

**Resources & System Efficiency Committee  
Ohio Board of Regents  
Minutes of the Meeting of April 21, 2005**

The meeting of the Resources & System Efficiency Committee of the Ohio Board of Regents was held at the Ohio Board of Regents offices in Columbus, Ohio. In attendance were the following:

Committee members in attendance:

Bruce Beeghly, Committee Chair  
Donna Alvarado

Other Board members in attendance:

Edmund Adams  
Jeanette Brown  
Anthony Houston  
J. Gilbert Reese

Ohio Board of Regents staff:

Jathiya Abdullah, College Access Information Coordinator  
Harry Andrist, Director, Research & Graduate Programs  
David Barber, Consultant, Academic & Access Programs  
Roderick Chu, Chancellor  
Kris Frost, Vice Chancellor for Operations  
Cathy Hill, Administrator, Workforce Development  
Neal McNally, Assistant Director, Finance & Government Relations  
James Nargang, Assistant Director, Capital Planning  
Rich Petrick, Vice Chancellor for Finance  
William Wagner, Research Analyst

Guests:

Dr. Christa Adams, Owens Community College  
Chris Baldwin, Owens Community College  
Tony Barnes, University of Akron  
Luanne Bowman, Rio Grande Community College  
John Buttelerwerth, Ohio Faculty Senate  
Larry Christman, AICUO  
Laurie Day, Cleveland State University  
Barry Dorsey, Rio Grande Community College  
Mark Allen Gordon, Cleveland Playhouse  
Kathy Gray, Columbus Dispatch  
Andrew C. Hughey, Central State University  
Madeline Iseli, Sinclair Community College  
Jim Johnson, Ohio Faculty Senate / Sinclair Community College  
Steven Johnson, Sinclair Community College  
Cheryl D. Marcus, Central State University  
Jim McCollum, Inter-University Council of Ohio  
Cindy McQuade, Inter-University Council of Ohio  
Barb Miller, Cleveland State University  
Pat Myers, Kent State University

Jim Plummer, University of Cincinnati  
Margie Rolf, University of Cincinnati  
Zak Talarek, Legislative Service Commission  
Paul Unger, Owens Community College  
Carlos Vargas-Aburto, Central State University  
Vikki Williamson, Central State University

The meeting was called to order by Regent Beeghly.

### **Reports and updates**

Vice Chancellor Petrick provided an update on the Ohio Instructional Grant and Ohio College Opportunity Grant. Despite imposing an October 1, 2004 deadline for submitting new applications, a \$15-17 million shortfall in the OIG program is expected in the current fiscal year. The Office of Budget and Management has been notified of the situation and is helping to identify resources. Some of the shortfall can be met through the transfer of lapsed funds from State Grants & Scholarship programs. The transfer of funds will require Controlling Board approval. Additional funds may be available through lapses in the debt service line item. OBR will attempt to ease the burden on campuses by giving priority to institutions experiencing the greatest cash-flow problems. Chancellor Chu noted that despite large swings in K-12 enrollment from year to year, the General Assembly manages to honor its commitment to students in elementary and secondary education; the same is not always true for higher education.

Mr. Petrick also reported that the Ohio College Opportunity Grant (OCOG) is expected to go into effect in FY 2007. As a result, the program needs to be operational by next January. To ensure that the program is operational in time to meet the expectations of the Governor and the General Assembly, the Board of Regents has already secured funding to begin to hire the staff required to implement OCOG in FY 2005, even though the appropriations for the program have not been formally approved by the General Assembly. Mr. Petrick also said that we will have to ask OBM for additional funds (estimated between \$500,000 and \$750,000 per year) in FY 2006 and FY 2007 to continue funding for the administration of the program. The program will be phased in over 4 years.

Neal McNally provided a preliminary analysis of the effects of Success Challenge on student success. This analysis examined some of the degree outcomes related to the Success Challenge program, which promotes bachelor's degree attainment for at-risk students, as well as timely degree completion for the general student population of resident undergraduates. To be considered at-risk, a student must have applied for and received an Ohio Instructional Grant at some point during the preceding ten years. Regent Houston wondered if additional criteria might enable us to better define at-risk students; staff responded that OIG eligibility is used because solid data is available through HEI.

