

**Resources & System Efficiency Committee  
Ohio Board of Regents  
Minutes of the Meeting of October 21, 2004**

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

Committee members:

Edmund Adams, Committee Chair  
Donna Alvarado  
Bruce Beeghly  
J. Gilbert Reese

Other Board members in attendance:

Jeanette Brown  
Anthony Houston  
James Tuschman

Ohio Board of Regents staff:

Harry Andrist, Director, Research & Graduate Programs  
Roderick Chu, Chancellor  
Bret Crow, Assistant Director for Communications  
Kris Frost, Vice Chancellor for Operations  
Deborah Gavlik, Associate Vice Chancellor, Government Relations  
Darrell Glenn, Director for Performance Reporting & Analysis  
Neal McNally, Assistant Director, Budget & Resource Planning  
Rich Petrick, Vice Chancellor for Finance  
Garry Walters, Vice Chancellor for Access & Academic Programs

Guests:

Tony Barnes, University of Akron  
Kate Carey, Ohio Learning Network  
Linda Carr, University of Toledo  
Larry Christman, Association of Independent Colleges & Universities of Ohio  
Laurie Day, Cleveland State University  
Matt Filipic, Wright State University  
John Garland, President, Central State University  
Jim McCollum, Inter-University Council of Ohio  
Dale McGirr, University of Cincinnati  
Cindy McQuade, Inter-University Council of Ohio  
Pat Myers, Kent State University  
Jim Plummer, University of Cincinnati  
Keith Ralston, Wright State University  
Steve Sherbet, Wright State University  
Vikki Williamson, Central State University  
Nancy Zimpher, President, University of Cincinnati

The meeting was called to order by Regent Adams and the minutes of both the July and September 2004 Committee meetings were approved without objection.

## Reports and updates

Vice Chancellor Rich Petrick briefed the Committee on the Regents' operating budget recommendations for the FY 2006-2007 biennium. It was recommended that the Regents adopt two budgets, both of which were developed in collaboration with the Higher Education Funding Commission and two statewide consultations on the State Share of Instruction and Student Financial Aid. The first budget is a flat budget that prioritizes Regents' programs but does not request additional aggregate funding above FY 2005 levels. A flat budget is required of all state agencies by the Governor's Office of Budget & Management, and recommends cutting or reducing funding for a number of programs in order to symbolically support relatively small additions to the State Share of Instruction and the need-based OIG program. Programs in the flat budget are broken into three categories: (1) programs having a very narrow focus or niche are recommended to be completely eliminated; (2) programs that have a narrow focus but are core to institutional missions are recommended to be cut by 15%; and (3) high-priority programs that provide statewide benefits are recommended to be flat-funded. Regent Beeghly made a motion to amend the flat budget to recommend that the reductions for the Central State and Shawnee State supplements, Ohio Aerospace Institute, Cooperative Extension, Urban University Programs, Rural University Programs, and the Firefighters Hazardous Materials program be reduced to 7.5% in FY 2006 and a 15% cut (below FY 2005 levels) in FY 2007 instead of 15% in FY 2006, with funds taken equally from the SSI and OIG to fund these smaller reductions in FY 2006. This amendment would ease the impact of the potential cuts and allow campuses to make gradual adjustments. Regent Houston stated that a 15% cut to the special supplements for Central State and Shawnee State universities would be devastating since the supplements are critical to each institution's mission and longevity. He said that the racial and historical aspects of Central State and Shawnee State represent a compelling special circumstance and justification to protect the supplements from being reduced. Regent Tuschman concurred that special circumstances exist but said that because of constrained state resources, there are many special circumstances at campuses across the state. Regent Alvarado commended the special services Central State and Shawnee State provide to the state, but said that the Regents' broader goal of providing higher education opportunities to all Ohioans takes precedence.

Central State University President John Garland appealed to the Committee to exempt Central State's special supplement from the cut recommended in the flat budget. He noted Central State's unique historical mission of serving under-represented minority populations, particularly African American Students. He said he felt that the Higher Education Funding Commission had been provided the flat budget figures by Regents' staff and that the Commission had not formally adopted this budget scenario. President Garland also distributed a March 2004 letter from the Inter-University Council to Governor Taft that describes the special supplements for Central State and Shawnee State as "core" funding that deserve protection from cuts. President Garland asserted that the General Assembly has never initiated a cut to Central State's supplement and that the governor has cut this funding at the recommendation of the Board of Regents. He noted that Central

State's supplement represents less than 1% of the total higher education budget, and asserted that this is an insignificant amount in terms of the statewide budget, but very significant to Central State.

