

**Resources Committee
Ohio Board of Regents
Minutes of the Meeting of January 18, 2001**

The meeting of the Resources Committee of the Ohio Board of Regents was held on the campus of Edison State Community College in Piqua, Ohio. In attendance were the following:

Ohio Board of Regents members:

Ralph Schey, Committee Chair
Jeanette Grasselli Brown

Ohio Board of Regents staff:

Harry Andrist, Director of Research & Graduate Programs
Roderick Chu, Chancellor
Clyde Eberhardt III, Director for Capital Development
Deborah Gavlik, Director, Budget & Resource Planning
Kyle Gephart, Administrator for Capital Development
Neal McNally, Assistant Director, Budget & Resource Planning
Richard L. Petrick, Vice Chancellor for Finance
Robert Sheehan, Associate Vice Chancellor, Performance Reporting & Analysis
William Wagner, Financial Analyst

Guests:

Ron Abrams, President, North Central State College
Larry Christman, Association of Independent Colleges & Universities of Ohio
Christopher Culley, Ohio State University
Terry Foegler, OSU-Campus Partners
Jim Johnson, Sinclair Community College/Ohio Faculty Senate
Keith Kamerer, Edison State Community College
Jim McCollum, Inter-University Council
John McGrath, Stark State College of Technology
Laura Meeks, President, Jefferson Community College
Jennifer Parfitt, Cleveland Playhouse Square Foundation
Sally Perz, University of Toledo
Larry Simpson, Cuyahoga Community College
Terry Thomas, Ohio Association of Community Colleges
Kenneth Yowell, President, Edison State Community College

The meeting was called to order by Regent Schey and introductions were conducted. Vice Chancellor Petrick performed an overview of the agenda, and the minutes of the December 2000 Committee meeting were approved without objection.

Reports and updates

Vice Chancellor Petrick updated the Committee on the FY 2001 budget cuts that were issued by the Office of Budget & Management in an effort to offset the Medicaid funding shortfall. According to Vice Chancellor Petrick, the state of Ohio will cover one-third of the Medicaid costs by paying \$250 million in FY 2001. While primary and secondary education is exempt from these cuts, it is believed higher education's share will come from lapses in its debt service accounts and student aid appropriations. Vice

Chancellor Petrick stated that he would update the Committee on this issue at its next meeting. Vice Chancellor Petrick also noted that Governor Taft is expected to outline the proposed FY 2002 – FY 2003 executive operating budget at his January 24th State of the State address, and will formally rolled out the budget on January 29, 2001.

Associate Vice Chancellor Sheehan briefed the Committee on the first statewide analysis of rehabilitation costs for aging space at Ohio's state-assisted public colleges and universities. Associate Vice Chancellor Sheehan stated that there are 2,170 buildings owned by Ohio's public campuses comprising 97.6 million square-feet, 67% of which is in need of some form of rehabilitation. The total estimated cost of rehabilitating these buildings is somewhere in the range of \$2.7 billion. Associate Vice Chancellor Sheehan also noted that the need and cost of rehabilitation at university main campuses is greater than at other types of campuses because university main campuses are generally older. Chancellor Chu asked why 100% of Kent State's East Liverpool branch campus is in need of rehabilitation. Clyde Eberhardt responded that like Cincinnati State, Kent State's East Liverpool campus was established through the acquisition of older buildings. Vice Chancellor Petrick noted that the report highlights the costs of aged buildings in terms of maintenance and depreciation. Regent Brown suggested that the issue of space-utilization be further examined in this context. Chancellor Chu said these issues represent a complex challenge of how to address the costs of deferred maintenance in a way that satisfies the needs of higher education and the need to provide state policy-makers with such information.

Vice Chancellor Petrick updated the Committee on the ongoing implementation of the new GASB 34/35 financial reporting requirements, with which state colleges and universities are required to conform in FY 2002. Vice Chancellor Petrick stated that these changes in financial reporting are very costly to campuses in terms of staff training and system modifications. Vice Chancellor Petrick also noted that although implementation of these new requirements are not required until FY 2002, campuses would be conducting a dry run in FY 2001 to assess the impact of the changes. Vice Chancellor Petrick noted that the required inclusion of depreciation costs would create a significant one-time impact on campuses' financial statements, and that the shift from the current practice of fund accounting to a business-like model would result in depleted fund balances for many campuses. Larry Christman stated that private colleges and universities were required by FASB to make similar accounting changes ten years ago, which has prevented financial comparisons between private and public campuses. Mr. Christman suggested that a crosswalk be developed that would allow for meaningful comparisons between private and public campuses. Regent Brown noted the similarity between these accounting changes and unfunded federal mandates created by the Americans With Disabilities Act and the Occupational Safety & Health Administration.

North Central State College President Ron Abrams briefed the Committee on revisions to his college's capital plan. According to President Abrams, rather than use a \$1.8 million capital appropriation to construct a new building as was originally planned, the College will redirect the funds for the acquisition of a 150,000 square-foot building located near its campus. President Abrams described this as a means of allowing the college to meet institutional needs in a shorter period of time and at a reduced cost.

Items for Review

Chris Culley outlined the proposed \$4.5 million joint use agreement between Ohio State University and the Gateway Area Revitalization Initiative. According to Mr. Culley, the agreement would provide space for 1,500 parking spaces as part of OSU's effort to revitalize the University District with new retail stores and office space. Terry Foegler noted that the proposed 7.5-acre site is a federally designated empowerment zone, which would enable the use of empowerment zone bonds as a flexible means of helping to finance the project. Regent Schey asked if the state would be liable if OSU was unable to sustain the project. Mr. Foegler responded that OSU carries its own insurance protecting the state against liability. Regent Schey emphasized the need for the university to maintain control of its land, which he said will continue to increase in value. Larry Simpson briefed the Committee on the proposed \$3.5 million joint use agreement between Cuyahoga Community College and the Cleveland Playhouse Square. The Controlling Board items were also noted.

Items for Action

Vice Chancellor Petrick briefed the Committee on the University of Cincinnati's request for approval to pledge student fees in support of a bond issuance not to exceed \$91.65 million. Vice Chancellor Petrick also noted the proposed joint use agreement between the University of Cincinnati and the Institute of Advanced Manufacturing Science in the amount of \$250,000. The Controlling Board items for January were also noted.

The meeting was adjourned by Regent Schey.