



**HIGHER EDUCATION
FUNDING STUDY COUNCIL
REPORT**

May 2006

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BACKGROUND INFORMATION

The Higher Education Funding Study Council (HEFSC) was created in House Bill 66 of the 126th General Assembly. The legislation stated that:

“The Council shall review all aspects of higher education funding contained in this act, including all appropriation items and shall recommend any changes it determines are necessary. The Council shall also review the instructional and general fees as well as the room and board charges at the thirteen state universities, with the intent of setting limits on future increases in these fees and charges. The Council shall issue a report of its activities, findings and recommendations to the Governor, the Speaker of the House of Representatives and the President of the Senate not later than May 31, 2006.”

In addition to creating the Higher Education Funding Study Council, the legislation mandated the Board of Regents to conduct and submit three reports to the Council by April 15, 2006:

- A study on distributing state share of instruction funds based on campus administrative and operational efficiency.
- A study on distributing state share of instruction funds based on the number of degrees and certificates awarded.
- A study on providing incentives for certificate and associates degrees.

House Bill 66 also appropriated \$30 million in higher education funding for fiscal year 2007, to be released after the council’s report. Ten days after the issuance of the Higher Education Funding Study Council report, the Board of Regents shall seek the Controlling Board’s approval to disburse the appropriation.

HIGHER EDUCATION FUNDING STUDY COUNCIL MEMBERS

Representative Shawn Webster – Chairman
Senator Randy Gardner – Vice-Chairman

Representative Jimmy Stewart – Ohio House of Representatives
Representative Peter Ujvagi – Ohio House of Representatives
Senator Joy Padgett – Ohio Senate
Senator Kimberly Zurz – Ohio Senate
Chancellor Rod Chu – Ohio Board of Regents
Vice-Chancellor of Finance Rich Petrick – Ohio Board of Regents
Regents Chairman Ed Adams – Ohio Board of Regents
Dr. Jack Brose – Ohio Council of Medical School Deans
Dr. Sidney Ribeau – Inter-University Council
Dr. Morris Beverage – Ohio Association of Community Colleges
Dr. Jean Scott – Association of Independent Colleges and Universities of Ohio
Shaun Yoder – Office of the Governor
Aftab Pureval – Ohio Student Representative

ALTERNATES

Representative Kathleen Chandler alternate for: Representative Peter Ujvagi
Dr. Carol Cartwright – Inter-University Council
Dr. Lois Margaret Nora – Inter-University Council
Dr. Ron Abrams – Ohio Association of Community Colleges
Dr. Dan DiBiasio – Association of Independent Colleges and Universities of Ohio
Suzanne Scharer – Ohio Student Representative

PROCESS

The Higher Education Funding Study Council (HEFSC) met 19 times between August 10, 2005 and May 25, 2006. At the HEFSC's first meeting it was determined that a series of information meetings would be needed before the Council could begin setting goals and making recommendations. Throughout the course of seven informational meetings the Council heard presentations on the following topics:

- The Nature and Structure of Higher Education Operating Budget Line Items
- The Mechanics of the State Share of Instruction
- The State Share of Instruction and the Challenge Line Items
- Performance and Accountability Reports
- The Capital Budget Process
- Update on the Status of the Governor's Commission on Higher Education and the Economy Recommendations
- Room and Board Charges and Other Campus Fees
- An Overview of Campus Finances
- Campus Missions
- The Role of College and University Trustees
- Return on Educational Investment (ROEI)
- The Impact of Unfunded Growth

At the Council's request, an eighth informational meeting was held dedicated to the role of Higher Education in Ohio's workforce and economic development. Presentations on the following topics were heard:

- The Accelerate Ohio Project
- Ohio's Independent Research Institutions – Case Western Reserve University and the University of Dayton
- Ohio's Public Research Institutions – The University of Cincinnati and The Ohio State University
- Ohio Medical Schools
- Central State University
- Shawnee State University
- Ohio Bridges to Opportunity Initiative

After the conclusion of these informational meetings, the HEFSC held 11 meetings dedicated to constructing the recommendations presented within this report.

The Council's meetings were facilitated by Maggie Lewis of the Ohio Commission on Dispute Resolution. The Council agreed to seek decisions by consensus and to allow "agree to disagree" decisions by default and to record these differing opinions for future reference.

INTRODUCTION

As Ohio moves into a knowledge-based economy, our students must have the tools and skills necessary to obtain high-tech, high-paying jobs and compete in a global economy. A strong, diverse and easily accessible higher education system is seen as one of the state's most effective means of achieving economic stability, economic development and individual development.

