

**Resources & System Efficiency Committee
Ohio Board of Regents
Minutes of the Meeting of May 18, 2005**

The Resources & System Efficiency Committee of the Ohio Board of Regents met at the Board of Regents' offices on the 36th floor of the Rhodes State Office Tower in Columbus, Ohio. In attendance were the following:

Committee members:

Bruce Beeghly, Committee Chair
Donna Alvarado
James Tuschman

Other Board members in attendance:

Edmund Adams
Jeanette Grasselli Brown
Anthony Houston

Ohio Board of Regents staff:

Roderick Chu, Chancellor
Paula Compton, Director, Articulation & Transfer
Bret Crow, Assistant Director for Communications
Kris Frost, Vice Chancellor for Operations
Jane Fullerton, Associate Vice Chancellor, Educational Linkages & Access
Deborah Gavlik, Associate Vice Chancellor, Government Relations
Darrell Glenn, Director for Performance Reporting & Analysis
Cathy Hill, Administrator for Workforce Development
Neal McNally, Assistant Director, Budget & Resource Planning
Jim Nargang, Assistant Director, Capital Planning
Rich Petrick, Vice Chancellor for Finance
Jon Tafel, Vice Chancellor, Educational Linkages & Access
Mack Taylor, Student Intern

Guests:

Mervyn Alphonso, Central State University
Tony Barnes, University of Akron
Jon Buttelwerth, Ohio Faculty Senate
Linda Carr, University of Toledo
Larry Christman, Association of Independent Colleges & Universities
Laurie Day, Cleveland State University
Andrew Hughey, Central State University
Jim Leftwich, Development Research Corporation
Jim McCollum, Inter-University Council of Ohio
Cindy McQuade, Inter-University Council of Ohio
Pat Myers, Kent State University
David Price, Legislative Service Commission
Zak Talarek, Legislative Service Commission
Jay Thomas, Wright State University
Terry Thomas, Ohio Association of Community Colleges
Paul Unger, Owens State Community College

The meeting was called to order by Regent Beeghly and the minutes of the April 2005 Committee meeting were approved without objection.

Old Business

Vice Chancellor Rich Petrick briefed the Committee on the status of Rio Grande Community College's FY 2004 financial audit. Rio Grande's audit has been completed and certified by the Auditor of State. A review of the audit by Regents' staff revealed no material problems with Rio Grande's financial position, and the College's Senate Bill 6 ratios are relatively strong. Because Rio Grande is now in compliance with state financial reporting requirements, a representative from the College was not asked to attend the Committee meeting.

Andrew Hughey and Mervyn Alphonso from Central State University briefed the Committee on the status of Central State's financial audit for FY 2004. Mr. Hughey told the Committee that a draft audit has been completed and that the final audit will be completed by May 31st. Mr. Hughey also stated that final audits have been completed for certain component units of Central State, such as the University's foundation and radio station. Regent Beeghly suggested that Regents staff attempt to obtain a copy of Central State's draft audit to expedite the review process. Regent Tuschman asked if any financial deficiencies are expected to be reported in the audit. Mr. Alphonso responded that no deficiencies will be disclosed. Regents staff will continue to monitor the progress of Central State's audit, and the Committee will revisit this issue in June.

The Committee recommended approval for five action items that were previously reviewed in April:

1. A pledge of student fees by the University of Cincinnati in support of a \$41.9 million bond issuance.
2. The release and distribution of FY 2005 Student Support Services appropriations.
3. The release and distribution of FY 2005 Police and Fire Protection appropriations.
4. A joint-use agreement between Cleveland State University and the Cleveland Playhouse.
5. A joint-use agreement between Cleveland State University and CAMP, Incorporated.

New Business

Vice Chancellor Petrick provided the Committee with an update on the FY 2007-2008 capital budget. A statewide capital consultation will be held at the Regents' offices on May 26th with the goal of developing the Regents' capital recommendations by next September. Mr. Petrick suggested that it would be useful to give a presentation at a future Committee meeting that would explain the incentive-based capital funding policy and formula. Chancellor Chu asserted that the mechanics of the capital formula should not mask the larger issue—the decline

in state capital support for higher education. Chancellor Chu noted that while K-12 capital funding continues to grow, the governor has not been able to honor his commitment to fund campus capital needs at \$500 million per year. This is underscored by the growing block obsolescence problem on Ohio's campuses, as the burden of paying for capital needs continues to be transferred to campuses and students.

Vice Chancellor Petrick also provided an update on the status of the FY 2006-2007 operating budget that is presently being considered by the Ohio Senate. The Senate is expected to have a substitute budget bill on May 24th and is expected to pass the bill on June 1st. Mr. Petrick said that the hearings for the Regents and the higher education community in front of the Senate finance and education committees had been productive. Several senators had raised good questions and Regents staff have responded to most of these inquiries but are still in the process of responding to some. Regent Adams commended the staff for its exceptional work in providing high-quality responses to the Senate's questions.

There was a discussion regarding the tuition caps that are likely to emerge in the Senate's substitute bill. There has been some indication that the Senate will reach a compromise on the limitations on increases for resident undergraduate student fees, which could be capped at 6% or \$500, whichever is less. The governor's proposal for an additional 3% surcharge for need-based aid was removed in the House-passed version of the bill, and it is unlikely that this provision will be restored by the Senate.

Jim Nargang briefed the Committee on a joint-use agreement between Wright State University and Development Research Corporation. Mr. Nargang said that it was not previously known that this would require Regents' approval since it is a Department of Development agreement that has already been approved by the Third Frontier Commission. However, the Office of Budget & Management has advised that Regents' review and approval is necessary for such higher education-related items. Mr. Jeff Leftwich from the Development Research Corporation told the Committee that the agreement supports a Third Frontier-related purchase of specialized equipment, which will make DRC's facilities available to Wright State and other Dayton-area campuses for research and education. Regent Tuschman asked if this agreement would help create jobs in the Dayton area. Jay Thomas from Wright State said that job-creation is one potential result and that the agreement would allow Wright State faculty to undertake valuable research that is not currently possible. Because of the timing issues involved, Mr. Leftwich requested that this item be moved to Board's consent agenda. The Committee recommended that this item be added to the consent agenda for approval.

The Committee reviewed the Controlling Board items from April. Jim Nargang noted that a new paperless E-Controlling Board process has been implemented by OBM.

Vice Chancellor Petrick notified the Committee that it would receive a request (at a future meeting) for an amendment for a previously-approved joint-use agreement between the University of Akron and Stan Hywet Hall.

The Committee was adjourned by Regent Beeghly.