

**SHAWNEE STATE UNIVERSITY
BOARD OF TRUSTEES**

**Special Board Meeting Minutes
Columbus Marriott Airport**

April 22, 2006

Chairman Kay Reynolds called the meeting to order at 9:03 a.m. The Secretary had earlier noted that the meeting was in compliance with RC §121.22(F).

Members Present: Ms. Reynolds, Dr. Ball, Mr. Mooney, Mr. Harcha, Mr. McCoy, Ms. Seif, Mr. Teichman

Members Absent: Mr. McKinley, Mr. Warren

Also Present: Dr. Rita Morris, President
Mr. Roger Murphy, Treasurer
Mr. Stephen P. Donohue, Secretary

Ms. Reynolds welcomed everyone and offered her appreciation for members willing to sacrifice a weekend to attend this retreat for a briefing and in-depth discussion of Funding Sources and Financial Aid. She turned the meeting over to Dr. Morris who gave an overview of the retreat agenda and that it had been built around individual Board members' requests for information. She then invited Mr. Murphy to lead the discussion.

Mr. Murphy opened the meeting by asking everyone to write on a piece of paper what percentage of Shawnee State University's revenue comes from State appropriations. The answer was 30%. He then asked Board members to write down what percentage of student aid is made up of loans. The answer was 61%. He thought those numbers were surprising to most people. He noted that the financial data presented would not be compared to other schools. He thought the grant activity at Shawnee State University was higher than normal.

Mr. Harcha asked what the difference was between a grant and a contract.

Mr. Donohue said that distinction is often not easy draw, but generally a contract is between two parties where one party provides product or services which is compensated by the other party. A grant usually involves a transfer of money or in-kind resources for the benefit of a third party, and it usually does not involve a fee in exchange for services or product.

Mr. Harcha asked if a student needed money to attend the University do they usually go to a bank or to the University.

Mr. Murphy said normally the student goes through the University to a preferred lender which issues student loans at a government subsidized interest rate.

Mr. Murphy handed out a report of Revenue and Financial Aid overview, which is attached to these minutes, for the purpose of discussion.

Funding

He said that currently the Consolidated Financial Statements of the University look at the enterprise as a whole which now includes capital and auxiliary funds as opposed to looking at each fund independently which was the standard prior to 2002.

Mr. Murphy noted that Shawnee State University is considered to be operating at a loss because the state support received by the institution is not considered operating revenue. State support is below the operating loss line under non-operating revenues (expenses).

He referred to page three of the report, State Appropriations, and noted that State Share of Instruction (SSI) is about \$10.3 million or 73% of all state appropriations to the University. The SSI is allocated by courses attended under a funding model that combines instructional costs, student services, and plant operations and maintenance (POM). Against those costs an assumed tuition is subtracted, and the remainder sent to the institution as SSI. Shawnee State University's tuition is lower than the assumed tuition. The SSI formula is further adjusted by looking at the five-year and two-year average enrollment, and awards SSI on whichever average yields the highest amount. The SSI is further adjusted to hold schools with declining enrollment harmless for any loss greater than 3% from the prior year.

With POM funding based on enrollment is greater at most schools than the POM based on square footage. Shawnee State University is one of 12 schools where POM based on square footage is higher than the POM based on enrollment. The advantage to SSU is about \$612,000.

Ms. Reynolds asked how the SSI formula was derived.

Mr. Murphy said the SSI formula was driven by the average state-wide cost structure, where the courses are placed into nine broad categories, such as General Studies or Technology.

Dr. Morris noted that this was not unusual for higher education funding where discussions take place as to whether specific courses are properly categorized under various cost structures.

Mr. Murphy noted that the cost structures had not been changed in ten years. After a recent review by the Taxonomy Committee, where he served as a member representing Shawnee State University, the courses were more finely aligned into 26 different

categories, making the range of costs and the deviations from the average costs smaller for each category.

