

**Resources Committee
Ohio Board of Regents
Minutes of the Meeting of July 20, 2000**

The meeting of the Resources Committee of the Ohio Board of Regents was held in the Spitzer Conference Center on the campus of Lorain County Community College in Elyria, Ohio. In attendance were the following:

Ohio Board of Regents members:

Ralph Schey, Committee Chair
Gerald Gordon
Tahlman Krumm
Gerald Miller
Stephen Perry

Ohio Board of Regents staff:

Roderick G.W. Chu, Chancellor
Richard Petrick, Vice Chancellor for Finance
Harry Andrist, Director, Research & Graduate Programs
Clyde Eberhardt III, Director for Capital Development
Jack Connell, Researcher for Degree Programs
Kristina Frost, Director of Operations
Robert Johnson, Administrator for Workforce Development
Neal McNally, Administrator for Financial Analysis
Robert Sheehan, Associate Vice Chancellor, Performance Reporting & Analysis

Guests:

Rosemary Jones, Cuyahoga Community College
Craig McAtee, Cuyahoga Community College
Ginny Hamilton, Shawnee State University/Ohio Faculty Council
Gitanjali Kaul, Ohio University
Jessica Popricki, AICUO
Ron Rutti, *Cleveland Plain Dealer*
Kate Sellers, Cleveland Museum of Art
Larry Simpson, Cuyahoga Community College
Lou Suarez, Lorain County Community College/Ohio Faculty Senate

The meeting was called to order by Regent Schey. The minutes of the June 22nd meeting were approved without objection.

Updates and Reports

Vice Chancellor Petrick told the Committee that Youngstown State University had asked that its request for approval to increase dormitory space by 515 beds be deferred until a later date pending further review by the University and its newly appointed president.

Vice Chancellor Petrick updated the Committee on HEI developments, stating that all 50 AICUO campuses have been invited to participate in HEI, and that such increased participation would expand the understanding of higher education dynamics in the

state of Ohio. In response to Regent Miller, Vice Chancellor Petrick said that 20% of the college students in Ohio are enrolled at private a campus. Vice Chancellor Petrick noted the possibility of leasing or selling certain aspects of the HEI system to other states, as HEI has been recognized as being among the most technologically advanced higher education information systems. Associate Vice Chancellor Sheehan stated that OBR could sell or lease HEI's database structure and design, and technical assistance. Chancellor Chu affirmed that HEI is in fact the property of the State of Ohio and may be sold or leased in such a fashion.

Vice Chancellor Petrick updated the Committee on the changes in federal funding for healthcare and medical education, noting that he and other members of the OBR senior staff had attended a five-hour seminar on this topic. Vice Chancellor Petrick noted that decreasing reimbursements from Medicaid and Medicare are especially affecting teaching hospitals that already have above-average costs because of their multiple missions. Consequently, many teaching hospitals are experiencing volatile revenues and/or operating deficits, forcing these hospitals to reconsider their missions. According to Vice Chancellor Petrick, the AAMC projects that 42% of all hospitals will have operating deficits by 2002, noting that the University of Pennsylvania Medical Center has a \$300 million deficit and that the Ohio State University Hospital has a deficit of between \$10 million and \$20 million. Vice Chancellor Petrick noted that the University of Cincinnati had been foresightful having privatized and merged its hospital with the City of Cincinnati four years ago. Regent Krumm asked if UC had experienced any negative consequences from this change such as a decline in research. Vice Chancellor Petrick responded that UC has experienced only a minimal impact largely because Hamilton County supports a generous local levy that assists its hospital system. Chancellor Chu said that he had met with State Health Director Dr. Nick Baird to discuss strategies for providing adequate medical education in Ohio. Chancellor Chu noted that Dr. Baird had pledged to work with OBR to address concern over the lack of a statewide healthcare strategy in Ohio. Regent Gordon suggested using the HEI system to determine the number of doctors being educated in Ohio and how many are leaving and entering the state. Noting that Ohio has a net shortage of doctors, Chancellor Chu stated that doctors graduating from Ohio's medical school need to be encouraged to stay in Ohio. Regent Krumm noted that OSU's College of Veterinarian Medicine serves a regional mission since so few such departments exist nationwide. Chancellor Chu pointed out that NEOUCOM successfully tracks its graduates since its mission is to produce Ohio doctors. Associate Vice Chancellor Sheehan agreed, stating that according to HEI data 60% of NEOUCOM graduates stay to practice in Ohio.

