

**Resources Committee
Ohio Board of Regents
Minutes of the Meeting of May 23, 2002**

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

Ohio Board of Regents members:

Jeanette Grasselli Brown
Tom Noe

Ohio Board of Regents staff:

Jane Fullerton, Director, Educational Initiatives & Grant Development
Kyle Gephart, Assistant Director, Capital Development
Neal McNally, Assistant Director, Budget & Resource Planning
Richard L. Petrick, Vice Chancellor for Finance

Guests:

Jack Armul, University of Toledo
David Conley, Seasongood & Mayer LLC
Bill Decatur, University of Toledo
Doug Heesten, Cincinnati State Technical & Community College
Jim Johnson, Ohio Faculty Senate/Sinclair Community College
Earl Keese, President, Lima Technical College
Joo Hee Kim, State Attorney General's Office
Jim McCollum, Inter-University Council
Meghan McGinnis, State Attorney General's Office
John McGrath, President, Stark State College of Technology
Hank Nettling, University of Akron
Bill Rollins, Cincinnati State Technical & Community College
Terry Thomas, Ohio Association of Community Colleges
Sarah Williams, Inter-University Council

The meeting was called to order by Regent Brown and introductions were conducted. The minutes of the April 2002 Committee meeting were approved without objection.

Reports and updates

Vice Chancellor Petrick updated the Committee on the status of the state budget, noting that Senate Bill 261, the budget correction legislation, had been passed by the Ohio Senate and was currently being considered by the House of Representatives. S.B. 261 would address the state budget deficit by increasing cigarette taxes by \$0.50 per pack, using "rainy day" monies from the Budget Stabilization Fund, decoupling the state from certain tax breaks permissible under federal law, and reducing agency budgets. In addition to the 6% cut in FY 2003 appropriations already anticipated, OBM has indicated that an additional \$7 million cut to higher education appropriations is possible. This would mean a net reduction in higher education appropriations of about \$129 million below House Bill 94 levels for FY 2003. On a

positive note, Mr. Petrick stated that S.B. 261 would provide the first \$50 million in bond proceeds to fund the Third Frontier Initiative and \$3 million for the Eminent Scholars Program.

Vice Chancellor Petrick updated the Committee on the local administration rule that allows campuses to locally administer capital projects that are less than \$4 million. Administering projects locally saves campuses a significant amount of time and money. Campuses wishing to locally administer projects greater than \$4 million must submit a request that must be jointly approved by the Department of Administrative Services (DAS) and OBR. However, this request process has become increasingly complex and difficult, and has caused construction delays on some campuses by as much as six months. Mr. Petrick also noted that the State Architect has recommended that the \$4 million threshold for colleges and universities be rescinded—a recommendation that was issued without collaborating with the Board of Regents or campuses. Jim McCollum noted the IUC letter sent to Governor Taft on May 21, 2002, concerning this issue and said that campuses have been asked to convey their individual concerns to the governor as well. Regent Brown asked why DAS has taken this position. Mr. McCollum surmised that DAS is motivated by the revenues it generates from campuses when the State Architect administers projects. Mr. Petrick stated that DAS does have a statutory responsibility to provide assistance to campuses that do not have staffing sufficient to administer projects. Mr. Petrick noted, however, that DAS's position is contrary to the Board of Regents' deregulation policy. The Committee recommended that Chancellor Chu send a letter to the governor in support of the IUC's position.

Vice Chancellor Petrick briefed the Committee on the ten-year higher education cost study conducted by Regents staff at the request of State Senator Ron Amstutz. The data indicates that between FY 1988 and FY 1998, unrestricted instructional and general expenditures at Ohio's public colleges and universities increased by only 1% per year above CPI inflation. Mr. Petrick noted that this is in line with the national NCES study issued in January, which reported a 1% inflation-adjusted increase in higher education expenditures nationally. Mr. Petrick also noted the positive relationship between the changes in enrollments and faculty: as enrollments decline, so does the number of faculty. This clearly shows that resources do in fact follow students. Regent Brown stated that the student-faculty correlation represents a key point because it shows that campuses operate like private businesses by reducing their largest expense (faculty compensation) when student demand declines.

