

**Resources & System Efficiency Committee
Ohio Board of Regents
Minutes of the Meeting of January 19, 2006**

The Resources & System Efficiency Committee of the Ohio Board of Regents met at the Moores Center on the campus of Capital University in Bexley, Ohio. In attendance were the following:

Committee members:

Bruce Beeghly, Committee Chair
Jerome Tatar, Vice Chair
Donna Alvarado
James Tuschman

Other Board members in attendance:

Edmund Adams
Jenny Brown
Anthony Houston
James Patterson
Walter Reiling

2005 Performance Report

Darrell Glenn briefed the Committee on the 2005 Performance Report. The report indicates that Ohio now has its highest ever levels of college enrollments, degrees granted and research volume. However, Ohio's tuition—both gross and net—is too high, approximately 50% higher than the national average. And 38% of incoming college students require some remediation. The report reinforces the fact that students who take a more rigorous high school curriculum have lower remediation rates and experience greater success in college.

Regent Alvarado noted that the comparisons between Ohio and other states are useful, but suggested that comparing Ohio and the U.S. to other nations like Korea and India would also be useful. She also suggested an examination of what these other countries are doing to outperform the U.S. in the production of scientists and engineers. Regent Houston noted that the starting salaries are very close for those graduating with an associate degree vs. a baccalaureate degree. Dr. Glenn said that associate degrees provide a quicker market payoff, but that long-term salary growth is greater for workers with baccalaureate degrees.

Regent Tuschman noted the importance of the report, and suggested that it be widely disseminated to the legislative leadership, the Ohio Business Roundtable, members of boards of trustees, and the print and TV media. Dr. Glenn said that in addition to the governor, each member of the General Assembly receives a copy of the report. He also noted that the press generally covers the annual release of the report. Regent Tuschman suggested that a copy of the report be sent to the president of each Ohio college and university with a cover letter from Chancellor Chu suggesting that the president share it with his or her board of trustees, especially new trustees who might not be well informed on higher education issues.

Regent Houston concurred and said the report could be used as tool to jumpstart dialogue with key stakeholders. Vice Chancellor Rich Petrick said the dissemination of the Performance Report would indeed be expanded, and expedited through the use of the electronic edition that is published on the Regents' website.

Regent Beeghly suggested that more detailed institutional data be shared with boards of trustees so that they can see how their institution compares to others. Dr. Glenn said that institutional detail is available in the report's appendix. Chancellor Chu said that aggregate data is more widely disseminated because concern exists over the sensitivity of institutional data. Because higher education is fiercely competitive, it is conceivable that some schools could use other schools' data to their competitive advantage. This is compounded by the fact that private institutions do not report performance data to the Regents.

Regent Brown suggested that future reports contain more disaggregated demographic data that might shed light on specific populations, particularly the black male population. She also suggested using National Science Foundation indicators to compare Ohio to the U.S. with respect to science and math fields.

Updates

Vice Chancellor Petrick updated the Committee on the work of the various groups examining Ohio's higher education system, including the Higher Education Funding Study Council, the State Share of Instruction Consultation and its subcommittees, and the Clinical Teaching Consultation. Since the Committee last met in November, there have been 14 meetings of these various groups. Mr. Petrick noted the importance of modeling the potential outcomes of the proposals that come from each group, as well as the need to identify and harmonize any conflicts that may arise.

Capital Budget Recommendations

The Committee reviewed and discussed the higher education capital recommendations for FY 2007 and FY 2008. The recommendations include a \$450 million core request and an unprecedented supplemental request for an additional \$150 million. Most of the recommended core dollars—approximately 95%—are for the renovation of existing campus space, while only 3% is for net new space. Most of the \$150 million supplemental request would help address the \$5 billion deferred maintenance problem facing Ohio's public colleges and universities. Regent Brown suggested that a legislative champion be identified who could carry this critical issue of deferred maintenance in the legislature. Chancellor Chu noted the political reality: it is politically more attractive for legislators to support and secure state dollars for new construction as opposed for the renovation of existing facilities. Regent Patterson noted the success of New York state's Rebuild New York bond initiative and suggested Ohio explore a similar strategy.

Regent Beeghly made a motion to approve the capital recommendations. The motion was seconded and carried by the Committee.

Fee Pledge Requests

Dan Reke briefed the Committee on Edison State Community College's proposal for a \$7.7 million note and bond issuance to finance the first phase of a new facility to help address the College's need for additional academic space. Mr. Reke noted that Edison State has an active foundation and said that there is strong community support for this capital project, which is evident in the success of the College's capital fundraising campaign.

Regent Alvarado cited Edison State's pro-forma, which forecasts revenues from annual tuition inflation to support the project. She asked what the College would do if future legislative tuition caps limited Edison State's ability to raise fees. Mr. Reke said that Edison State would reduce its budget, including salaries. Regent Tuschman expressed concern over Edison State's modeled viability ratio, which falls from 609% to 39% when the additional debt and operating costs are factored into the equation. Rich Petrick stated that the modeling is almost a worst case scenario because it factors in the debt and related costs without factoring in the positive impact the project would have on the College's net assets. Mr. Petrick also noted that a viability ratio of 39% is reasonably healthy. Regent Tuschman asked if the College has factored in a contingency fund as a margin of safety in case construction bids come in over budget. Mr. Reke said that a contingency has been built into the project budget. But he said if cost estimates exceed the budget by 10% or more, the College would not proceed with the project.

The Committee approved Edison State's request. However, given the size of the debt relative to the size of the College, the Committee asked Edison State to report to the Regents any deviation from the pro-forma that might subsequently occur.

John Kotowski from Ohio University briefed the Committee on OU's proposed \$38 million bond issue to finance several campus projects, including a new 350-bed residence hall. Regent Beeghly noted that Ohio University's debt is lower than other comparable institutions in the state. This item was for Committee review only.

Other Business

The Committee briefly reviewed two routine joint-use agreements. One between Case Western Reserve University and the Board of Regents for \$1 million to support the Cleveland Center for Structural Biology; and another for \$1 million between Wright State University and the Dayton-Montgomery Port Authority to support the Welcome Stadium.

The Controlling Board items from November and December 2005 were also reviewed and approved by the Committee.

The meeting was adjourned by Regent Beeghly.