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RODERICK G. W. CHU, CHANCELLOR

MEMORANDUM

To: Governor Bob Taft  
Senate President Bill Harris  
Speaker of the House Jon Husted

Copies to: Senate Minority Leader C.J. Prentiss  
House Minority Leader Joyce Beatty  
Members of the General Assembly  
OBM Director Tom Johnson

From: Roderick G. W. Chu, Chancellor *Roderick Chu*

Date: January 24, 2006

Subject: FY 2007 - FY 2008 Capital Recommendations  
for Higher Education

I am pleased to provide you with the FY 2007 - FY 2008 Capital Recommendations for higher education.

As the attached documents describe in detail, these recommendations total \$600 million, and are divided into two components. The core request totals \$450 million, which equals the control total provided to us by the Office of Budget and Management (OBM) earlier this year. The overwhelming majority of these funds are allocated to public colleges and universities according to long-standing formulas developed by the Regents in consultation with campus representatives. Campuses plan to use almost all of their proposed funding to renovate, rehabilitate, or replace existing educational facilities, or to increase capacity for campuses and programs that are seriously short of space due to dramatically increased enrollments. In addition to campus allocations, we also recommend funding for existing statewide consortia, such as OhioLINK, OARnet, and the Ohio Supercomputer Center, which help higher education improve services and reduce costs through statewide use of and leveraging of resources.

In addition, the Regents have taken the extraordinary step of making a supplemental request for an additional \$150 million. They have taken this

action for two reasons. First, due to reduced state resources and a long-standing 12-year commitment to rebuild primary and secondary education facilities, state capital funding for higher education, controlled for inflation, has decreased almost 35% since the 1990s. This reduction in state capital support has come at a time when a large proportion of campus facilities, built in the 1960s and 1970s to accommodate the Baby Boom generation, are now in dire need of replacement, renovation, or rehabilitation.

**Campuses plan to use almost all of their proposed funding in the core request to renovate, rehabilitate, or replace existing educational facilities, or to increase capacity for campuses and programs that are seriously short of space.**

This simultaneous aging of facilities is often referred to as "Block Obsolescence," and it is a problem that a number of states are trying to manage. We estimate that Ohio's block obsolescence problem now totals \$5 billion, and the cost increases by \$300 - \$400 million every year due to the lack of adequate state capital funds to address campus capital renewal needs.

Compounding this block obsolescence issue is the charge made by the Governor's Commission on Higher Education and the Economy (CHEE) to increase enrollments by 30% in the next 10 - 15 years to help Ohio better compete in the Knowledge Economy. Given that most of Ohio's campuses are at or near capacity, it will be difficult to meet this charge if the capital renewal needs of existing facilities are not met and if we do not have the resources to build new facilities to accommodate some of this anticipated enrollment increase.

Campuses are struggling to manage these facility problems through a variety of strategies.

- Where possible and appropriate, they have borrowed money on their own to address critical facility needs. In fact, campus debt has more than tripled in the past five years and now exceeds \$3 billion.
- Rapidly growing campuses lease space as a short-term response to surging enrollments.
- Campuses increasingly rely on distance education to enable them to expand service to students and communities with minimal need for additional space.
- They continue to seek external funding from private donors and the like.

The majority of the supplemental request would be allocated to campuses to help them better manage their aging space and capacity needs. In addition, we have requested consideration of special allocations within the supplemental request to:

- Help improve our facility database to help us and campuses better manage their facilities;
- Provide statewide consortia such as OhioLINK, the Ohio Supercomputer Center and the five regional library depositories with additional resources; and
- Support Central State's request to complete the construction of the University's new science facility.

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In light of the serious facility issues discussed above, the Regents have requested that a master plan for higher education capital renewal be developed. We have begun the initial stages of that work, and we look forward to working with state policy makers as we make progress in this effort. In fact, we have already made one presentation on this general topic to the Higher Education Funding Study Council, and we look forward to future opportunities to collaborate with the Governor's office and the legislature on this initiative.

Forty years ago, the State of Ohio made a commitment to meet the capital needs of higher education at our campuses. In order to continue serving the education needs of all Ohio's citizens, we believe it is critical to again commit ourselves to the capital renewal and replacement needs that our aging facilities require.

I believe that much of the capital request attached is self-explanatory. Of course we would be pleased to provide you with additional information upon request.

On behalf of the Regents, I thank you for your continuing support for higher education and for your consideration of this request.

Attachments (2)