described the current housing market in Athens as a cottage industry comprised of 80% rental property. Mr. Seimer said that because OU's current student housing has limited capacity, Athens area property-owners consequently have no incentive to upgrade the housing that many OU students occupy. According to Mr. Seimer, OU's enrollments have stabilized and are projected to remain stable. Mr. Seimer also said that the new housing complex could serve as a model for how OU renovates its existing dormitories. Senior Vice Chancellor Filipic told the Committee that campuses have historically employed private developers because the Board of Regents generally did not support the construction of additional student housing. Mr. Seimer noted that OU has a relatively low level of debt and a strong bond-rating.

### **Items for Action**

Vice Chancellor Petrick briefly discussed the Controlling Board items on the Committee's agenda. Regent Miller motioned to approve all of the items, to which Regents Gordon and Krumm agreed. The meeting was adjourned.