In the past, schools were reimbursed POM funds based on their square footage. Ten years ago that funding scheme was continued for buildings that came on line prior to 1996. The Vern Riffe Center came in just under the wire, so SSU does receive funding for the CFA based on its square footage. Some institutions were over built, in that they had more square footage than needed based on their enrollment. Most schools grew enrollment to their built capacity. Shawnee State University has not grown enrollment to its plant capacity. If Shawnee State University were to add a building today, we would receive no POM support for it. The POM funding based on square footage will be completely phased out by FY 2008.

The Supplement, about \$2 million, is 14% of total state funding. Twelve years ago the Supplement was \$4.6 million and has been in decline since then.

Access Challenge is similar to the Supplement in that it is intended to help keep tuition low. This funding is aimed at open enrollment institutions and community colleges and calculated on the economic demographics of the enrolled students.

The combined funding of Supplement and Access is about \$3 million, which does not make up the difference between Shawnee's tuition and the average tuition charged by main campuses in Ohio. (The purpose of these two appropriations is to help keep tuition below the statewide average.)

Success Challenge is state funding provided to institutions based on the graduation rate of "at risk" students. Most of this appropriation is unrestricted, but every now and then the Board of Regents will ask us to justify our use of Success Challenge funds. We never have a problem showing how those funds are used to help students graduate.

The second purpose of the Supplement was to help Shawnee transition to a four-year institution. That transition is now complete.

Mr. Murphy noted that in FY 2005, the University netted about \$13.8 million in student tuition. The university booked about \$20.4 million, but that figure is reduced by institution scholarships and other financial aid.

As for grants, the largest amount of grant dollars comes from the Pell grant, which provides funding to the most financially needy students, about \$3.6 million, 59% of the total grant activity.

Other large grants coming directly to the institution include \$456,000 for the 21st Century after school mall, 5% of the total, and \$421,000 under Title III, 5% of the total. The Title III is used to enhance student retention and as a five year grant will go away soon.

Dr. Morris said that all schools receiving Title III grants must drop out of the program for a discrete period of time before they can apply again.

Mr. Murphy said that SSU received \$3.2 million in state grants; \$1.4 million (43%) in OIG (full-time students) and OIP (part-time students) grants; \$500,000 (15%) for Post Secondary Education; and \$287,000 (9%) from the Bureau of Vocational Rehabilitation.

Mr. Murphy said SSU also received revenue from its sales of product and services. The largest category in sales is the VRCFA with \$356,000 in ticket sales, about 22% of the total. The next biggest sales is Printing and Graphics (18%); Bookstore and Food service commissions (18%) and the CLC (11%).

Dr. Morris asked Mr. Murphy to explain where the CLC revenue went in the budget.

Mr. Murphy said that the CLC is treated as a separate enterprise of the institution so all of its revenue remains with the CLC. The CLC does not operate in the black, but its mission is mainly academic in nature providing a learning laboratory for teacher education students as opposed to just a child care facility.

Mr. Murphy then addressed capital appropriations. He said the University maintains a database on all the buildings with information about age, type of space and usage. Shawnee State University receives about \$2.7 million in capital appropriations. The University receives a six-year capital budget, but only the two immediate years are what is significant in terms of capital appropriations. Currently, the University has \$1.6 million in capital funds appropriated which are being used to renovate the natatorium, parking lots, and the library/VRCFA chiller cross-over.

In each operating budget, Shawnee State University is allocated about \$100,000 in debt service funds. If debt is not incurred by the University, those funds may be converted to operational funds. If debt is incurred beyond the \$100,000 debt service allocation, the additional debt expense would reduce the operating support from the state.

Mr. Harcha asked how a new building would be funded.

Mr. Murphy said that since the University is considered over built, the request to add a new building would not be well received by the Board of Regents.

Mr. Mooney asked if capital funds were restricted in their use when transferred to the operational budget.

Mr. Murphy said the capital funds must be spent on building repairs and maintenance, but that is not difficult to do.

Dr. Morris noted that any new buildings would draw away from our maintenance funding.

Mr. Murphy said the University provides the Board of Regents square footage data including how much is used for classes, offices, labs, hallways, and the frequency of use. The University is short on office space. Recently, Teacher Education converted one of its classrooms to an office.

