

**Resources & System Efficiency Committee  
Ohio Board of Regents  
Minutes of the Meeting of September 22, 2005**

The Resources & System Efficiency Committee of the Ohio Board of Regents met at Pierce Hall on the campus of Kenyon College in Gambier, Ohio. In attendance were the following:

Committee members:

Bruce Beeghly, Committee Chair  
Donna Alvarado  
James Tuschman

Other Board members in attendance:

Edmund Adams  
Jeanette Grasselli Brown  
Anthony Houston  
Gerald Miller  
Jerome Tatar  
J. Gilbert Reese

Ohio Board of Regents staff:

Jamie Abel, Assistant Director for Communications  
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  
Jim Nargang, Assistant Director, Capital Development  
Rich Petrick, Vice Chancellor for Finance  
William Wagner, Research Analyst

Guests:

Bob Burke, Association of Independent Colleges & Universities  
Laurie Day, Cleveland State University  
Jennifer Fehnrich, Owens Community College  
Bill Hill, Hocking Technical College  
Tim Long, Cleveland State University  
Chuck Mann, Owens Community College  
Bill Miller, North Central State College  
Gena Miller, Association of Independent Colleges & Universities  
Roy Palmer, Hocking Technical College  
Jim Plummer, the University of Cincinnati  
Paul Unger, Owens Community College

The meeting was called to order by Regent Beeghly and the minutes of the July 2005 Committee meeting were approved without objection.

## **Updates & Reports**

Neal McNally briefed the Committee on the Fall Survey of Student Charges. For the 2005-2006 academic year, combined tuition and fees for in-state undergraduates rose by an average of 6% at universities and by 5% at two-year colleges. Every campus is in compliance with the 6% tuition cap established by House Bill 66. Regent Beeghly noted that the tuition increases at several two-year campuses were well below the 6% cap. He stated that these campuses should be commended for this fee restraint.

Additionally, Vice Chancellor Petrick briefed the Committee on the work of Higher Education Funding Study Council, which has a very ambitious schedule. This Council's meetings so far have been educational with Regents' staff giving presentations on topics such as student financial aid, the State Share of Instruction formula, and the Challenges. The Council will continue with educational meetings through October, and then begin developing recommendations on possible changes to how Ohio funds higher education. This Council will also consider the recommendations of the State Share of Instruction Consultation and its various subcommittees, which will also continue to meet over the next several months to review and possibly recommend changes to the SSI formula and Challenges.

Vice Chancellor Rich Petrick briefed the Committee on the capital budget process. The estimated cost of deferred maintenance at non-auxiliary buildings at Ohio's public campuses is \$5 billion. Since FY 1995, state capital support has declined by 26%, and on a per student basis capital funding has declined by 34%. It is estimated that it would cost a minimum of \$315 million per year to keep up with the maintenance needs for the entire physical inventory of educational and general space at Ohio's public campuses. Regent Miller asked if state capital funding for higher education could be legislated as an entitlement, as has been done for primary and secondary education. Mr. Petrick responded that the state is constitutionally prohibited from exceeding a 5% limit on debt service and that the Office of Budget & Management has been conservatively reluctant to go to the 5% maximum level. Chancellor Chu noted that the state does not budget for depreciation. He said this has led to the block obsolescence problem facing campuses today. Unless the state begins to budget for depreciation, primary and secondary schools will be faced to a similar block obsolescence problem in 20 to 30 years from now. Regent Tatar said that it is possible and perhaps likely that some campuses set aside funds in reserve accounts to help offset the cost of depreciation and address maintenance needs. The Board of Regents must submit its capital recommendations for FY 2007-2008 to OBM by November 30th so the Committee will discuss these issues in more depth at next month's meeting.

Jim Nargang briefed the Committee on an energy efficiency initiative to help identify resources that may be used for capital projects that result in increased energy efficiencies. This program is still in the developmental stage and might entail short-term loans that would be financed by the energy cost savings that result from the project.

Vice Chancellor Petrick also briefed the Committee on the potential shortfall in Ohio Instructional Grant obligations for FY 2006. The \$17 million shortfall that the OIG fund experienced last year appears to be a structural deficit, and the FY 2006 shortfall is also expected to be of this magnitude. Regents' staff has been working closely with the Office of Budget & Management to resolve this issue as quickly as possible.

### **Old Business**

Jim Plummer from the University of Cincinnati briefed the Committee on UC's request to pledge student fees in support of a \$30.3 million bond issue, the proceeds of which would be used for on-campus capital projects and improvements. The Committee expressed some concern over the University's growing debt and asked about the University's strategy for managing and reducing its long-term debt. Mr. Plummer responded that growth in the University's enrollments has made additional campus space essential, and the University does intend to return to the Regents in the near future to request additional debt authority. Mr. Plummer also stated that the University has been able to manage its debt obligations with general receipts without levying special fee increases. He also noted that the practice of issuing bond anticipation notes has allowed the University to pay only capitalized interest for a short period and then use state capital dollars to retire debt. Regent Alvarado requested that the University provide the Board with copies of UC's master capital plan, and its plan for managing its growing debt obligations.

### **New Business**

Roy Palmer from Hocking Technical College briefed the Committee on the College's request to pledge student fees in support of a \$3 million bond issue to finance the expansion and renovation of the College's hospitality training center. Mr. Palmer requested that this item be placed on the consent agenda for consideration by the full Board. This would allow Hocking College to go to market sooner with its bond issuance, thereby expediting construction and avoiding possible increases in interest rates and construction costs. The Committee recommended that this item be added to the consent agenda for action by the full Board.

The Committee also reviewed three joint-use agreements. The first was a \$164,400 agreement between the University of Toledo and CAMP, Inc. The second was a \$250,000 agreement between North Central State College and the Mansfield/Richland Incubator, Inc. And the third agreement was between Kent State University and the Columbiana County Port Authority for \$875,000

The Controlling Board items for July and August were reviewed.

The meeting was adjourned by Regent Beeghly.