FY 2006 State Share of Instruction Consultation
January 13, 2006 Meeting
Draft Notes

Goals of 1/13/06 meeting:

- Follow up on members' questions about national trends in regarding ROEI, the problem of unfunded growth, and Rehab Services funding
- Communicate, discuss, and react to major preliminary subsidy recommendations of all related policy groups;
- Update members on finance-related matters; and
- Refine topics, issues or analyses for future meetings

1. Call to order.
2. Review of the notes of the December 1, 2005 meeting of the consultation.
3. Review of today's agenda
4. Old business

4.1. ROEI follow-up – Supportive national studies

4.1.1. An excerpt from the book *Closing the Gap* was reviewed. This book is based on a comprehensive Rand study that considers the financial and opportunity costs of higher education by looking at personal income, social savings and the tax benefits that result from higher education.

4.1.1.1. The data and charts in this study track very closely to the ROEI charts. This study could serve as external validation for the ROEI concept.

4.2. "The Problem of Unfunded Growth" – Other states' experiences

4.2.1. National trend data published by SHEEO was shared with the group. The FY 2004 SHEEO report shows that Ohio's experience of declining state support per FTE for higher education is not unlike several other states for the period of FY 1991 to 2004.

4.2.2. According to Grapevine data, Ohio ranks 44th in % change in total state support for the most recent one- and two-year periods. Ohio's change ranks 37th for the five- and ten-year periods.

4.2.3. As a result, unlike many the experience of other states, higher education in Ohio has not recovered from the fiscal stress of the 2000-2005 period.

4.3. Rehabilitation Services – follow up with RSC on funding issues

4.3.1. Mike Kinney from RSC briefed the group on the RSC's changes in student aid. These changes were made after an RSC study showed that 25% of the RSC budget was being spent on 5% of RSC customers. The new program is more need-based and uses the FASFA to determine aid levels. The RSC program is a "last payer" program and will phase in the change in policy over three years: only 50% of the expected family contribution (EFC) will be required in the first year, then 75% in the second year, and 100% in the third year. Mr. Kinney emphasized that the RSC will continue to use a flexible case by case policy when determining eligibility.

4.3.1.1. There was some discussion over the Student Support Services line item in the Regents' budget. But these dollars help to offset operating costs for disability services. Although this program has been under-funded for years—it covers only a tiny fraction of actual costs—increased funding here will not address the changes to the RSC's financial aid program.

4.4. Professional doctorate funding

4.4.1. Harry Andrist briefed the group on the Regents' policy concerning SSI funding for professional doctorate students. There has been a rapid increase in the number of these programs. However, because most of the demand for graduates in these fields (i.e., physical therapy, audiology, etc.) is found in other states like Florida, there is concern that the state will be a net exporter of these graduates. This leads to the policy question: should the state invest in students that are very likely to leave the state after graduation? Therefore, the Regents will grant only provisional approval for new programs. Additionally, because the clinical portion of these programs often does not appear to involve real institutional costs, the Regents' policy is a three-year maximum in M&P2 SSI funding, and no graduate-level SSI funding will be provided for students who have not earned a baccalaureate degree.

4.4.1.1. Accrediting associations are driving the growth in these programs and are focused on the professional degree; they are not concerned with whether a baccalaureate degree is earned along the way. But OBR Rule 2 stipulates clearly that no graduate SSI funding can be awarded for students who have not earned a baccalaureate degree.

4.4.1.1.1. There was disagreement over whether Rule 2 carried the weight of actual law since it is an administrative rule. But Dr. Andrist pointed out that administrative rules operationalize laws.

4.4.1.2. There was also concern over the clinical issue, since the presumption that clinical instruction isn't costly to the institution is not universally true given the need for faculty and student services for these students.

4.4.1.2.1. Dr. Andrist concurred and said SSI funding could be awarded for such students if true costs can be demonstrated and if these costs pass audit muster.

5. Reports from SSI-related study groups

5.1. The Taxonomy subcommittee

5.1.1. This subcommittee has a very ambitious schedule and agenda. The group has reached a consensus on the taxonomy, which is based on six-year cost data that will provide stability and reduce year-to-year funding shifts. The new taxonomy will significantly reduce the cost overlap that presently exists among models, and greatly improve the assignment of courses to models.