Dr. Ball asked if the change to semesters would change usage.

Dr. Morris said the semester calendar should cause the University to be more academically active on Fridays because of the way semester classes are scheduled.

Mr. Murphy noted that currently the University is at its maximum capacity from 10:00 a.m. to 2:00 p.m., Monday through Thursday.

Mr. Mooney asked for a more detailed explanation of the term “library chiller.”

Mr. Murphy said the cooling system of the VRCFA was being used to cool the library because it is more efficient and had the capacity, and the library chiller was taken off-line, saving on utility expenses.

Mr. Murphy noted the income from investments and miscellaneous sources. The University receives about \$250,000 in income from indirect cost recovery for administering grants.

Mr. Murphy said that of the private gifts and grants received, the J.B. and Grant Wilson Scholarship, \$285,000, comprised 32% of the total.

Ms. Seif said this scholarship from the Wilsons was well-known in Pike County, and had been responsible for sending many students to SSU.

In local grants and contracts, the SSUDF scholarships, \$159,000, make up about 20% of this category.

Ms. Reynolds noted how great it was to see this kind of support for the University.

Mr. McCoy asked if the University established its operations in order to maximize its funding or does the University set up to accomplish its mission and let the funding flow from that.

Dr. Morris said the answer to both is yes.

Financial Aid

Mr. Murphy then directed the Board to the Financial Aid overview. He said this area of funding is full of acronyms and abbreviations. There are generally two major pieces to the aid calculation: 1.) the cost of attendance or COA which is unique to each institution; and 2.) the expected family contribution or EFC which is unique to each family's

financial status. The EFC is partially determined by the dependency status of the student. If a student is still considered a dependent of his/her parents, then the parents' income and certain assets are included in the calculation of EFC. The EFC is calculated by completing the Free Application for Federal Student Aid (FAFSA) form where the student can have the resulting EFC sent to six higher education institutions electronically. Comparing the COA and the EFC results in a Student Aid Report (SAR).

Dr. Morris said the FAFSA processing is subject to randomly selected federal audit.

Mr. Murphy said that because the process begins in January for the start of school in the fall, the financial aid office is always asking for an estimate of what the tuition will be the next year.

He said there were three types of student aid: grants, work-study, and loans.

In 2005, Mr. Murphy said, 2149 students qualified for Pell grants with an average award of \$2,474. The Federal Supplemental Educational Opportunity Grant (FSEOG) was awarded to 437 students with the average award of \$369. The FSEOG is awarded to the neediest of students, those with the lowest EFC score. Under the work-study program, students work part time for at least federal minimum wage. In 2005, 124 students performed work-study jobs for an average of \$1,553 per student.

Dr. Morris said the funding of Pell and FSEOG grants is at some risk under the new Higher Education Act pending in Congress.

Mr. Murphy said in 2005 there were \$10.5 million dollars in student loans under the Federal Family Education Loan (FFEL) program. Loans can be subsidized or unsubsidized. Last year 2515 students took out student loans at an average of \$4,125 per student. The university partners with a lender who is strong in collections which helps to keep our default rate down. Since the rates are set by the federal government, there is no variability in interest rates in the market. The loan partner must have computer systems compatible with the university's.

Ms. Reynolds noted that SSU's default rate had been high in past years when the welfare office sent welfare recipients to SSU students under their program.

Mr. Murphy then reviewed the various kinds of state aid available to students. The Ohio Opportunity Grant is new and will provide grants up to \$2,190 for the neediest of students. The Ohio Instructional Grant is need based, and 1,386 students received grants averaging \$985. The Ohio Academic Scholarship is merit based for academically outstanding high school graduates. In FY 05, 39 students received these scholarships averaging \$2,033.

Mr. Harcha asked if a poor child could go to SSU.

Mr. Murphy said yes, with the right kind of financial aid counseling.

He said of all the student aid, loans were 61%, grants 32%, and scholarships 7%.

Dr. Morris said the information the university has about student loan activities reveals that the average four-year degree graduate, borrowing funds through SSU preferred lenders, leaves SSU with about \$13,700 in educational debt.

