

FY 2006 Higher Education Funding Commission
Second Meeting: Wednesday, June 29, 2006
Draft notes

Last revised: June 30, 2006

Goals of meeting:

- ❖ Update members about recent major relevant developments in state government and higher education.
- ❖ Review and discuss status of all existing major recommendations and obligations for FY 2008 - FY 2009.
- ❖ Start to develop a general approach to FY 2008 - FY 2009 budget recommendation
- ❖ Map out plans for next three meetings

1. Call to order
2. Review of the notes of the May 15, 2006 meeting of the Funding Commission
3. Review of today's agenda
 - 3.1. Representative Shawn Webster briefly addressed the Commission. He said that Honda's recent announcement that it had selected Indiana over Ohio for the location of its new plant should serve as a wakeup call to Ohio. He said that Honda has not stated but has implied that it chose Indiana because of its educated workforce, which is partially the result of Indiana's OhioCore-like initiative that began ten years ago, and its strong investments in higher education and technology. Rep. Webster asserted that Ohio is more business-friendly today than it was just a few years ago, but that Ohio must make better use of its assets through collaboration.
4. Updates
 - 4.1. TEL status: The legislative version of the tax expenditure limitation initiative has been enacted, which will limit annual GRF expenditures to 3.5% or the combined rate of inflation plus population growth, effective FY 2008. These limits may be exceeded only for emergency purposes, and/or by approval of two-thirds of the legislature. The legislative version of TEL is virtually the same as the ballot initiative, though local governmental expenditures are excluded but state GRF support for local governments is restricted by TEL. Legislation will allow the original TEL to be removed from the ballot in August.
 - 4.2. Student financial aid
 - 4.2.1. The state has fulfilled its commitment to the OIG program by appropriating an additional \$28 million to cover the FY 2006 shortfall. These additional dollars will be distributed during the first few weeks of July.
 - 4.2.2. "Learn and Earn" – The Ohio horsemen have endorsed the Learn and Earn ballot measure that would allow for slot machines at the state's seven racetracks and provide significant funding for college scholarships. The ballot language states that the funds for higher education shall supplement not supplant current state funding. The Board of Regents is neutral on the initiative but has a strong plan for using any revenues that come from it.

- 4.3. Ohio's tax status – A report from the Ohio Public Expenditure Council provides further evidence that the Tax Foundation's claim that Ohio is a high-tax state is incorrect and misleading. The OPEC report shows that Ohio ranks 21st in per capita state and local taxes, and ranks 13th in state and local taxes per \$1,000 of personal income. This is yet another refutation of the Tax Foundation's claim that Ohio's tax burden ranks 3rd nationally. The Tax Foundation erroneously uses tax incidence data to make its claim, in addition to "proprietary" data that it will not release, making it impossible for the report to be independently validated.
5. Review of CHEE recommendations - Status report/gap analysis: A document produced by the governor's office shows that much progress has been made toward the CHEE recommendations. However, some gaps remain where little or no progress has been made:
 - 5.1. A tuition certainty pilot program;
 - 5.2. Learn and Earn scholarship program;
 - 5.3. Tuition increases for STEM² majors;
 - 5.4. Evaluation of and funding for 3rd Frontier internships in STEM² fields;
 - 5.5. Creation of low-cost, entry-level courses in basic fundamentals for incumbent workers;
 - 5.6. Expansion of Regents' authority for reviewing and eliminating certain graduate programs;
 - 5.7. Forging a compact with higher education, the business community and state government, though some progress has been made with the creation of BAHEE.
 - 5.8. Additional accountability framework for campuses;
 - 5.9. Funding for academic and administrative productivity and efficiency. It was noted that several examples of cost-saving collaborative efforts already exist, such as the Library Depositories and OhioLINK. Higher education must do a better job at highlighting these existing efficiencies.
 - 5.9.1. The UT-MUO merger is another example, but the media coverage of this has been harmful. The Toledo *Blade* continues to focus on the high cost estimate of the merger, which hinders legislative support. Such press coverage is misleading and irresponsible and has set back these efforts. Nevertheless, campuses located in close proximity should continue to look for ways to create similar efficiencies through collaboration. And the ROI of each effort must be demonstrated to the General Assembly. Economies of scale should be considered, but so too should qualities of scale.
 - 5.10. Expanded funding for noncredit workforce development courses;
 - 5.11. Elimination of requirement for multiple prime contractors.
6. The Final Report of the Higher Education Funding Study Council is available online at <http://www.regents.state.oh.us/hefsc/index.html>
 - 6.1. A preliminary status report produced by Regents staff gives a brief summary of each recommendation, its status and expected completion date, and to which Regents staff person it has been assigned. Some recommendations were discussed in greater detail by the Commission, including:

- 6.1.1. The creation of a tuition certainty pilot program that would permit campuses to exceed tuition caps for students who voluntarily opt to participate. Such a program would allow students to know exactly how much they would pay each year of their college career. Miami University formerly offered a similar plan in which about 7% of Miami students participated.
 - 6.1.2. Study on campus reporting requirements, the purpose of which is to eliminate unnecessary and duplicative state reporting requirements.
 - 6.1.3. Revision of state law on early retirement incentive programs to allow STRS and SERS to offer college-specific programs.
 - 6.1.4. The recommendations to improve educational attainment among adult learners and the development of applied degree programs will be taken together.
 - 6.1.5. The recommendation on cost transparency would require campuses to show on each student's tuition bill how their tuition dollars are being used by the institution.
7. Progress report/discussion of existing funding proposals
- 7.1. Revised SSI Taxonomy & Formula -- Initial simulation was based on FY 2006 comparisons. OBR staff is in the process of updating those simulations for FY 2007 to ensure that there are no significant changes from previous evaluation.
 - 7.1.1. Campuses have provided updated FTE estimates using the subject field / level detail.
 - 7.1.2. Four allocations comparisons will be made:
 - 7.1.2.1. New Taxonomy without stop loss
 - 7.1.2.2. New Taxonomy with stop loss
 - 7.1.2.3. Current Taxonomy without stop loss
 - 7.1.2.4. Current Taxonomy with stop loss
 - 7.1.3. Most campuses have reported FTE estimates for FY 2007 and 2008 so that SSI projections for FY 2008 and 2009 can be modeled. Comparisons to be made:
 - 7.1.3.1. New Taxonomy without stop loss
 - 7.1.3.2. New Taxonomy with stop loss
 - 7.1.3.3. FY 2007 Actual Projected Current Taxonomy (with stop loss)
 - 7.1.4. Some of the technical / implementation issues that are still being worked through include:
 - 7.1.4.1. Doctoral Set-Aside Allocation / Incentive Funding Reallocations.
 - 7.1.4.2. Adjustments to Clinical Psychology and Optometry that moved from Medical 1 Model.
 - 7.1.4.3. Review Resource Analysis updates changes.
 - 7.1.4.4. Inflation assumptions (actual vs. projected)
 - 7.1.4.5. STEM² weights in the future
 - 7.1.5. Additional input from Taxonomy Subcommittee will be solicited.
 - 7.1.6. What to call Taxonomy / formula changes? Some concern that while the changes are generally acceptable, many people do not understand the "Taxonomy" label.

- 7.1.7. An education document describing SSI and changes will be developed.
 - 7.1.8. The compromise that was reached by the taxonomy subcommittee on the phase-out of the POM weights is 98.5% of prior year and/or of the formula earnings, paid for by a reduction of SSI from all schools.
 - 7.1.9. One member cautioned against portraying the formula as cost-based and suggested describing it as student-based.
 - 7.1.10. Most of the major policy issues have been addressed. The Funding Commission will only need to weigh in on the level of the stop-loss and level of funding to recommend for FY08/09, and what inflation factors to use.
- 7.2. Two-Year Campus Success Challenge: a subcommittee has been formed and will continue to develop this new Challenge program. The H.B. 66 Mandates committee determined key components of the program:
- 7.2.1. It will *not* include timely completion;
 - 7.2.2. Based on successful completion of certificates and associate degrees awarded to at-risk students;
 - 7.2.3. Attempts to have a more multi-dimensional definition of at-risk (note: risk factor of aspiration to degree is real but cannot be measured in any reliable way and thus will be excluded);
 - 7.2.4. Assumes new funding will be available for proportionate funding based on time and effort of at-risk awards in the 4-year sector Success Challenge;
 - 7.2.5. Based on consistent and verifiable data as reported through HEI.
- 7.3. Transfer Challenge – This would provide additional incentives and resources to both the public two- and four-year sectors to promote and encourage students to transfer from two-year institutions to four-year institutions and graduate with a baccalaureate degree. It is designed to accelerate the momentum of Ohio’s efforts to increase transfer between two- and four-year institutions by providing each sector with an equal incentive to make transfer and articulation successful.
- 7.3.1. Students transferring from a public two-year campus to a *private* four-year campus will not be included.
 - 7.3.2. Students transferring from a university branch campus to the main campus (of the same institution) also will not be included.
- 7.4. STEM² Initiatives
- 7.4.1. It was noted that it is not known whether the mix of Ohio’s STEM² degree offerings are what the market demands. Therefore, a new group will convene to examine this issue, which will be chaired by Regent Walter Reiling. The available data is somewhat crude and so it will be reviewed in stages with efforts to hold discussions with employers. It will be important to identify the future that we want to create for Ohio. Too often employers say that college graduates are under-prepared to work in STEM² fields. Therefore, the business community must be engaged, including campus boards of trustees, many of whom are members of the business community.