5.1.2. This subcommittee will likely recommend a uniform % fee assumption that will be weighted to accommodate the higher cost STEM courses.

5.1.2.1. It was noted that math and teacher education would continue to be funded at the education SSI model. Given the importance of these fields, it was suggested that these enrollments be prioritized and perhaps weighted accordingly.

5.1.3. A set-aside for the medical models is also likely. This is needed because a uniform % fee assumption by itself would essentially eliminate medical SSI funding.

5.1.4. The POM and student service weights used in the current formula would be removed for simplicity purposes.

5.1.5. The subcommittee is aware of the potential need to revise the 30% baccalaureate limit for two-year campuses. If this limit is to be maintained, it would need to correspond to the new taxonomy.

5.1.6. The SSI Consultation requested that a range of options be submitted by the Taxonomy Subcommittee, so that the Consultation could consider the implications, benefits and weaknesses of each scenario.

5.1.7. The Taxonomy Subcommittee will convene three more times and present its recommendations to the Consultation on February 17, 2006.

5.2. The H.B. 66 Mandates subcommittee

5.2.1. In order to evaluate the possibility of a Success Challenge-like program for two-year campuses, Regents staff will need to survey campuses for information, particularly on transfer students. The Alternative Credit (AC) file in HEI does not provide any coursework detail, and no incentive presently exists for campuses to report this file, making the AC data spotty. Additionally, the definition of a transfer student is not unambiguous.

5.2.2. The H.B. 66 Mandates subcommittee has rejected the feasibility of distributing SSI funds based on degree completion, especially given the loss in state support per FTE over the past several years. However, there is some interest in awarding SSI dollars based on course completion rather than course enrollments.

5.2.3. On the issue of operational and administrative efficiency funding, the subcommittee has not arrived at a consensus in defining efficiency. It was noted that administrative costs are not consistently reported by campuses in HEI—different campuses report these costs in different categories. Members requested that Rich Petrick contact a national expert in the area for further review and discussion.

5.3. The 'Out of the Box' subcommittee: This group is developing a matrix that identifies and defines each idea, and lists the strengths and weaknesses of each.

5.3.1. The Out of the Box group will also review Miami President Jim Garland's opinion editorial that appeared in the *Washington Post* and which called for the privatization of Ohio's public universities through a student voucher-like system.

5.3.1.1. It was noted that President Garland's proposal represented only his opinions and not those of the IUC. His message could be viewed as elitist by the General Assembly and some feel that it runs counter to the values of public higher education. Nevertheless, the chairman of the Higher Ed. Funding Study Council, Rep. Shawn Webster, said that he appreciated President Garland's proposal and asked that the SSI Consultation review it.

5.4. The Clinical Teaching consultation

5.4.1. Each medical school will submit a one-page document describing how its current Clinical Teaching subsidy is used.

5.4.2. The consensus of this group is to maintain the current allocation.

5.4.3. At its next meeting on January 18th, this group will review the issues of a potential physician shortage (in Ohio and the U.S.), and the SSI funding of Med 2 enrollments, which caps and perhaps provides an incentive to schools to stay below their respective Med 2 caps.

5.5. Economic Growth Challenge (EGC)/Innovation Incentive Planning Committee

5.5.1. Dr. Harry Andrist briefed the group on the Innovation Incentive Program within the EGC line item. H.B. 66 states that the Innovation Incentive Program has three primary objectives: (i) attract preeminent researchers and build world-class research capacity; (ii) create new products and services to be commercialized, leading to job creation and economic growth in Ohio and in the regions of the state; and (iii) complement funding provided from programs included in Ohio's Third Frontier Project.

5.5.2. The proposal is for annual increments of 1.5% of doctoral SSI funds to be *internally* reallocated per year for 10 years with these three objectives in mind. By shifting resources toward strong doctoral programs well aligned with Ohio's economic priorities and downsizing or eliminating doctoral programs not performing at, or above, national norms, universities will be better able to contribute to Ohio's educational and economic growth. Strict adherence to program guidelines would be assured through an initial state-level review followed by rigorous biennial external peer reviews of individual campus plans. There is fundamental disagreement over whether the current conceptualization of the Innovation Incentive Program will result in a competitive process and a reallocation of dollars between universities. Dr. Andrist said the planning group has recommended that the competitive process would involve all of the state match plus one-half of at-risk doctoral SSI, but the governor's office feels that the full 15% (1.5% x 10 years) of at-risk doctoral SSI dollars should also be at stake and subject to reallocation between universities. The governor's office also feels that participation is mandatory for all eligible state-assisted universities, even though the actual budget language suggests optional participation.