For both categories of students, there has been an increase in the number of degrees granted over the past five years, and a higher proportion of the base population in each category has attained degrees. The relative improvement is more marked for the

timely degree completion category than for the at-risk category. As a caveat, Mr. McNally noted that it's difficult to fully assess the at-risk data without having a complete set of cohort data that would allow for a more pure analysis. Regent Beeghly suggested that the findings of this analysis be incorporated into the annual Performance Report.

Vice-Chancellor Petrick provided a brief overview of the Senate Bill 6 financial reporting requirements. The bill, enacted in the late 1990's, was designed to improve financial accountability of state colleges and universities by using a standard set of measures with which to monitor the fiscal health of campuses. The bill requires regular submission of quarterly financial reports and audited year-end financial statements to the Board of Regents. Compliance has traditionally been very high; however, two institutions had yet to submit their FY 2004 audited financial statements: Rio Grande Community College and Central State University.

Mr. Petrick explained that, in advance of today's discussion, both campuses had submitted written explanations of the cause of the delay, and had described in detail the numerous communications they had had with the Auditor of State, the Office of Budget and Management, and others in trying to meet the state's reporting requirements.

President Barry Dorsey and Luanne Bowman of Rio Grande reported to the Committee that Rio Grande's financial statements had just been submitted to the Auditor of State and that they expected them to be finalized in a matter of a few weeks. They explained that their failure to meet the reporting deadline was primarily due to a delay on the part of the Auditor of State in awarding a contract to an independent auditing firm. They also noted that in the process of requesting and being granted two extensions, at no point were they informed of the serious consequences of failure to meet the deadline.

Andrew Hughey, General Counsel for Central State University, explained that a theft by an employee in the Controller's Office resulted in the dismissal of Central State's independent auditor due to their failure to detect irregularities leading to the incident. Central State requested that the Auditor of State perform their audit, but was advised that this was not possible. The lengthy process of identifying and contracting with a new independent auditor resulted in a delay in completing the audit. Mr. Hughey assured the Committee that the audit would be completed by May 31, 2005.

Regent Alvarado asked the representatives from both institutions if their respective Boards of Trustees had a Finance & Audit Committee as well as the advice of a financial expert. Rio Grande noted that two CPA's sit on their committee, while Central State responded that its Board has members with financial experience. In light of the Sarbanes-Oxley Act of 2002, which was designed to increase corporate transparency, Regent Brown made a recommendation that institutions consider obtaining outside expert advice on matters of financial accountability. Regent Beeghly stated that the Regents would continue to monitor the progress in receiving the required financial statements from Rio Grande and Central State, and requested that each institution have a representative available at the May meeting of the Resources Committee to answer any questions.

### **Items for Review in April, action in May**

Jim Plummer, University of Cincinnati, presented a request from the University of Cincinnati to pledge student fees in support of a bond issuance not to exceed \$41.9 million for the purpose of financing capital projects at the University's main campus. Out of the \$41.9 million, \$26.9 million would provide funding for additional costs associated with what is known as the "MainStreet Project". Mr. Plummer noted that in addition to project over-runs, many of the additional costs for this project resulted from contractor claim settlements associated with the state-mandated use of multiple prime contractors. Mr. Plummer added that claim settlements for this project totaled \$9 million and 53 multiple prime contractors have been used by the University. The additional \$15 million requested would be non-permanent, short-term debt to be retired by proceeds from larger debt issuances that the University will seek in the future. Mr. Plummer reported that issuing non-permanent debt creates a significant savings in annual debt service as compared to issuing 20-year bonds.

Also on the review agenda were requests for the release and distribution of the FY 2005 Student Support Services and Police and Fire appropriations, as well as a Joint Use Agreement between Cleveland State University and the Cleveland Playhouse and an amendment to an existing Joint Use Agreement between Cleveland State University and CAMP, Incorporated. The Cleveland State University/Cleveland Playhouse Joint Use Agreement was the first such agreement to be drafted under a new process that takes into consideration commensurate value. Mark Allen Gordon from the Cleveland Playhouse described the many ways in which the Cleveland Playhouse provides value to Cleveland State University students and the community.

### **April action items**

The Committee approved the release and distribution of the FY 2005 Primary Care Residency and Family Practice appropriations. Controlling Board items were also approved.

The meeting was adjourned by Regent Beeghly.