Minutes
OHIO BOARD OF REGENTS
May 15, 2008

The public board meeting was called to order by Regent Alvarado at 8:30 a.m.

Donna Alvarado, Chair of the Board of Regents, called the meeting to order and reviewed the goals and agenda for the meeting.

The roll was called by Secretary James M. Tuschman. Those present were:

- Edmund J. Adams
- Donna M. Alvarado
- Bruce R. Beeghly
- Anthony Huston
- James Patterson
- James M. Tuschman

Regent Tuschman stated that "the record reflects that notice of this meeting was given in accordance with provisions of the Board of Regents' Ohio Administrative Code § 3333-1-14, which rule was adopted in accordance with section 121.22(F) of the Ohio Revised Code." Regent Tuschman reported that a quorum was present.

Response to the First Annual Condition Report

Regent Tuschman opened a discussion about the response to the first annual Condition Report and the Chancellor's Strategic Plan. He suggested that in the future that the two reports be rolled out separately.

Chancellor Eric Fingerhut agreed that in the future, it would make sense to do separate rollouts. There have been three "Chancellor's Community Conversations" to date and Regents Alvarado, Tatar, and Reiling have served on the panels at these events. The Chancellor stated that the two reports have dovetailed each other. He also said that trustees, administrators, and others are taking both documents very seriously. Chancellor Fingerhut said that Mike Chaney will compile the various articles & editorials about the Strategic Plan and will send them to the Regents. There were 82 articles in first 24 hours after the plan and the report were released.

Chancellor Fingerhut gave an update about the work of the Subsidy Consultation. He wants the funding consult to look at new ways of doing things. He also reported on three directives he issued regarding an integrated technology plan. The plan includes merging Ohio Link and the Ohio Learning Network into one organization, re-organizing the boards of OARnet and the Ohio Supercomputer Center, and the development of a strategic plan for eTech. David Barber is leading this effort.

Regent Patterson asked for an update on the Seniors to Sophomores program. The Chancellor reported that 49 school districts were awarded "Early Adopter" grants

to begin to offer the Seniors to Sophomores program this fall. All of the Early Adopter teams met in Columbus with the Chancellor and the Governor. "Early Adopter" districts are located in all regions of the state.

Chair Alvarado asked about the relationship between the business community, K-12 and the Ohio Skills Bank initiative. Chancellor Fingerhut said that there are now 12 regional Skills Bank directors who are looking at supply and demand in their regions. A report on the Skills Bank initiative will come out in July. The Regents requested a copy of the report.

Discussion of the Second Condition Report

The Regents turned their attention to the 2nd Condition Report. Brenda Albright, consultant, asked the Regents to think about the purpose of the report and also asked whether it had been determined that the report would focus on capital issues.

Regent Adams stated that the Regents have an opportunity to look at "third rail" issues such as student athletes and graduation rates. Regent Beeghly responded that looking at such issues may dilute the report. Regent Tuschman agreed with Regent Adams that the report need provocative issues. He suggested that a subcommittee of the board develop a list of 5 provocative ideas. Regent Adams said that the integration of minority students into the campus setting is another provocative issue, and Regent Tuschman said that tenure was another such issue. Chair Alvarado asked Regent Adams to chair a "provocateur" subcommittee and he agreed to take on the assignment. Regent Houston added that student indebtedness was another timely issue that could be explored.

Regent Patterson commented that he wasn't sure how the Condition Report and Strategic Plan will work in the future. In his mind, the Condition Report should report on all of the accountability measures in the Strategic Plan and how much progress is being made. Chancellor Fingerhut said that a report on the progress of the accountability measures would be in the purview of the Regents, and that he is also planning to do updates.

Regent Beeghly suggested that the second Condition Report might be released too early to look at progress on the accountability measures –it would be more appropriate for the third report – and it would make sense to look at the changes every other year and also report on special focus topics. The second report will look at capital issues. He said that it would a good idea to consider what classrooms of the future will look like.

Chair Alvarado said that capital issues have to be in the context of the first Condition Report and the major question of whether Ohio is producing and retaining graduates in the number and quality to meet the needs of the 21st economy. She said that the report also needs to address efficiency and productivity concerns. She

suggested that the Regents might want to develop 6 – 9 key questions to guide the development of the capital report.

Brenda Albright clarified that the focus of the second Condition Report is on capital issues with the context of the needs of the state.

Chancellor Fingerhut said that the role of the board is to report on the condition of higher education within the context of what is needed, and where we want to go as a state. The goal of enrolling an additional 230,000 Ohioans in higher education will rely on the enrollment of adult students, and so we will have to look at the time of day classes are offered, the availability of on-line courses, and distance learning options. We will have to ask whether we are investing in the right things.

Capital Issue

Rich Petrick, Vice-Chancellor for Finance, and Jim Nargang, Director of Capital Planning, gave an overview of capital issues, including the following:

a) Final Report of the Commission to Study Higher Education Debt Service
b) Section 3333.072 of the Revised Code
c) Rules to govern the allocation of state capital appropriations for higher education adopted by the Joint Committee on Agency Rule Review
d) Regents' staff guidelines to campuses
e) Board of Regents initial plan for FY 2009 – FY 2010
f) Analysis of state college and university capital needs
g) Historical information on local plant debt
h) Excerpts from the Chancellor's 2008 Strategic Plan
i) Example of a campus long-term master capital plan
j) IT funding
k) Other states

Vice Chancellor Petrick said that many states are looking at the issue of facilities. Regent Beeghly asked if the primary purpose of the capital policy is to assign debt service to campuses. Vice Chancellor Petrick replied that the policy serves as a rationing device and it establishes a "price" for state capital resources.

