

FY 2006 Higher Education Funding Commission
First Meeting: Monday, May 15, 2006
Draft Notes

Last revised: May 16, 2006

Goals of today's meeting:

- ❖ Launch the Funding Commission
 - Identify the charge, membership, meeting dates, and deadlines for the Funding Commission's work.
 - Provide overview of higher education budget and potential major issues
 - Quickly summarize work completed to date by the SSI consultation.
 - Update members about recent major developments in state government and higher education.

- 1. Call to order
- 2. Review of the notes of the 4/17/06 meeting of the SSI consultation
- 3. Review of today's agenda

- 4. The charge to the Funding Commission
 - 4.1. Develop higher education operating budget recommendations to be submitted to the Ohio Board of Regents for the FY 2008 - FY 2009 operating budget bill, working with and building upon recommendations of affiliated study groups and consultations.
 - 4.1.1. The Commission may develop specific and/or conceptual funding policy and consider many factors, including tuition and tiered funding scenarios.
 - 4.1.2. When developing the higher education operating budget, the Regents rely heavily on the recommendations of the Commission and may accept or reject the Commission's recommendations.
 - 4.1.3. Regents staff hope to have a flow chart by the June 1st meeting, which would show how the Commission's work ties to the broader state budget process, including the Higher Education Funding Study Council.
 - 4.1.4. The legacy of the Commission is the creation of the Challenges and a more balanced higher education budget.

- 5. The members of the Funding Commission (Brief introductions)
 - 5.1. Higher education members
 - 5.2. Governmental members
 - 5.3. Legislative members

- 6. Meeting dates and deadlines
 - 6.1. Budget recommendations due to OBM on October 2, 2006
 - 6.2. Regents' recommendations due to be completed at the September 21, 2006 meeting of the Board
 - 6.3. Funding Commission tentative dates: May 15th, June 1st, June 29th, July 17th
 - 6.4. Schedule tentative August and/or September meetings?
 - 6.4.1. August 14th and September 11th

- 7. Overview of higher education operating budget programs and line items
 - 7.1. FY 2007 marks the first time in several years that the higher education operating budget experienced a substantive increase—\$64 million or 3%. Additionally, the recent additions of TANF and OIG funds have further enhanced the higher ed. budget for FY06/07. Nevertheless, higher education represents just 10% of the total state budget, down from 17% in FY 1987. The loss of state support combined with the growth of enrollments has resulted in a

significant loss of state support per FTE student, which has contributed to the rise in tuition.

- 7.2. The increase in FTE enrollments by about 43,000 students between FY 2001 and 2005 is a positive storyline. But according to some members of the Commission, the state presently covers less than 40% of instructional costs at their campuses.
- 7.3. The \$30 million increase that was appropriated to the State Share of Instruction line item for FY 2007 is still under review by the Higher Ed. Funding Study Council, which must issue recommendations before these dollars may be released. The higher education community is unanimous in its desire to allocate this \$30 million to campuses through the SSI formula. However, there has been discussion among some legislators about redirecting these dollars for a loan forgiveness program for STEM2 students, though such a program is unlikely to change institutional or student behavior. The higher education community cannot afford to appear obstructionist and so must work with legislators on crafting any such loan program.
- 7.4. Rich Petrick gave an overview of the higher education operating budget, which consists of line items grouped into program series. These program series are:
 - College & University Instructional Operations: includes the SSI only.
 - Facilities & Debt Service: includes non-operating line items for debt service obligations, as determined by OBM.
 - Pre-K-16 Preparation & Access
 - Student Access
 - Academic Success
 - Basic & Applied Research
 - Workforce & Regional Economic Development
 - Higher Ed. Collaborations
 - General Public Service
 - Medical Support, which includes the clinical line items for which H.B. 66 mandated the development of a formula to allocate dollars in future biennia. This clinical teaching consultation is ongoing and must develop a formula by autumn 2006.
 - Planning & Coordination.
- 7.4.1. This program series format is an improvement over the format used in prior budgets, but the Commission members were invited to suggest improvements. It was noted that some members of the legislature have in the past criticized our budget for having too many line items, so we should look for opportunities to reorganize the budget as necessary.
 - 7.4.1.1. There is strong legislative support for investing in students (instead of institutions) so we should look for ways to rename programs or line items to reflect a student focus. For example, the State Share of Instruction could be renamed the *Support of Student Instruction*.
 - 7.4.1.2. There was also a suggestion to show the SSI allocation by campus, and not just in aggregate. This might make it more politically difficult for legislators to cut the SSI, especially for those legislators who have a campus in their district.
- 7.4.2. Dr. Harry Andrist gave an update on the status of Third Frontier budget, for which there are three sources of funds—state capital funds, tobacco settlement funds and the Issue 1 bond proceeds approved by Ohio voters in November 2005—totaling more than \$300 million for calendar year 2006.
 - 7.4.2.1. Third Frontier performance indicates that more than \$761 million of non-state funds have been leveraged; 116 companies have been

created, attracted or capitalized; and 1,925 jobs have been created and retained at an average annual salary of \$73,700.

