**FY 2006 Higher Education Funding Commission**
**Third Meeting: Monday, July 17, 2006**
**Draft Notes**
Last Revised: August 9, 2006

Goals for the Meeting:

- Continue the discussion of developing a general approach to the FY 2008-2009 operating budget recommendations based on a possible long-term compact among higher education, the General Assembly and business.
- Discuss and develop a definition or understanding for what academic areas are to be included in the concept of "Science, Technology, Engineering, Math and Medicine" ($STEM^2$).
- Review and discuss the implications of the control totals and submission deadlines for FY 2008-2009 as provided by the Office of Budget and Management.
- Update members about recent major relevant developments in state government and finance.

1. Call to order
2. Review of the notes of the June 29, 2006 meeting of the Funding Commission
3. Review of the day's agenda
4. Compact 2012, Revisited: Roundtable discussion
   - 4.1. Background and Purpose – Garry Walters, of the Ohio Board of Regents, provided a brief review of the concept for Compact 2012, as discussed during the June meeting. As a reminder, Garry indicated that the purpose of the compact would be to: (1) Create a reciprocity agreement between the higher education community and the General Assembly as a means to connect funding to measurable outcomes; and (2) create a vision for higher education that looks beyond the FY 2008-09 biennium.
   - 4.2. Possible Content and Timeline – Rich Petrick reminded the Funding Commission that the FY 2008-09 budget requests are due to OBM on October 2, 2006. The Regents' Board will approve their budget recommendations during the September 2006 meeting. The timeline for the development of a compact, however, could extend beyond that October deadline and would hopefully be crafted with the assistance of members from the General Assembly and the administration of Ohio's next governor.
     - 4.2.1. Possible Content of a Compact 2012
       - 4.2.1.1. Connect increased state funding with tuition restraint.
       - 4.2.1.2. Create a compact similar to the Maryland initiative, which ties increased funding to tangible results as outlined in the article detailing their "Effectiveness and Efficiency" campaign (article included in the meeting documents).
       - 4.2.1.3. It will be important to create a compact whose intent is to build public support and confidence in the state's higher education community.
   - 4.3. Advantages and Disadvantages
     - 4.3.1. Disadvantages/Concerns

4.3.1.1. Recommendation to change the name; instead of using compact perhaps incorporate the term partnership.

4.3.1.2. Reminder that while a compact may have a longer term vision, the current legislature can not obligate future General Assemblies beyond the FY 2008-09 biennium.

4.3.1.3. Concern and reminder that the compact will not be successful if it attempts to address yesterday's problems; it must be forward thinking in its approach.

4.3.2. Advantages/Recommendations

4.3.2.1. With the recent conclusion and report from the Higher Education Funding Study Council, the compact can build upon their recommendations which will in turn to lend credibility and support to the compact.

4.3.2.2. A compact approach may provide an opportunity for the higher education community to make a bold statement or craft a bold initiative that will resonate with the public. One recommendation would be to make a bold statement about fees in FY 2008.

4.3.2.3. Recommendation to begin crafting a preliminary statement or vision for a compact/partnership. Once a preliminary statement is created, the university and college presidents should review and respond to the statement as a means to build consensus for a preliminary framework.

4.3.2.4. There is growing interest from the legislature to support higher education, with a specific request from Speaker Husted to develop strategies to focus funding on the STEM disciplines as well as address issues of student affordability.

4.3.2.5. Acknowledgement that an effective communication tool will be essential in the success of a possible compact/partnership approach.

4.4. Are there alternative organizing concepts?

4.4.1. The following recommendations/observations were presented:

4.4.1.1. It may be beneficial to lead with a vision that is student centered, while placing the request for more money as a secondary issue.

4.4.1.2. It will be essential to have input from the legislature in crafting the compact/partnership. However, building consensus within the higher education community first will be essential in developing an effective communication tool, in support of the partnership.

4.4.1.3. A bold statement and/or commitment from higher education towards achieving a specific goal (with or without additional funding) will build trust with the legislature and the public.

