

FY 2006 State Share of Instruction Consultation
September 29, 2005 Meeting
Draft Notes

1. Call to order.
2. Review of the notes of the August 30, 2005 meeting of the consultation.
3. Review of today's agenda
4. Update on other higher education policy groups
 - 4.1. Higher education funding study council
 - 4.1.1. The Council has met four times and will continue to meet through Spring 2006.
 - 4.1.2. Additional information on the work of the Council will be available on the Regents' website at <http://www.regents.state.oh.us/hefsc/index.html>
 - 4.2. Business Alliance for Higher Education and the Economy (BAHEE)
 - 4.3. Partnership for Continued Learning has established four goals: (1) Better aligning high school graduation requirements with college and work readiness standards; (2) increasing the number of high school students who take a rigorous core curriculum; (3) creating incentives and other methods to hold schools accountable for graduating students who are college and/or work ready; and (4) creating incentives for colleges and universities to improve graduation rates.
 - 4.4. Other federal and state initiatives
 - 4.4.1. U.S. Secretary of Education recently announced the new Commission on the Future of Higher Education, charged with developing a national strategy for postsecondary education that will meet America's diverse economic and workforce needs.
 - 4.4.2. The Ohio Chamber of Commerce has cited the quality of education as being critical to Ohio's workforce needs, and specifically noted Ohio's weakness in higher education attainment and attracting out-of-state workers and students.
 - 4.4.3. Ohio House Speaker Jon Husted recently issued a challenge to state college and university presidents to join the state legislature in reforming higher education by increasing the number of college graduates in STEM fields, improving campus efficiency and reducing duplication. Speaker Husted has identified higher education as being a state priority but hopes to improve communication between college campuses and the General Assembly.
5. Update on SSI-related subcommittees and their work
 - 5.1. The taxonomy subcommittee is charged with reviewing the current subsidy model clusters and recommending models or clusters that will have a balance of the following characteristics:
 - 5.1.1. Have similar costs and characteristics: Each model or cluster will include subjects and levels of instruction with similar cost or characteristics. Every effort will be taken to avoid costly programs grouped with inexpensive programs and vice versa. This is

important because in the SSI formula, the cost of each subject and level of instruction is represented by the cost of its model or cluster. The range from the high cost to the low cost for each model or cluster should be as uniform as possible.

- 5.1.2. Be predictable and easy to manage: The models or clusters should be reasonable to administer and should be supportive of the planning and forecasting needs of both the campuses and the Board of Regents. Ideally each model or cluster would have similar number of enrollments and those enrollments should be of sufficient size to allow the model to have relatively stable average cost over time.
 - 5.1.3. Easy to understand and communicate: The models or clusters should represent identifiable groups of instruction to state policy makers and campuses. When new academic programs are developed it should be apparent early in the planning process which models or clusters will support the new program.
 - 5.1.4. Once the subcommittee has identified a limited number of viable alternative taxonomies, it will investigate the fiscal ramifications of any proposed taxonomy at the campus level. This means applying the current SSI formula using the new taxonomy. The subcommittee may need to consider areas where some of the components of the SSI formula, such as the fee assumption and POM rates, might need to be restructured. The subcommittee understands that recommendations should be made to the full SSI Consultation by February, 2006.
 - 5.1.5. At the very least, this subcommittee should help establish parameters for how to improve the structure of the current SSI formula—even if its final recommendations are not adopted.
 - 5.1.6. The new model structure should promote STEM enrollments, student retention and success, and provide other appropriate incentives for helping higher education support state goals.
 - 5.1.7. A uniform fee assumption would work counter to the promotion of STEM courses and adversely affect the technical colleges most. Without new SSI dollars, any changes adopted by the Consultation should be phased in over time, lest it introduce disruptive funding changes.
 - 5.1.8. Concern was expressed that a “perfect storm” could arise next year, when the recommendations of all the various groups come to a head. This could potentially create unintended consequences that might not be known for some time. For example, the focus on STEM could create unintended disincentives for campuses to offer other programs of value. Therefore, it was suggested that some sort of summit be convened so that all of the recommendations of each group could be aligned by the leadership of each group.
- 5.2. The H.B. 66 Studies subcommittee
 - 5.3. The ‘Out of the Box’ subcommittee – New
 - 5.4. The Clinical Teaching consultation: This group will be lead by Regent Jim Tuschman and will convene its first meeting on October 18th.