6. Update on other higher education policy groups
   6.1. Higher Education Funding Study Council
      6.1.1. The Consultation reviewed a letter from Lakeland President Morris Beverage to Funding Council Chairman Rep. Shawn Webster. The letter outlines the challenges facing Ohio's community and technical colleges, the Funding Study Council and students.
         6.1.1.1. The issue arose of whether health is included in the widely-used STEM—science, technology, engineering and math. Some members felt health is inherently included as science, while others felt it should be separately identified. The consensus is that STEM does and should include health.
         6.1.1.2. Several members felt that science and teacher education should also be included in STEM.
      6.1.2. An Inter-University Council paper on planning for Ohio's future was also reviewed. This paper focuses on making Ohio a destination state, and is tied to the CHEE recommendations.
      6.1.3. Rich Petrick gave an update on the Study Council's January 12th meeting, noting that he volunteered to draft a problem statement for three areas of focus identified by the Council: (i) Student focus (i.e., retention, success, affordability), (ii) operational efficiency, and (iii) economic and workforce development and research.

   6.2. Higher Education Leadership Coalition (HELC)
      6.2.1. HELC is focused on mobilizing constituents on key issues such as opposition to the Tax Expenditure Limitation amendment.
      6.2.2. HELC has also discussed hosting an innovation summit.

   6.3. Capital consultation and budget
      6.3.1. The Regents will make their capital budget recommendations on January 19th and will most likely request additional dollars above the OBM control total.
      6.3.2. It was noted that most new construction is for allied health facilities.

7. New Business: Roundtable discussion
   7.1. Promoting STEM enrollments and graduates
      7.1.1. It was suggested that the Consultation review trend data on teachers, lest Ohio disinvest in teacher education and succumb to a teacher shortage.
      7.1.2. It was again noted that math and science teacher education is not included in the new SSI taxonomy's HEMS models . . .
      7.1.3. The SSI can support enrollments in courses, while programs like Success Challenge can support specific targeted majors.
      7.1.4. There is unanimous consensus in the higher education community that the $30 million that was added to the FY07 SSI should be allocated via the SSI formula. However, some members of the General Assembly may feel that these dollars should be reallocated to other areas within higher education.

7.2. Funding course completions and not enrollments
   7.2.1. Such a policy change would change campus behavior in unpredictable ways.
   7.2.2. It would seem unproductive if dollars were awarded for the completion of introductory and elective courses.
   7.2.3. The rationale of such a policy is not clear to all members because schools must invest in all students whether they complete a course or not.
   7.2.4. A barrier to such a policy is the fact that there is little ownership of student success, as a wide variation exists among schools for course screening.
   7.2.5. It was noted that the current enrollment-driven funding formula already contains an incentive for course completions because students who successfully complete a course are much more likely to re-enroll and therefore continue to generate SSI dollars.
   7.2.6. Such a policy could also lead to grade inflation and/or more selective admissions and therefore reduced access.
   7.2.7. It was stressed that the primary determinant of student course completion is the quality of the student taking the course, and that such a policy would be penalize campuses that enroll a higher proportion of at-risk students. Campuses that already have selective admissions (i.e., Miami) would benefit from the redistribution of state dollars.
   7.2.8. The Resource Analysis cost data used to drive the SSI model rates would need be revamped because it is currently based on enrollments, not completions.

7.3. Progress on Ohio Administrative Code Rules revision
   7.3.1. Capital policy
   7.3.2. Rule 2 (SSI)
   7.3.3. Learn and Earn

7.4. FY 2006 Enrollment Survey
   7.4.1. Regents staff is conducting a survey for updated FY06 FTE enrollment projections so that the FY07 SSI projections can be refined.
   7.4.2. There have been some indications that the FY06 FTE projections reported by campuses last spring will be revised significantly downward for some campuses.

8. Mapping out future meetings – topics? studies? data?
9. Next meetings: February 17th; March 14th (not March 1st)
10. Other items
11. Adjourn