4.4.1.4. Specific recommendation to include the following bullet points in a vision statement:

4.4.1.4.1. Increase Ohioans participation in higher education by increasing the number of degrees.

4.4.1.4.2. Increase the number of Ohioans earning STEM[2] degrees.

4.4.1.4.3. Increase the number Ohio graduates who will teach in both underserved areas and underserved disciplines.

4.4.1.4.4. Reduce both the cost of an Ohio college education and timeliness to degree.

4.4.1.5. Recommendation to act quickly on an initial proposal that outlines a framework for the compact/partnership; as it will be important to provide the university and college presidents with plenty of time to review and react.

5. STEM$^2$ Definition

5.1. Beth Stroble, from the University of Akron, reviewed the work and progress of the STEM$^2$ Subcommittee. A draft document was provided to the members, detailing the status of the subcommittee's work.

5.1.1. Purpose

5.1.1.1. Increase the number of STEM$^2$ graduates.

5.1.1.2. Meet the STEM$^2$ employment needs of the state of Ohio in order to positively impact economic growth.

5.1.1.3. Increase the productivity of STEM$^2$ research in Ohio.

5.1.1.4. Align campus efforts with the Pre K -12 efforts in order to increase the number of students prepared to enter the STEM$^2$ disciplines, in college.

5.1.2. The draft STEM$^2$ Initiatives document was reviewed by Darrell Winefordner. The most significant additions to the document, as initially introduced in June, were highlighted as follows:

5.1.2.1. Alignment of the Ohio initiatives with recent federal initiatives, notably the National Academic Competitiveness Grants and the National Science and Mathematics Access to Retain Talent (SMART) Grants. This will be important to ensure that Ohio's initiatives complement, not supplant, federal programs.

5.1.2.2. Recommendation to create a STEM$^2$ "Academic" Challenge to provide institutions with the start-up costs to restructure and realign their operations to focus on the STEM$^2$ disciplines.

5.1.2.3. The definition of STEM$^2$ is still in the development phase. It was the consensus of the subcommittee to begin with the federal definition of STEM and then develop criteria that will include additional disciplines that are identified as strategically important for Ohio; such as the medical disciplines and those education disciplines which are associated with science and mathematics. The STEM$^2$ Subcommittee will continue to develop the STEM$^2$ definition as well as consider the value of each degree.

5.2. Roundtable Discussion included the following recommendations and/or concerns:

5.2.1. The reference to funding the STEM$^2$ "Academic" Challenge with up to 1% of the SSI subsidy is problematic and confusing. There is concern that the challenge funds will reduce the SSI by 1%. However, Darrell explained that the reference to 1% of the SSI was used to identify an initial level of funding, approximately equal to

$15 million. It was recommended that the reference to SSI be replaced with an estimate of the funding level in actual dollars.

5.2.2. Recommendation to consider including the independent, not-for-profit institutions in both the STEM² "Academic" Challenge and the STEM² Success Challenge. A discussion followed concerning the reasons for and against expanding the challenge funds to the independent colleges and universities. While not resolved, the matter will be considered at future meetings of the Higher Education Funding Commission.

6. Working Lunch
7. Budget Guidelines: Review and Discussion

7.1. Control Total for FY 08 and FY 09 = 103% of FY 07

7.1.1. Rich Petrick reviewed the budgetary guidelines, as given by OBM. A 103% increase in funding, based on FY 07, implies that the Regents can budget for a $66-70 million increase in funding. The Board of Regents is concerned about the 103% funding limit for budgeting purposes, for various reasons. Some of those reasons include:

7.1.1.1. The growth in OCOG grants may account for all of the allowable funding increases. Furthermore, the actual spending increases from OCOG will not be known until after the October 2nd submission deadline.

7.1.1.2. There are new (math and science) teacher initiatives, associated with the Ohio Core, that were not funding in FY 07 and therefore represent new funding obligations.

7.1.1.3. Other programs recommended by the Higher Education Funding Study Council represent new line items which would require new funding.

7.2. Appeals to the control totals are due August 1 - Given the concerns listed above, Rich advised the members that the Regents' staff will appeal the budgeted control totals, with a request to increase the annual totals 5-6% each year, as well as request an extension to the October 2nd submission deadline.