Vice Chancellor Petrick updated the Committee on the Instructional Subsidy Consultation's recommendation to increase the instructional subsidy by 5% per year, with 1% being for enrollment growth and 3% to 4% for inflationary pressures. Regent Perry asked about this recommended increase compared to the last biennial recommendation and asserted that the real issue is whether this 5% is in fact funding growth (above inflation) that ought to be targeted toward performance-based funding. Vice Chancellor Petrick said that the instructional subsidy reimburses campuses for about 50% of instructional costs and that the ECI is used to adjust for campus cost pressures. Vice Chancellor Petrick mentioned the ongoing discussions about changing the name of the instructional subsidy, and although University of Akron President Luis Proenza and others have strongly advocated replacing the word *subsidy* with *investment*, the prevailing opinion seems to prefer the term *instructional support*.

Regent Miller suggested that Ohio's return on investment (in higher education) be compared to the national return on investment. Regent Perry asserted that this return on investment include quality of life in addition to simply using money as a measure. Chancellor Chu said that a reasonable discount rate is needed but that people seem to prefer a higher discount rate with a short-term return on investment. Chancellor Chu also emphasized the need to recognize political forces as factors. Regent Gordon asserted that the key to a successful return on investment is *leadership*, as is the case in states like North Carolina and Georgia where higher education has successfully been integrated into the economic development of these states. Chancellor Chu stated that instead of focusing on costs, the goal should be to ensure that funds are spent on achieving the best outcomes. Expressing optimism, Regent Perry said that he feels the glass is half full and though Ohio has a long way to go, a commitment has been made. Regent Miller noted that the American economy has done well in large part because U.S. companies are allowed the flexibility to right-size and are not tied to rigid labor rules as is the case in Europe and Japan.

Neal McNally briefed the Committee on the dramatic rise in healthcare costs currently facing the state's public colleges and universities, where average costs are increasing between 9% and 12% per year. According to Mr. McNally, these increases are being driven primarily by the increased utilization and cost of prescription drugs. Regent Schey concurred, stating that healthcare costs at his company have increased by as much as 40% largely because of prescription drugs. Regent Schey suggested that these increases are not unique to higher education but are consistent with what the general economy is experiencing. Noting that each campus negotiates separately with healthcare providers, Regent Krumm suggested that if campuses joined together to create a powerful bargaining alliance, the result could be lower healthcare costs.

Vice Chancellor Petrick briefed the Committee on protection to medical schools that encourages lower Medical II enrollments. Referring to information provided by Matt Filipic, Vice Chancellor Petrick told the Committee that in response to the disproportionate growth in medical enrollments during the 1980's, caps were established that provided funding to protect fixed costs and effectively encouraged medical schools to decrease enrollments. However, by the early 1990's, Medical II enrollments were significantly below base levels so the Board of Regents implemented a buffering system to encourage Med II enrollment growth. Regent Gordon wondered if the medical schools experienced proportionate decreases in their faculty and staff when enrollments had decreased below base levels. Vice Chancellor Petrick stated that without Medical II buffering, base-level funding would cost \$10.4 million. Medical II buffering, therefore, creates virtual savings of \$3.5 million. Regent Krumm asked about the implication of the varying subsidy per Medical II FTE at each medical school. Vice Chancellor Petrick responded that there is no impact on the quality of education but tuition may be affected by this variance.

Associate Vice Chancellor Sheehan briefed the Committee on the Graduate Funding Commission, stating that the focus is on gathering data and on policy development, particularly in regard to fee collection and tuition waivers. Associate Vice Chancellor Sheehan said that a policy on tuition waivers would establish regulatory language and accountability measures. Regent Gordon reminded the Committee of his concern over tuition waivers being granted to students without any clear expectations.

Items for Review

Vice Chancellor Petrick introduced Larry Simpson from Cuyahoga Community College, who told the Committee that the College's proposed joint-use agreement with the Cleveland Museum of Art would benefit students by providing employment opportunities and access to the Museum's facilities, entertainment, and other resources. Kate Sellers of the Cleveland Museum of Art noted the Museum's past relationship with Tri-C, stating that this relationship has helped the Museum serve its mission, particularly with regard to community outreach. Noting that the proposal requested August approval, Regent Gordon stated that the agreement could not be approved until September since the Board is not scheduled to meet in August. Clyde Eberhardt stated that the agreement would be amended to reflect the correct date.

Vice Chancellor Petrick updated the Committee on Governor Taft's budget guidance for the FY 2002 - 2003 biennium, stating that increases in the higher education budget would be capped at 10% per year, which is better than the 7% and 5% increases during the past two biennia. According to Vice Chancellor Petrick, the governor's first priority is education - including higher education. Vice Chancellor Petrick noted higher education's main budget themes that include economic development, improving technology competencies and student success, and establishing K-16 linkages.

The meeting was adjourned by Regent Schey.