Ohio has spent decades building a rich array of educational institutions, including all manner of post-secondary education opportunities. However, due to constraints on the state budget for constitutionally-mandated services, Ohio's resources have become limited. Consequently, state leaders, primary, secondary and post-secondary education officials must look for creative ways to increase and optimize the use of the state's resources, while providing opportunities for more Ohioans to acquire the skills and knowledge needed in the global economy. Educational institutions must be as efficient and cost-effective as possible in the operations and management of their facilities, while providing the quality education required to ensure student success.

In order to move Ohio's higher education system forward to meet these new challenges, Ohio must first focus its policies and programs on the Five "A's" of access for students of all ages, backgrounds and incomes.

All prospective students must become more **academically** prepared for college. The first step in achieving this is by supporting the vision and goals of the Ohio Core and the Partnership for Continued Learning. Higher education must be made more **affordable** for all Ohioans and post-secondary education services must be **available** to students, given their constraints of location and time and other barriers. Beginning at an early age, potential students must be assured that a college education is **attainable** and more students have to **aspire** to enroll, succeed and advance in college.

Access is essential to further the education of Ohio's citizens, but is not the only factor to consider. Ohio must also ensure its policies and programs are focused on making every student successful. Ohio should act to make certain, to the greatest extent possible, every student **completes** every course taken; **comes back** to college to progress towards and complete all educational objectives; and **concludes** his or her college experience successfully by achieving the highest level of education desired, as well as continuing to learn by periodic enrollment to update, upgrade and add new skills and knowledge.

In order for individuals to achieve higher levels of education, Ohio must financially support efficient and effective collaboration. By encouraging campuses to work collectively in a sustained, continuous effort, Ohio can maximize service to students, communities and the state while maintaining or increasing quality.

To assist the state's higher education system, barriers to educational attainment must be reduced or eliminated. State, federal and local regulations must be identified and acted upon to save money and to encourage and nurture campus initiatives and management

flexibility. Best practices should be identified and disseminated to gain the most efficiency for the best value for the state and all its citizens.

Additionally, to better align the higher education system with the needs of students, communities and businesses, the state should promote joint campus, community and business ventures and initiatives designed to increase economic competitiveness and the capabilities of workers to meet the needs of employers. By better coordinating and consolidating state, federal and local workforce education and training resources, Ohio can eliminate duplication and simultaneously improve services.

Lastly, given the new knowledge economy in which Ohioans must compete, we must continue to improve the alignment and focus of state research investments into STEM² and other areas of economic importance as determined regionally.

All of these factors combined, became the focus of the Higher Education Funding Study Council. The council then split its recommendations into three main areas of concentration:

- Student Focus/Access/Retention/Affordability
- Operational and Administrative Efficiencies
- Workforce Education and Training

The attached report is meant to serve as recommendations to improve the laws and funding of higher education in Ohio. While there are numerous other aspects not addressed in this report, these are items that the members felt were the most immediate and would have the most potential impact to change the higher education system in Ohio. It is the goal that these recommendations, based on a majority consensus reached by the study committee, be reflected in the next state operating budget to ensure that all Ohioans have the highest quality institutions from which to learn, but also skills and knowledge necessary to make themselves and Ohio successful in the knowledge economy.

TOPIC 1 – STUDENT FOCUS / ACCESS / RETENTION / AFFORDABILITY

TUITION CERTAINTY

While enrollments at Ohio's public colleges and universities have grown by more than 43,000 full-time equivalent (FTE) students since fiscal year 2001, state resources have been limited due to spending on services the state is constitutionally or federally mandated to provide.

Consequently, Ohio's public colleges and universities have responded in a number of ways. They have reduced spending but also increased tuition to partially offset the decline in state support in order to maintain quality instruction and services for students. The equitable relationship between state support and tuition is a delicate balance which often requires that difficult decisions be made.

Just as the uncertainty of revenues creates budget problems for the state, the uncertainty of tuition levels creates financial constraints for students and their families.

Recommendation: In the face of rising operating costs and enrollment pressures affecting most campuses, the HEFSC recommends a pilot program instituted by a state supported school that would include modifying the legislative tuition cap for the campus to offer its students tuition certainty during the course of their academic careers. The program should include criteria to qualify for the tuition certainty program and penalties for violating the criteria. Further, the school could consider the program optional for students as well.

LEARN AND EARN

Too many Ohioans do not aspire to college. Without some post-secondary education (certificate, associate degree or bachelor's degree), these individuals are more likely to be unemployed or, if employed, earn much less than those with at least some post-secondary education. Moreover, many Ohio students who do attend college are not adequately prepared for post-secondary education.

The low level of access and preparedness is of particular concern for low-income Ohioans. The issue of college access can be attributed to several factors, which include:

- **Aspiration** – Too often, Ohioans, especially in economically disadvantaged areas of the state, become trapped in a cycle of low aspiration and without college often end up in dead end jobs with limited income.
- **Academic Preparation** – Too many Ohioans shy away from post-secondary education because they do not feel academically prepared. Even those who attend college are not always academically prepared. For example, in 2003, 41 percent of recent high school graduates took at least one remedial course in either math or English during their first year of college.