6. Review and discussion of other state's approaches to funding higher education: Brenda Albright gave a presentation on the funding methods and formulas in Tennessee, Kentucky, Florida and Colorado.
 - 6.1. Tennessee uses a very complex formula that recognizes mission, matches institutional expenditure patterns, is enrollment driven and uses out-of-state peer institutions to factor faculty salaries.
 - 6.1.1. Tennessee uses performance funding incentives within the formula.
 - 6.1.2. To build quality, "centers of excellence" are located at universities and "centers of emphasis" are located at two-year colleges.
 - 6.2. Kentucky's simple formula approach uses benchmark funding levels based on per student funding at peer institutions, like UCLA, the University of Michigan, Ohio State and others. This is a highly political process in Kentucky.
 - 6.2.1. Additionally, Kentucky has a number of "trust funds" to fund specific initiatives, such as science and technology, workforce development, physical facilities, financial aid and adult education and literacy. The source of many of the trust funds are Tobacco Settlement monies.
 - 6.3. Florida's community college system uses an enrollment- and mission-driven mechanism to fund its very diverse institutions. Universities and community colleges are funded by separate systems and separate formulas.
 - 6.4. Colorado proposes to adopt a voucher (a.k.a "stipend") system that gives each undergraduate a uniform amount: \$2,400 per full-time student or \$80 per credit hour. Only Colorado residents qualify for stipends. There is considerable debate about whether the state has sufficient revenues to fund the vouchers in toto, and a new constitutional amendment will be voted on in November to provide additional resources for higher education.
 - 6.5. According to national Grapevine and SHEEO reports on funding for higher education, Ohio ranks 37th in state funding per capita, 43rd in public support per FTE, and 13th in net tuition per FTE.
7. Lunch
8. Roundtable discussion of guiding principles and priorities
 - 8.1. The Consultation identified the strengths of Ohio's current funding system and SSI formula:
 - 8.1.1. Dollars allocated to campuses are unrestricted, giving campuses flexibility in how to use resources.
 - 8.1.2. SSI and Challenges provide for a rough sector balance.
 - 8.1.3. Enrollment-driven formula allows dollars to follow students.
 - 8.1.4. The SSI formula is relatively predictable.
 - 8.1.5. It is difficult to manipulate the SSI formula.
 - 8.1.6. The formula provides protection from sudden and dramatic shifts in funding.
 - 8.1.7. The formula uses the right incentives.
 - 8.1.8. The Challenges recognize the differences in campus missions. This is also true with the modeled cost basis of the SSI formula.

- 8.1.9. The SSI is familiar to higher education leaders. There is a lot of history behind the formula, which lends credibility.
- 8.1.10. The complexity of the formula discourages unwelcome changes from outside stakeholders.
- 8.1.11. Ohio's funding system, and SSI in particular, evolved through a close collaborative process with campus and state leaders. This has allowed each sector to appreciate other perspectives.
- 8.1.12. The collaborative process is less political and promotes broader understanding and unity, which in turn yields a stronger budget position.
- 8.2. The Consultation identified the weaknesses of Ohio's current funding system and SSI formula. There was considerable discussion about whether the identified weakness was a design problem or a resource problem. Items identified as potential resource problems are so identified below.
 - 8.2.1. The complexities of the formula make it difficult to demonstrate performance and accountability.
 - 8.2.2. Not all stakeholders fully understand the formula.
 - 8.2.3. There is no rational relationship between tuition and funding policies. (Resource issue?)
 - 8.2.4. The legislative caps on enrollments in certain programs (i.e., medicine) represent a disincentive for important and high-demand programs to grow and necessitate larger tuition increases.
 - 8.2.5. It is difficult to support and meet community needs because no mechanism exists for new start-up monies.
 - 8.2.6. The SSI formula does not reward programs based on economic value.
 - 8.2.7. There are no incentives for college success within the SSI formula. The SSI rewards inputs, not outputs.
 - 8.2.8. The SSI formula is less responsive because there is a one-year lag in the most recent enrollments that drive the dollars.
 - 8.2.9. Secondary formula adjustments (i.e., stop-loss) reduce the SSI's predictability.
 - 8.2.10. Protection hurts growing campuses by transferring funds to campuses that aren't growing or growing at slower rates.
 - 8.2.11. The fee assumption is arbitrary and unbalances. It's a rationing device, not a true resource allocator. (Resource issue?)
 - 8.2.12. The formula is structured to assume more money will be available as enrollments grow. (Resource issue?)
 - 8.2.13. Only some noncredit instruction and training is supported by the formula.
 - 8.2.14. The formula is not structured to let the legislature exploit it for political benefit.
 - 8.2.15. The lack of additional state dollars has created a disincentive to enroll and retain more students because the tuition revenues generated by new students are not enough to offset the loss in state funding per student. (Resource issue?)
- 8.3. The Consultation identified the opportunities to allow for positive changes to the SSI and higher education funding in general:

- 8.3.1. Buy-in from the business community.
- 8.3.2. Attracting federal dollars.
- 8.3.3. Improve state and local economies in Ohio, and improve the quality of life for all Ohioans.
- 8.3.4. Improve Ohio's educational attainment levels and workforce.
- 8.3.5. Return on investment opportunity: the costs of social and criminal justice services go down, while the tax base goes up.
- 8.3.6. HEI is one of the finest systems in the country, which allows us to use vast amounts of data to make our case.
- 8.3.7. Creating entrepreneurs in Ohio's college graduates and spur small business development.
- 8.3.8. Reduce out-migration by expanding Ohio's economic base. Create more in-migration of college students and graduates who will stay in Ohio to contribute to the economy. Therefore, we should reexamine the policy of not funding out-of-state students, especially students majoring in STEM fields.
- 8.3.9. Technology creates an opportunity to collaborate and increase efficiencies.
- 8.3.10. Relaxation of state regulations, which would allow for improved business operations and efficiency.
- 8.3.11. Meet with legislators to facilitate the right kinds of changes, and highlight all of the positive things higher education has done for the state in terms of job-creation, economic development, etc.
- 8.4. The Consultation identified the threats that might prevent positive changes:
 - 8.4.1. A continued lack of a state commitment to adequately fund higher education.
 - 8.4.2. The "perfect storm" and loss of campus autonomy and self-governance.
 - 8.4.3. The continuation of the downward spiral: tuition is a barrier to access for too many prospective students.
 - 8.4.4. An under-performing economy that prevents the state from adequately funding higher education.
 - 8.4.5. A lack of state capital dollars to address critical infrastructure and maintenance needs on campuses. This is currently estimated to be as high as a \$5 billion problem statewide.
 - 8.4.6. The perception that higher education is bloated and inefficient.
 - 8.4.7. The rising priority of higher education in other countries like India and China, especially in STEM fields. This will fuel continued outsourcing of American jobs overseas.
 - 8.4.8. The feeling in the General Assembly that changes are needed in higher education, regardless of the outcome.
 - 8.4.9. Fatigue in the higher education community of being "studied to death" by state commissions and legislative committees, which require a great deal of work but have produced only marginal results.
 - 8.4.10. Policy being driven by anecdotes instead of data.

9. SSI related actions and issues

9.1. Proposed FY 2006 SSI allocation: A DRAFT allocation was distributed that is based on updated NASF POM data and actual FTEs from FY 2005. The draft SSI calculation is being reviewed internally by Regents' staff and will be subsequently posted on the web for campus review.

9.1.1. Relative to FY 2005, several campuses will lose up to 3% in FY 2006—even though many of these same campuses are experiencing enrollment growth. This is because of flat SSI funding in FY 2006 and the 97% stop-loss.

9.1.2. *Editor's note: The draft FY 2006 SSI allocation distributed at the 9/29/05 Consultation was based in part on erroneous POM activity data. This has been corrected by Regents staff and the revised draft will be broadly shared with campuses.*

9.2. Allocation of instructional equipment funds in next capital bill

9.3. Treatment of orientation coursework (BGSU) (Tentative): This item was deferred until the next meeting.

10. Future meeting schedule: October 26th; December 1st;

10.1. NEW January 13, 2006; February 17, 2006 (Fridays)

10.2. Mapping out future meetings – topics? studies? data?

11. Other items

11.1. According to the latest draft estimate of CollegeNet, it would take \$110.9 million to pay for staff PCs, internet-ready classrooms and labs, and support for student-owned PC's.

12. Adjourn

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