7.5. Casino initiative and Learn and Earn

- 7.5.1. Polling indicates that these ballot initiatives would be successful if a portion of gambling proceeds would be used for education-related purposes. The so-called Learn & Earn initiative would make 30% of the revenues available for college tuition scholarships. It would also:
 - 7.5.1.1. Require the current level of investment in higher education;
 - 7.5.1.2. Give the Board of Regents sole authority to determine grant eligibility and amounts; and
 - 7.5.1.3. Make higher education exempt from the Tax Expenditure Limitation (TEL) amendment's restrictions on spending, which could otherwise have a devastating impact on the higher education budget.
 - 7.5.1.3.1. Some of the leading TEL advocates are now backing away from a TEL ballot initiative and are working with legislative leaders on alternative legislation that would also limit state government spending but exempt local governments. An exemption for local governments might mean that opponents of TEL will lose a key ally in the debate, though local governments rely heavily on the state's local government fund.
 - 7.5.1.3.2. It is unclear whether the TEL initiative can be removed from the November 2006 ballot.

8. Brief overview of work completed to date by the SSI consultation

- 8.1. The new subsidy taxonomy and subsidy formula that has been proposed provides a reorganized set of 26 models, an increase over the 16 models in the current formula. Having more models allows for a better alignment of costs and models and reduces 42% of the cost variance that exists with the current SSI. The formula is also simpler in that it eliminates the use of POM and student service weighting, and calls for a uniform state/student share (that is subsequently weighted for graduate studies and STEM2 disciplines).
 - 8.1.1. It was suggested that the Higher Education Funding Study Council should be asked to formally endorse the new taxonomy by including it in the Council's recommendations.
- 8.2. HB 66 Mandates recommendations in development
 - 8.2.1. A two-year Success Challenge-like program is being formulated that would reward campuses for the attainment by at-risk students of associate degrees and certain certificates. Time to completion would not be a component.
 - 8.2.2. A STEM2 Challenge will also be developed. A clearer definition of STEM2 needs to be defined to possibly include STEM2 teacher education.
 - 8.2.2.1. Some concern was raised about the narrow focus on STEM2 degrees, which would make it difficult for universities to be responsive. A more comprehensive approach might include the entire pipeline to a degree.
- 8.3. The Higher Education Funding Study Council is likely to issue recommendations similar to those of the Governors Commission on Higher Education & the Economy. Some of the key issues on which the Council will make recommendations include:
 - 8.3.1. Tuition certainty and lowering of tuition.
 - 8.3.2. Unfunded enrollment growth.
 - 8.3.3. Acceptance of the creation of the Regents statewide master capital plan; Chairman Webster feels strongly that external participation is needed to validate any such plan.

- 8.3.4. Expansion of Regents authority to review and eliminate graduate programs.
 - 8.3.5. The shortage of health service professionals.
9. Faculty workload policy discussion
- 9.1. The faculty workload guidelines that were issued by the Regents in 1994 and which are available online at <http://www.regents.state.oh.us/plandocs/workload.html>, generally state that teaching load expectations should not be uniform, that departments should have flexibility, and that the balance between teaching and research should be consistent with institutional missions. But this policy is not being followed at many campuses, as many faculty members have disparate and inequitable workloads.
 - 9.2. Ohio is one of only a few states without a policy on post-tenure review. Collective bargaining is a barrier to this. Therefore, the Commission will consider the issue of post-tenure review.
10. Recent developments in state government and higher education
- 10.1. State finance report: Year to date spending shows that state spending is only 1.1% above last year—a very modest increase. Healthcare spending is just 0.5% above last year’s level. And \$394 million has been transferred to the budget stabilization fund in FY 2006, compared to \$0 transferred in last year.
 - 10.1.1. However, Ohio’s non-farm payroll employment continues to significantly lag behind the U.S. average.
 - 10.2. TANF funding for higher education
 - 10.2.1. \$199 million in federal TANF funds are available, of which higher education will be allocated \$30 million for college aid for independent students with dependents.
11. Other items
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