For review and action in May

Doug Heesten briefed the Committee on Cincinnati State's request to pledge student fees in support of a bond issuance not to exceed \$49,995,000 to finance the construction of the Advanced Technology & Learning Center that will house the College's culinary arts and technology programs, as well as a new student union and a 700-space parking garage. Mr. Heesten noted that Cincinnati State's FY 2002 tuition is at the same level as in FY 1997, and that the College will implement only a small increase in FY 2003. Regent Noe asked about the possible effects this proposal would have on the College's net income ratio, and when the project would be completed. Bill Rollins responded that the net income ratio is projected to remain positive and that

the facility and garage are scheduled to open in September 2004 and October 2003, respectively. Mr. Heesten stated that because the College lacks the staffing needed to administer this project, the College has established a productive partnership with the State Architect's office. Vice Chancellor Petrick noted that Cincinnati State was still negotiating a letter of credit with Fifth-Third Bank. Normally, a letter of credit would have been secured prior to Regents approval, but in order to allow Cincinnati State to take advantage of the current bond market, their request was being fast-tracked. Mr. Petrick asked that Cincinnati State subsequently update the Regents on the status of the letter of credit.

Vice Chancellor Petrick briefed the Committee on Cuyahoga Community College's request to pledge student fees in support of a bond issuance not to exceed \$47,875,000 to finance the three-campus Corporate College. Representatives from Cuyahoga had previously briefed the Committee on this request at the Committee's April meeting. Mr. Petrick noted one change to the proposal that added a third facility for the Corporate College's Central Campus, which would be located in leased space in downtown Cleveland. This additional facility would not increase Cuyahoga's requested debt authority and was made possible by lower-than-expected construction costs associated with the project's other two facilities.

For action in May

Vice Chancellor Petrick noted two action items that were reviewed by the Committee at its April meeting: an addendum to a joint use agreement between the University of Cincinnati and the Cincinnati Observatory, and the release and distribution of FY 2002 Student Support Services appropriations.

For review in May, action in June

Bill Decatur briefed the Committee on the University of Toledo's request to pledge student fees in support of a bond issuance not to exceed \$57 million to finance the second phase of the Living/Learning Complex that will include a 600-bed residence hall, 360 new parking spaces, and various dining hall renovations. Mr. Decatur also thanked the Committee for the Regents support of the first phase of this project, for which the University issued Regents-approved bonds two years earlier. Mr. Decatur said that in addition to the upsurge in UT's enrollments over the past several years, a recent market study showed an increasing demand for on-campus housing at UT. He also stated that UT's dormitories are already at capacity for next autumn semester. Mr. Decatur stated that UT has tentative plans to form partnerships with local private companies to provide additional apartment-style student housing in the future. Regent Noe noted that UT's Senate Bill 6 ratios have shown improvement over the past three years.

Hank Nettling briefed the Committee on the University of Akron's request to pledge student fees in support of a bond issuance not to exceed \$20 million to finance the renovation of three existing parking facilities and the construction of a new multi-level parking garage on campus. Mr. Nettling stated that the fee for student parking permits would be increased over a five-year period and that the debt associated with these projects would be financed entirely with parking revenues. Mr. Nettling stated that UA

experienced enrollment growth of 6.4% in FY 2002 and is projecting further growth of between 5% and 6% in FY 2003. Vice Chancellor Petrick stated that such enrollment growth is evidence that higher education is a counter-cyclical industry—that is, college enrollments tend to increase during economic downturns.

Vice Chancellor Petrick briefed the Committee on the release and distribution of Police & Fire Protection appropriations. These funds are intended to assist local police and fire departments in the provision of safety services for the central campuses located in eight municipalities in Ohio. Mr. Petrick also noted the April Controlling Board items scheduled for action in May.

The meeting was adjourned.