Regent Beeghly pointed out the considerable disparity in state support per FTE student for Central State compared to other Ohio campuses. [In FY 2004, the statewide average core state support per FTE student was \$4,733; at Central State, core state support was \$15,559 per FTE student.] Regent Beeghly also said that he is concerned with providing higher education access to African American students, but noted that the combined total number of African American students attending other Ohio campuses greatly exceeds Central State's enrollments. Regent Adams noted his membership on the Higher Education Funding Commission and said the Commission does not formally vote on issues but rather works by consensus. He said the flat budget accurately reflects the discussions of the Funding Commission and that he recalled that no objections were raised at the Funding Commission when the flat budget was presented. Regent Brown pointed out that while many of the items that are proposed to be reduced in the flat budget might seem like insignificant amounts, the aggregate total of all such items is very significant.

Vice Chancellor Petrick briefed the Committee on the second budget recommendation—the initiative budget. This budget calls for relatively modest funding increases that would help move higher education and the state in the right direction. This budget is sensitive to the fiscal realities of the state, yet responsive to Ohio's future needs. It focuses on making a limited number of strategic investments and is consistent with the Regents' goals and with many of the recommendations of the Governor's Commission on Higher Education & the Economy. Regent Beeghly made a motion to amend the initiative budget to provide no increases to the special supplements for Central State University and Shawnee State University. He said this is consistent with the state's policy of phasing down these special supplements.

### **Items for Review in October (action in November)**

Vice Chancellor Rich Petrick briefed the Committee on two issues concerning the capital budget. The first was a proposal to revise administrative procedures for quantifying the reasonable value of community projects. This proposal would ensure that joint-use agreements provide meaningful and relevant benefits to colleges and universities that are party to such agreements. Regent Brown noted that the term *reasonable* is overly vague. Mr. Petrick said that this language is already in the capital bill and administrative rule, and noted that *reasonable* value had replaced the term *commensurate* value that appeared in past capital bills.

The second capital-related proposal recommended that the Regents' capital policy be incorporated into state statute and administrative rule. This proposal would solidify the Regents' capital funding policy in state law.

Mr. Petrick also briefed the Committee on the release and distribution of FY 2005 State Share of Instruction funds. The SSI calculation has been finalized with updated enrollments and space data recently reported by campuses. Regents' staff and campus staff are presently conducting a comprehensive review of the FY 2005 calculation, to ensure complete accuracy prior to Board action in November.

Mr. Petrick also briefed the Committee on the Fall 2004 Preliminary Headcount Report, which shows that enrollments are flat this year with a modest 52-student increase above last fall's level.

The Committee also reviewed two fee pledge requests. Matt Filipic briefed the Committee on Wright State University's request to issue \$48 million in general obligation receipts bonds to finance several capital-related projects on campus. Wright State does not presently plan to raise student fees to support this debt issuance, but rather plans to use auxiliary revenues and general receipts. However, Wright State does reserve the right to raise student fees should the need arise. Dr. Filipic noted that Wright State's tuition is presently the fourth lowest among the state's public universities. He said under a worst-case scenario, Wright State would need to implement an annual \$300 special student fee to support this bond issuance, which would still make Wright State's tuition comparable to other public universities in the state.

Dale McGirr briefed the Committee on the University of Cincinnati's request to issue \$7.5 million in bonds to provide interim financing for three capital projects that UC expects to ultimately be funded with state capital appropriations. Mr. McGirr also noted the marked improvement in UC's financial ratios for FY 2004—UC's S.B. 6 composite score is projected to increase from 2.8 in FY 2003 to 3.6 in FY 2004 based on UC's preliminary financial statements for FY 2004. Regent Adams asked if UC is concerned that it has the highest level of long-term debt among the state's colleges and universities. Mr. McGirr said that debt is always of concern and that UC's debt capacity has been favorably reviewed by Moody's Investors Services and Standard & Poor's. He noted that only a small portion of UC's debt is supported by direct student fees and that much of the debt is supported by growth in research holdings.

Additionally, the Committee was briefed on three joint-use agreements: One between the University of Akron and the Case-Barlow Farm for \$100,000; another between the University of Akron and the Stan Hywet Hall & Gardens for \$500,000; and a \$500,000 agreement between Case Western Reserve University and University Hospitals.

## **Reports and Updates**

Dr. Darrell Glenn briefed the Committee on the 2004 Performance Report. Five statewide consultations have been convened to craft the 2004 report, which is scheduled for release this January. It is anticipated that draft copies of the report will be ready for Regents review in early December.

Additionally, Dr. Glenn briefed the Committee on the Productivity Report that arose from the recommendations of the Governor's Commission on Higher Education & the Economy. This report will highlight the efficiencies attained by the state's public colleges and universities and their efforts to restrain tuition growth. These data will be collected through a survey of campuses that has been refined with input from campus representatives. This survey is scheduled to be complete by early January.

**Action Items**

The Committee recommended Board approval of three action items on the consent agenda: FY 2005 – 2007 operating budget recommendations as amended with Regent Beeghly’s amendments; (2) a request from the University of Akron to pledge student fees in support of a \$36 million bond issuance (previously reviewed by the Committee in September); and (3) the September 2004 Controlling Board items.

The Committee was adjourned by Regent Adams.