

**Resources Committee  
Ohio Board of Regents  
Minutes of the Meeting of April 18, 2002**

The meeting of the Resources Committee of the Ohio Board of Regents was held in the Ballroom of the Kennedy Center at Hiram College. In attendance were the following:

Ohio Board of Regents members:

J. Gilbert Reese, Committee Chair  
Jeanette Grasselli Brown  
Thomas Noe

Ohio Board of Regents staff:

Jane Fullerton, Director, Education Initiatives and Grant Development  
Richard L. Petrick, Vice Chancellor for Finance  
Yavonne Stertzler, Financial Analyst, Budgets and Governmental Relations

Guests:

Bob Burke, Association of Independent Colleges & Universities of Ohio  
Larry Christman, Association of Independent Colleges & Universities of Ohio  
David Creaner, Kent State University  
Paul Creighton, Executive Director, Capital and Construction  
Janet Mann, Executive Vice President/Treasurer, Cuyahoga Community College  
Jeff Nolte, Kent State University - Salem  
Richard W. Powers, Hiram College  
Clair Rosacco, Vice President, Public Affairs and Information, Cuyahoga Community College  
Dr. Jerry Sue Thornton, President, Cuyahoga Community College

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

**CCC Pledge of student Fees (Item for Review in April and Action in May)**

This agenda item was moved to the beginning of the meeting to accommodate for the presenters from CCC, Cuyahoga Community College. President Thornton presented a project requiring a pledge of student fees for requested action in May. The College will request approval by OBR of a pledge of student fees in support of a bond issuance for the purpose of the acquisition and construction of Corporate College locations in Cuyahoga County. CCC is creating two Corporate Colleges to offer workforce training and professional development to incumbent and dislocated workers including but not limited to healthcare, banking, retail, and information technology training needs. The Corporate College will also help CCC deliver current and new continuing education as well as relevant credit courses to the corporate communities. Regent Noe inquired about the actual amount of the student fees that would need to be used. Janet Mann, Executive Vice President/Treasurer, Cuyahoga Community College, noted that CCC is not anticipating using any of the student fees but that student fees are instead requested as collateral. Janet Mann briefed the committee on the financial model of the CCC project, which is intended to be self-funded. Anticipated revenues after the launch period will be sufficient to support the Corporate College debt service and

operations. Regent Brown noted that this project is a great response to a need articulated throughout the State.

## **Updates and Reports**

Vice Chancellor Petrick briefed the Committee with an update on the State budget. The state anticipated a \$500 million budget shortfall this year and a \$750 million budget deficit is estimated for FY2003. The Governor is not in favor of increasing taxes. The Governor's Budget Statement on April 4, 2002 proposed to cover the FY2002 budget deficit with the following:

- A stringent hiring freeze on all state agencies for the remainder of FY2002;
- Restricted equipment purchases in all state agencies; and
- Use of \$350 million from the Budget Stabilization Fund.

The consequences of the DeRolph decision are not included in these estimates; adding the estimated cost of DeRolph to the total known budget shortfall could easily push the total biennial budget hole to \$4 billion. The Governor proposes Medicaid policy reform, staff furloughs, and an increase in cigarette taxes as additional possible solutions. Regent Noe stated that there is a concern that actual cigarette taxes received from the proposed tax increase may be less than estimated due to customers buying cigarettes in neighboring states with lower taxes.

Mr. Petrick briefed the Committee on the April meeting of the Higher Education Funding Commission. Mr. Petrick reported that he provided a tutorial on the State Share of Instruction formula to the Commission. The tutorial explained that the formula was based on historical costs, and also explained what the formula funded and did not fund. The tutorial explained that the formula funds existing enrollments in degree-credit courses, and does not fund the start-up costs for new programs or new initiatives, nor does it fund program enhancements directly. The logic of the State Share of Instruction formula will be challenged in the near future with the issues of distance or computer-mediated education and funding start-up costs of new initiatives. Legislators continue to question why the formula continues to subsidize out of state enrollments. Regent Noe also suggested the State Share of Instruction formula may need to be revised to something more like a scholarship model if funding for higher education continues to be cut.

Vice Chancellor Petrick briefed the Committee with an update of the planning for the FY 2003 – 2004 operating budget recommendations. For the Board's review each line item of the Board of Regents operating budget is listed with detail of the total appropriation and an assessment plan if applicable. Mr. Petrick also categorized the line items into categories to show the ultimate purpose of why each line exists. This new taxonomy of Higher Education line items, in its current form, will classify appropriations by Instructional Foundations, Access, Economic Development, Academic Success, Collaboration and Shared Services, Public Service, and Planning and Coordination.

## **Items for review in April and action in May**

Vice Chancellor Petrick briefed the Committee on the Addendum to a Joint Use Agreement between the University of Cincinnati and the Cincinnati Observatory

Center, Inc. This addendum will modify the original agreement and will not require an additional appropriation.

Mr. Petrick provided the Committee with the draft calculation of the FY2002 Student Support Services appropriation. The original \$1,000,000 appropriation was cut by 6% to \$940,000 for distribution to the campuses. The \$940,000 is allocated to campuses that spend more than their portion on costs to serve differently-abled students. Regent Reese asked if this was a measure of inefficiency? Mr. Petrick explained that this was an allocation to the campuses that spend more than the statewide average expenditure per FTE.

### **Items for action in April**

Vice Chancellor Petrick noted the action items on the agenda that were reviewed in March. These items included a fee pledge by the University of Cincinnati to support a bond issuance not to exceed \$48 million, a Joint Use Agreement between the Board of Regents and the Ohio Aerospace Institute for \$300,000, and the March Controlling Board items.

Regent Noe motioned to recommend approval for all action items. The motion was moved and seconded, and agreed to unanimously.

The meeting was adjourned.