- 7.4.2. A STEM² Challenge proposal was discussed, which would be modeled after the Academic Challenge of the late 1980s and early 1990s whereby each campus would receive 1% of its SSI allocation contingent on its ability to develop and implement a STEM² plan that would be independently reviewed prior to the release of funds. Specific criteria would be established.
- 7.4.3. OhioCore: Shaun Yoder from the governor's office briefed the Commission on the high-quality teacher component of the OhioCore initiative. H.B. 115 would appropriate \$13.2 million in GRF funding for OhioCore support.
 - 7.4.3.1. A signing bonus and loan forgiveness program represent the crux of this plan. Eligible fields of study include STEM² as well as foreign language high school teachers. Other strategies include:
 - 7.4.3.1.1. Increasing accelerated licensure programs for teachers in high-need areas and removing barriers to encourage mid-career professionals to seek teacher certification in high-demand areas.
 - 7.4.3.1.2. Use of higher education to provide K-12 districts with shared teachers or visiting instructors in STEM² and foreign language fields.
 - 7.4.3.1.3. Creation of intensive summer regional academies in STEM² fields, and create financial incentives to attract students into STEM² and foreign language fields.
 - 7.4.3.1.4. Modify the state's method for subsidizing teacher preparation to help encourage students to become teachers in high-demand fields of study.
- 7.4.4. A STEM² *Success Challenge* would reward institutions based on the number of degrees awarded in STEM² fields, as recommended by the H.B. 66 Mandates committee and accepted by the Higher Ed. Funding Study Council. However, a definition of STEM² would need to be adopted, as at least three exist: the federal SMART program definition, the SSI taxonomy definition and the Regents' performance report definition.
 - 7.4.4.1. Math and science teacher education should also be included in an STEM² definition, though consistent data on these enrollments are difficult to assess due to varying use of SIP codes among campuses.
 - 7.4.4.2. Pipeline issues would create difficulties for campuses, especially universities, to be responsive in producing more STEM² graduates.
- 7.5. Clinical Teaching/physician shortage: The Clinical Teaching Consultation has been meeting regularly to develop a formula to distribute state clinical teaching funds to the state's medical colleges, as required by H.B. 66. This group has examined the pending physician shortage, as well as the history of this funding and the ways in which these funds are used by medical colleges.

- 7.5.1. An outside professional firm might be contracted with to conduct a more comprehensive study and/or to gain access to more data to help shape a future funding policy.
8. Roundtable discussion of possible general organizing themes for the budget request
 - 8.1. Compact 2012: The concept of a compact has long been promoted by the higher education community. It was developed by Regents staff and CHEE subsequently picked up on this theme. The concept arose out of the fact that the state's budget process has not yielded broad goals, partly because the biennial nature of the budget allows us to "take a year off." But in recent years there have been very productive discussions in various high-profile forums on issues like student success, research and workforce development.
 - 8.1.1. Because legislators too often say that they do not fully understand or trust higher education funding mechanisms, a compact would be a way to establish and communicate a clear and refined message.
 - 8.1.2. There was reservation from some members who felt that a compact might be viewed by the legislature as being inconsistent because the ROEI concept was so heavily promoted by the higher ed. community during the last budget cycle.
 - 8.1.2.1. But a compact would be more comprehensive than the ROEI initiative, and the fundamental logic of ROEI could be retained.
 - 8.1.3. It was suggested that a compact cannot simply be about more money for higher education. Legislators are not receptive to this approach. And a compact cannot be presented to the legislature or next governor as a finished project—we must give them an opportunity to help shape it so that they have some ownership of it and therefore are more likely to support it.
 - 8.1.3.1. It was noted that members of the General Assembly have been invited to participate on the Funding Commission, though as in the past their attendance has been low due to scheduling conflicts.
 - 8.1.3.2. It was also noted that the Taft administration adopted the Regents' Ohio Plan and pursued it as the 3rd Frontier initiative. This shows that the next governor could embrace a compact and make it his own. Therefore, the framework of a compact must be flexible to allow other state leaders to adopt it.
 - 8.1.3.3. The compact concept must be presented in a way that grabs the attention of average Ohioans. One way to do this is to tap the skills of the many talented public relations staff at Ohio campuses.
 - 8.1.4. The compact concept will be the major item of discussion for the Commission's next meeting in July.
9. Future meetings on July 17, August 14, and September 11.
10. Other items
11. Adjourn