Mr. Murphy said generally students have ten years to repay student loans.

Mr. McCoy said he read a study that showed most people who did not attend college did that because of the perceived expense of attending. Then the more they learned about the actual costs and the financial assistance available, the more they realized that the money issue is not that big a barrier to getting a degree.

Mr. Murphy said that the recent jump in student loan interest rates to 6.8% puts a bigger financial burden on students. When students graduate and start a family, paying student loans can be tough on a tight budget.

Mr. McCoy said that after graduation, students need to have the drive to take a job even though it may not be the perfect job they are looking for. They need to get that experience under their belt.

Dr. Ball said the deferring of interest on student loans while they are in school works as an incentive to stay in school.

Ms. Reynolds recessed the meeting by acclamation at 10:42 a.m.
The meeting reconvened at 10:55 a.m.

Reports on Current State-Level Discussions of Funding

Mr. Murphy explained the modification to the current SSI formula as a result of the work of the Taxonomy Committee in which he was a member. Instead of nine categories of courses, there will be 26 categories which will have lower deviations in costs across all institutions. There will be new categories in Science, Technology, Engineering, Math and Medicine (STEM²). The new formula will be entirely enrollment driven, the Instruction, Student Services, and POM calculation goes away.

For SSU, we would lose about \$617,000 in POM, but because of Mr. Murphy's arguments for equity, and because other institutions would have suffered large reductions in state funding, the formula was modified such that SSU will only lose \$150,000 in POM. Had the formula been based on funding a fixed percentage of average cost, about 40%, SSU stood to gain \$1.5 million in state support. But the formula was changed to fund graduate and medical programs with an additional 25% of state support, which eroded the funding for undergraduate programs and SSU's funding.

Mr. Donohue briefed the Board on the House Bill 66 mandates committee of which he was a member. The committee reviewed three mandates: 1.) Providing incentives for certificate and associate degrees; 2.) Distributing SSI based on the number of degrees and certificates awarded; and 3.) Distributing SSI based on campus administrative and operational efficiency. The committee recommended funding for a new challenge which would reward campuses for the number of certificates and associate degrees awarded; recommended a funding a new challenge to reward campuses for degrees awarded in STEM2 programs; recommended funding not be based on administrative and operational efficiency since it was too hard to define, and numerous actions and funding formulas in place already force campuses to be efficient. Shawnee State University will not be hurt by any of these recommendations.

Dr. Morris briefed the Board on the Higher Education Funding Study Council progress. The Council is focusing on job preparation programs; Access – Access – and Access. She said she also presented testimony to this Council on SSU's Supplement. While she was supportive of having a glide slope for reduction of the Supplement, she was concerned about maintaining the quality of SSU's programs without the ability to replace lost Supplement with tuition increases above the cap.

Background on TEL

Dr. Morris said she had asked Mr. Murphy to present a Tax and Expenditure Limitation (TEL) to the Executive Committee of the Board last month, and she thought the entire Board could benefit from hearing that briefing again. The Board of Regents is sponsoring a meeting in June for Trustees to learn more about this amendment and its potential impact on higher education.

Mr. Murphy then provided an overview of the potential impact of the Tax and Expenditure Limitation (TEL) amendment which will be on the ballot this November. He distributed a briefing paper which is attached to these minutes.

Mr. Harcha said that in a recent meeting he attended in Columbus, some people said that if TEL passes, OSU might be prevented from playing in the Rose Bowl, because of the added expense to the program.

Dr. Morris asked the Board members what other information they would like to see from the administration.

Ms. Seif said she would like a tour of student housing.

Dr. Ball thought the CLC and the dental clinic would be good to see.

Ms. Seif also thought the physical education facilities would be a good visit.

Mr. Harcha said several professors had spoken at Kiwanis Club, he wondered if the Speaker's Bureau was still in place and is it being used.

Ms. Reynolds thanked everyone for their attendance and participation, and gave the meeting adjourned at 11:42 a.m.

Chairperson, Board of Trustees

Secretary, Board of Trustees