7.3. Discussion

7.3.1. President Garland, from Central State University, requested that the Funding Commission consider his request to have the Central State and Shawnee State special supplements restored to FY 2004 funding levels, in the final budget request to OBM. President Garland provided a history of the special supplement and reminded the members of the 10% funding losses which resulted from last biennium's budget process. Furthermore, he impressed upon the committee the importance of the supplement as a part of each respective institutions core funding.

7.3.2. In response, Garry Walters assured President Garland that his request to have the special supplements restored to FY 2004 funding levels would be considered further by both the Funding Commission and the Board of Regents.

7.3.3. Rich Petrick provided a brief review of the budget process and advised that the Funding Commission would be working with the Resources and System Efficiency (RSE) Committee to prepare the

budget guidelines going before the Board in September. As such, the commission would be making decisions about the prioritization of each line item.

7.3.4. A recommendation was made to consider including the special supplements, for both Central State and Shawnee State, in the request to OBM to waive the 3% cap on budgeting for FY 2008 and 2009.

8. Update
   - 8.1. Statutory TEL – Fiscal Note
     - 8.1.1. Rich reviewed the Statutory TEL Extract taken from LSC's Fiscal Note for Sub. S.B. 321 of the 126th General Assembly
       - 8.1.1.1. The LSC's Fiscal Note estimated that if the legislative TEL had been in place from 1987 through 2007, the state would have been required to spend $2.8 billion less in FY 07.
       - 8.1.1.2. Reminder - Higher education typically absorbs 50% of all budget cuts.
       - 8.1.1.3. The statutory TEL does allow for spending increases above the defined spending limits with a 2/3 majority vote of the General Assembly.
   - 8.2. Governor creates Workforce Education Council
     - 8.2.1. Rich shared a news article with the committee concerning Governor Taft's Executive Order which created the Workforce Education Council.
     - 8.2.2. The issue of workforce development is a major concern of Senator Webster who addressed the Funding Commission in June.
       - 8.2.2.1. During June's meeting, Senator Webster shared his concern about Ohio losing the bid for a new Honda plant, to Indiana.
       - 8.2.2.2. In response to Senator Webster's Concern, Rich shared statistics about the number of science and engineering degrees and workforce participation rates in Ohio, Indiana, North Carolina and the nation (using data and statistics from the National Science Foundation website).
       - 8.2.2.3. The Indianapolis Times published an article in which they asserted the belief that Honda chose Indiana as the site for their new plant for the following reasons:
         - 8.2.2.3.1. The plant would be close to Ohio, where many of Honda's parts suppliers are located.
         - 8.2.2.3.2. Indiana had a preferable Workers Compensation plan.
         - 8.2.2.3.3. Another Ohio plant might stretch the current limit of Ohio's base suppliers.
   - 8.3. State Finances:
     - 8.3.1. Final FY 2006 Figures
       - 8.3.1.1. Rich provided and reviewed the latest financial report from OBM, with the final FY 2006 figures
       - 8.3.1.2. Rich highlighted the following:
         - 8.3.1.2.1. Overall state revenues increased 2.1%.
         - 8.3.1.2.2. Total revenue sources increased 1.2%.

8.3.1.2.3. Total expenditures increased at a rate 0.1% - noting a significant reduction in Medicare costs of 2% (speculated to be a one time reduction, only).

8.3.1.3. As a result of the positive FY 2006 figures, more that $600 million was transferred to the Rainy Day Fund, which currently has a balance of approximately $1 billion.

8.4. Hamilton County JFS Audit Issue

8.4.1. The Hamilton County JFS office is currently undergoing an audit in which they have an audit finding estimated between $200 million and $1 billion. This could have a significant impact on the balance of the Rainy Day Fund.

9. Mapping out Topics for Future Meetings: August 14 and September 11

9.1. August 14 Topics

9.1.1. Revisit the efforts of the Partnership for Continued Learning.

9.1.2. Revisit the STEM$^2$ Initiative.

9.1.3. Review two-three scenarios for the SSI, along with different challenge scenarios.

9.1.4. Review the "pre"-preliminary OCOG numbers.

9.1.5. Review of the budget line items.

10. Other Items

11. Adjourn