Director Nargang said that campuses are doing much better in their capital planning because they do resource planning six years out. Each institution submits narratives describing how they are protecting their capital assets.

Regent Adams asked if he had foreseen the great increase in debt service at the local level. Vice Chancellor Petrick responded that in the 1990s, higher education was richly funded but after the DeRolph school funding case, state priorities changed to focus much of the available state resources on K-12 facilities. Director Nargang added that campus buildings are getting older and that also adds to the need to take on local

debt. Regent Adams then asked who is reviewing monthly indebtedness data for S.B. 6 purposes. Vice Chancellor Petrick said that the staff does this and send the information to the Chancellor. Regent Beeghly suggested that a metric for the Condition Report should be the level of indebtedness.

Regent Patterson asked about how the state is ever going to break out of the cycle. He said that debt service continues to go up, and said that the Ohio State University had a policy that if you are going to build a new building, you are required to create an endowment to take care of maintenance, etc. These cists are built into the cost.

Director Nargang said that public campuses need to think more like private campuses. He said that it is difficult to break the cycle because most buildings in the system were built with state funds. Chair Alvarado asked the question, "At the end of day who owns all of the buildings?" Regent Tuschman replied that the state owns all of them. Regent Alvarado asked if this were true even for a university like Miami University. Chancellor Fingerhut said that we might want to look into this issue further – that campuses are getting increasingly creative with more building owned privately through community development companies. Chair Alvarado said that if she were on a corporate board, looking at when a new building is proposed, she is sure that the cost of capital would be considered. She asked if we assembled a balance sheet of the state's university assets and liabilities, what would it look like?

Director Nargang said that under H.B. 215, campuses are required to reduce energy usage by 20%, using FY 2004 as the base.

Regent Beeghly asked for a description of the statewide capital line items, and Director Nargang provided a description of these line items (Supercomputer Center, Broadband Ohio, etc.)

For a future meeting, Chancellor Fingerhut suggested that the Regents receive an update on the OAI and how we might maximize the economic development of two federal facilities. He also said that he will work to find a balance between local planning and the statewide Strategic Plan.

After breaking for lunch, the Regents resumed their discussion of capital issues. Chair Alvarado asked if we can ask campuses to show their IT costs in the context of saving dollars and the bottom line. She said that the model of delivering instruction with all of the investment for buildings and instructors and then adding the cost of IT on top is unsustainable. She said that we have to think in a new way about this.

Brenda Albright pointed out that in Florida they consider four costs when planning for facilities. The cost of construction itself, the cost to pay for repair and renovation, (generally two and one half percent of the cost of construction), operating

costs for heating cooling, etc ($5 - $6/square foot), and the cost for instructors and new programs.

Director Nargang reported that a company in Pennsylvania collects data and provides ideas about how to better manage resources. He said that many campuses' processes are not data driven. He suggested that if the processes could be more data driven, it could ultimately have an impact on capital costs.

Vice Chancellor Petrick reported that many campuses don't have a meter for each building, so they don't know how much is being spent on energy for each building – but they meters cost upwards of $20,000.

Regent Patterson said that it might be interested to look at a national property management company that wants to work with higher education facilities. He suggested that if one company provided all of the janitorial services for Ohio's higher educational facilities, money could be saved. Chair Alvarado wondered how the autonomous nature of our higher education system either helps or hurts maintenance costs. Chancellor Fingerhut said that he had been thinking about this issue, and thinks that clear goals about shared services and shared design services, could help. Chair Alvarado said that identifying key questions is vital. Regent Beeghly asked that Regents send him those key questions.

Discussion of Engagement with Trustees

Chancellor Fingerhut said that the Strategic Plan calls for a more substantial role for trustees than in the past. One of the challenges is that many trustees were appointed by the previous to the development of the Strategic Plan. He said that at least one of the upcoming conferences with trustees would be in person and at that meeting he wants to focus on governance issues.

Chair Alvarado asked if Regents met with local chairs of college and university board of trustees, what would the key issues be? Regent Beeghly suggested that there are challenges aligning with the Strategic Plan, new ways of budgeting, and campus centers of excellence. He said that education is needed to help trustees understand the operation of individual institutions within a system.

Regent Adams said that he want to inform the President if he were talking to trustees at the University of Cincinnati. Regent Patterson agreed that he wouldn't want to give the impression that Regents were "going around" presidents. He also said that he didn't want the Regents to be a sounding board for complaints.

Chancellor Fingerhut said that we need to build strong bi-partisan support for higher education. The institutions of higher education in the state belong to the people and he wants to try to get trustees to see their role differently, and not just in a parochial way.

The Regents discussed the remainder of the meetings in 2008. The June meeting will focus on STEM issues, the July meeting will focus on efficiency, and the rest of the meetings in 2008 will be devoted to the second Condition Report.

The Regents briefly discussed draft operating standards and will discuss them further at the June meeting.

The meeting was adjourned by Chair Alvarado.

Secretary

May 15, 2008

Date