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March 23, 2006 Executive Committee Meeting

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**SHAWNEE STATE UNIVERSITY
BOARD OF TRUSTEES**

**Executive Committee Meeting Minutes
March 23, 2006**

Chairman Kay Reynolds called the meeting to order at 6:30 p.m.

1.0 Certification of Compliance with RC 121.22(F) - Board Secretary

The Secretary confirmed compliance with RC 121.22(F).

Voting Members

Present: Ms. Reynolds, Mr. Harcha, Mr. McCoy, Mr. McKinley

Others in Attendance: Dr. Morris, Mr. Murphy, Mr. Donohue

Ms. Reynolds opened the meeting indicating that this meeting was called to brief the Committee on the potential impact of the Tax Expenditure Limitation (TEL) Constitutional Amendment.

Dr. Morris said she asked Mr. Murphy to prepare a briefing on possible impact the amendment might have on higher education and Shawnee State University in particular. She noted that the IUC presidents had passed a resolution of concern about TEL, and that they agreed to brief their respective boards prior to their meeting in April.

2.0 Tax Expenditure Limitation

Mr. Murphy passed out a briefing paper on TEL and a copy of the proposed amendment (both attached) to each committee member. Mr. Murphy started the briefing by indicating there was not a lot of information available on the TEL and its actual impact on higher education and Shawnee State University should it become law. Most of the key words in the amendment lack definition. Depending on how those words are defined by the courts, the impact could be significant. Higher education has a history of receiving a diminishing share of the state's budget over the last ten years. The budget priorities are Medicaid, K-12, and the Department of Corrections with higher education receiving the net after those programs are funded.

The first definitional issue of concern is whether the state universities budgets are considered part of the general fund, which is restricted in its growth by this amendment. Mr. Blackwell, the main sponsor of the amendment, says that, other than the general revenue fund support, higher education is not included in the restriction on growth. Others argue that it is not clear from the language in the amendment.

While the restrictions on expenditure increases can be overcome by a vote of the legislatures and the "majority of electors" it is not clear whether that refers to a majority of registered voters or just a majority of those voting on that issue.

It is not clear whether Shawnee State University's fund balance is considered part of reserve funds that would be swept up by the state under this amendment. Even a 10% sweep of the university's fund balance by the state would be devastating to Shawnee.

While many states have various restrictions on revenue and spending, Ohio would be the only state with three factors similar to Colorado's TABOR: constitutional amendment; inflation based limit on growth; and a vote of the people to override the limits.

Based on models developed by Ohio State University and the Ohio House Budget Staff, the state budget would have been cut between \$13.8 Billion to \$19.3 Billion over the last 10 to 12 years. Extrapolating from Ohio State University's model of the impact of the amendment, Shawnee State University would have received \$2 Million less in state support for FY 2003.

Mr. Harcha asked if the amendment was so confusing and complex that the public would probably reject it.

Mr. Murphy said the amendment would be helped considerably by its marketing by proponents claiming it would hold down runaway spending by the legislature. Voters might want to approve an amendment to restrict spending, even though they would not understand the actual impact it may have on state services.

Even if you assumed the minimum impact on higher education, the amendment would not allow for funding of enrollment growth such as has been experienced by Shawnee State University over the last several years. The worst impact could be the disparate spreading of the allowable increase in spending for higher education [one agency could be allowed to grow bigger than the inflation limit, and higher education held to a lower growth or even a negative growth in order for the state to remain under the amendment's aggregate growth limit]. Even within the higher education component of the budget, the allocation of the growth may not be evenly distributed among institutions. Some critics claim the amendment may even require the university foundations to return funds to the state.

Ms. Reynolds noted that universities are easy political targets if they come out too strong against this amendment. She noted that a week is a long time in politics, and since the amendment is not on the ballot until November, a little more time should pass before any action is considered by the Board of Trustees.

Mr. McCoy asked whether Shawnee State University would be dealt with more unfairly should the amendment pass.

Mr. McKinley thought Shawnee State University might be treated as a special school and get better treatment.

Mr. McCoy noted how health Shawnee State University's finances were, especially its relative ranking compared to other schools in the state, and funding cuts should not be imposed on schools that have shown the most fiscal responsibility.

Mr. Murphy did not expect any favorable treatment, just because Shawnee State University had a good financial rating by the Board of Regents. He noted that recent formula changes being proposed by the Board of Regents would divert money away from undergraduate education to graduate education. If the state had funded a straight percentage cost of education, Shawnee State University would have gained \$1.2 Million in funding. Instead, the university lost funding in order to support graduate and medical programs.

Dr. Morris noted that higher education in the state is under a lot of study, with about six different groups or committees looking at funding and policy issues.

3.0 Executive Session

Mr. Harcha moved and Mr. McCoy seconded a motion to go into executive session to consider the employment and compensation of a public employee under RC § 121.22(G)(1).

Ayes: Mr. Harcha, Mr. McCoy, Mr. McKinley, Ms. Reynolds

Nays: None

The Executive Committee moved into executive session at 7.23 p.m.

The Executive Committee came out of executive session and returned to a public session at 8:36 p.m.

The Executive Committee adjourned by acclamation at 8:40 p.m.


Chairperson, Board of Trustees


Secretary, Board of Trustees 4/2/06