

OHIO BOARD OF REGENTS

Agenda Item 3.14 Consideration of the higher education operating budget recommendations for the FY 2005 – FY 2007 operating biennium

WHEREAS, in accordance with Section 3333.04 of the Ohio Revised Code, the Ohio Board of Regents is required to review the appropriation requests of state colleges and universities and to submit to the Office of Budget and Management and to the Chairmen of the Finance Committees of the House of Representatives and of the Senate its recommendations in regard to the biennial higher education appropriations for the state; and

WHEREAS, recognizing the critical importance of higher education for the state's future economic prosperity, Governor Taft convened the Commission on Higher Education and the Economy in FY 2003; and

WHEREAS, the Commission met during FY 2004 and made nine major recommendations designed to make Ohio more competitive in the knowledge economy, promote access and opportunity for all students, and deliver results for public investments; and

WHEREAS, to provide technical assistance and substantive policy recommendations for the budget request, the Board of Regents reconvened the Higher Education Funding Commission, the State Share of Instruction consultation, and the State Student Financial Aid consultation; and

WHEREAS, the Board of Regents has received and considered the recommendations of the Chancellor for the state higher education operating appropriation for the 2005 - 2007 biennium, which reflect the recommendations of the Commission on Higher Education and the Economy, the Funding Commission, the State Share of Instruction consultation, and the State Student Financial Aid consultation.

NOW, THEREFORE,

BE IT RESOLVED: that the Board concurs in the higher education operating appropriation recommendations of the Chancellor for the fiscal biennium 2005 – 2007 as set forth in the materials attached to and made a part hereof; and

BE IT FURTHER RESOLVED: that the Chancellor is hereby authorized to transmit such recommendations with appropriate supporting documentation to the Office of Budget and Management and to the Chairmen of the Finance Committees of the House of Representatives and of the Senate in accordance with established state budgetary procedures; and

BE IT FURTHER RESOLVED: that the Chancellor is authorized to work in close cooperation with the Director of the Office of Budget and Management and subsequently with appropriate legislative officers and committees in presenting the

operating appropriation needs of the higher education system during the 2005 – 2007 biennium, reporting periodically to the Board on progress, and to actively seek support toward the achievement of the purposes and objectives encompassed within the recommendations now before the Board, and

BE IT FURTHER RESOLVED: that the Board recognizes that these recommendations will need to be revised to reflect changes in debt service and capital component lines not yet available, and may need to be revised for other line items or programs for which estimates of costs have significantly changed. All such revisions will be reported to the Board.

FY 2005 – FY 2007 Operating Budget Recommendations

Overview

There are two budgets that the Board is asked to consider here.

The first is what is called the flat budget, one that keeps the state investment in FY 2006 and FY 2007 at FY 2005 levels. The flat budget proposed here is very painful and spartan. It recommends cutting or reducing funding for a number of significant programs in order to symbolically support a relatively small addition in the State Share of Instruction (SSI) and the need-based aid program, Ohio Instructional Grants (OIG). The flat budget would probably lead to continued program reductions on campus, reduced fund balances, and potentially higher student fees.

The second, or initiative budget, helps move higher education and the state in the right direction. The initiative budget is:

1. Sensitive to the fiscal realities of the state
2. Responsive to the future needs of the state
3. Focused on making a limited number of major strategic investments, and
4. Consistent with and supportive of the goals of the Board of Regents.

1. Sensitive to the fiscal realities of the state

The initiative budget proposes modest increases of 5.5% in FY 2006 and 6.8% in FY 2007, far below past recommendations of 10% to 12% per year. Despite having experienced eight appropriations reductions in the past five years, there is no attempt in these recommendations to “make up” for lost ground.

Finally, a concerted effort is underway to report on and support campus productivity and efficiency. A report on this topic is being prepared for distribution in January, and the budget includes a recommendation to further promote productivity and efficiency in a pilot program to be funded in both years of the biennium.

2. Responsive to the future needs of the state

These recommendations, if enacted, will start to do many of the things needed in Ohio to advance the education levels of our citizens and strengthen the state’s competitiveness in the 21st century knowledge economy.

For example:

Students’ access to higher education and their academic success will be promoted in many ways, but especially through additional investments in College Readiness, Articulation and Transfer, the SSI, Access and Success Challenge, and the significant new investment in need-based aid recommended to begin in FY 2007, as well as the start of the ‘Learn and Earn’ pilot in FY 2006.

The current and future economy of the state will be strengthened by investments in

workforce training and university-based basic and applied research. These investments include the new “AccelerateOhio” program, Eminent Scholars, Economic Growth Challenge, Jobs Challenge, and the EnterpriseOhio network.

The essential high-tech electronic infrastructure needed to do all of these things and more will be advanced through investments in OhioLINK, OARnet, Ohio Learning Network, and the Ohio Supercomputer Center.

Finally, many of the major initiatives proposed in this budget have been specifically designed to respond to the recommendations of the Governor’s Commission on Higher Education and the Economy.

3. Focused on making a limited number of major strategic investments

This is not a peanut butter budget. It is not a budget that spreads state investments uniformly across all line items and programs without consideration of the need for or merit of significant strategic investments. The recommended percentage increases in part tell you where some of the major investments would be made. Major needed increases are recommended for Teacher Improvement, College Readiness, Articulation and Transfer, as well as for the much-needed revamping of the need-based financial aid program and Economic Growth Challenge.

In contrast, many other line items receive a very modest boost of only 2.8% per year. In addition, funding increases for the three core funding lines – SSI, Access and Success Challenge – will only pay for the state share of enrollment costs and a reduced level of one measure of inflation starting with FY 2005 as the base.

4. Consistent with and supportive of the goals of the Board of Regents.

The five goals of the Board of Regents are listed below, followed by one key example of how this budget advances the goal:

1. *Increase seamless access to affordable, quality higher education for all Ohioans.*
 - 1.1. A full-fledged Articulation and Transfer program will give more students an incentive to enroll in lower cost two-year campuses, and will ensure that their academic credit transfers to a four-year institution.
2. *Identify and encourage academic programs of distinction and excellence.*
 - 2.1. Major increase in the Eminent Scholar program will enable the state to add at least 12 new Eminent Scholars to its universities.
3. *Eliminate unnecessary duplication in programs, services and facilities.*
 - 3.1. The Productivity and Efficiency pilot program is designed to promote a significant improvement in academic and/or administrative operations.
4. *Elevate the scientific and technical competence of Ohio’s entire workforce to meet the needs of the 21st century economy and enhance their quality of life.*
 - 4.1. AccelerateOhio will help entice more adult workers back to education and training by offering them low-cost or no-cost access to no-risk introductory

level courses that will build their confidence and knowledge base.

5. *Focus and expand research to create economic opportunities and assure the success of the Third Frontier program and other key initiatives.*

5.1. The major increase sought for Economic Growth Challenge will achieve this and more.