- **Affordability** – Many Ohioans believe they simply cannot afford college. Often, students and their parents do not have adequate information about the actual cost of college, less costly pathways to a college education and financial aid options.

Ohio's success in the knowledge economy depends on the high academic achievement of every student. A comprehensive program to change the cycle of under-education in Ohio will prepare students, beginning in the middle-school grades and continuing through high school, to participate in post-secondary education. Programs encouraging post-secondary education and increasing participation rates will have a positive impact on Ohioans and the our economy.

Recommendation: Develop an early awareness and reward program for middle school students and their parents on the importance of post-secondary education in a knowledge economy. Support existing programs such as the Learn and Earn Program, the Ohio College Access Network, the GEAR Up program and Ohio Appalachian Center for Higher Education. Furthermore, the Ohio Board of Regents should develop a cost estimate for the Learn and Earn Program.

STATE SHARE OF INSTRUCTION FORMULA

The foundation of Ohio's funding for higher education is the State Share of Instruction (SSI) formula. The SSI formula reimburses public institutions of higher education based on the statewide average costs for groupings of courses. These groupings were established more than two decades ago based on cost studies, and have not been restructured significantly over that time period. This has resulted in courses with similar costs being included in many different models and receiving a wide range of reimbursements.

The current formula, however, has undergone many changes to adapt to events that higher education institutions have experienced over that period of time. This has resulted in a formula that has become more complex and difficult to understand, with many protections and adjustments often offsetting each other.

The State Share of Instruction Consultation appointed a subcommittee to recommend a new taxonomy for the SSI formula and to review the formula as it related to these changes. These recommendations have been the subject of public review by a number of entities, including the SSI Consultation, a statewide consultation of chief financial officers and chief academic officers, the Higher Education Funding Study Council and the Board of Regents.

Recommendation: To accept the recommendations of the Taxonomy Subcommittee of the State Share of Instruction Consultation. Among these recommendations are:

- The movement to a subject-oriented taxonomy that groups combinations of subject field and level courses based on six-year average total costs for course groupings.
- To the greatest extent possible the formula should be simplified by eliminating or phasing out existing protections for individual cost components.

- An adjusted uniform state share approach should replace the current local contribution approach as the method for determining the portion of funds that will be funded by the state. Any adjustments to the uniform state share approach should be transparent.
- Care should be taken to balance campus stability with the need for the recommended changes as institutions transition to the new taxonomy and formula

INVESTING NEW DOLLARS

As mentioned earlier in this report, enrollments at state-supported institutions have skyrocketed over the past five years, while state resources have remained limited. Recognizing this, the Ohio General Assembly appropriated an additional \$30 million dollars to fund higher education for fiscal year 2007.

Recommendation: Invest dollars where they can best drive new enrollments through the SSI formula. Use the \$30 million in fiscal year 2007 to assist campuses in meeting the challenges of new enrollments.

STEM²

A subcommittee formed by the Board of Regents recently recommended that a new challenge line item be created to reward the state's colleges and universities for success in having Ohioans complete programs in Science, Technology, Engineering, Math and Medicine (also known as STEM²). The subcommittee believed this method of promoting the STEM² goals would be successful, given the past successes documented for the existing challenge line items. In conjunction with another newly proposed challenge line – which will support certificate and associate degree completion, and student transfer – the STEM² Challenge would provide Ohio with a well-balanced set of incentives for campuses to promote certificate and degree completion. The state, by providing funding for these newly proposed challenge line items, will provide campuses with the additional resources needed to help achieve these goals.

Recommendation: To the greatest extent possible, provide funding beginning in fiscal year 2008 for both the Two-Year Campus Success Challenge proposal and the STEM² Challenge proposal. As part of this funding proposal, participating campuses should be required to provide an annual report to the Regents about the effects of programs and initiatives designed to promote academic success for their students. The Board of Regents should be directed to identify best practices among these reports and share these best practices with campuses.

Recommendation: The General Assembly should strive to find ways to support all Ohio students in STEM².

TWO-YEAR COLLEGE SUCCESS CHALLENGE

Ohio's higher education deficiencies require funding strategies that promote access and preparedness as well as success, especially among at-risk populations such as the large number of academically under-prepared adults who return to higher education to upgrade their job skills and employability.

Data from the *Keeping America's Promise* report, a joint project of the Education Commission of the States and League for Innovation in the Community College, indicates that a number of student characteristics which have significant implications for success can be found in greater proportions in the two-year sector than in the four-year sector, but are present within the student populations of all institutions. These include:

- Delayed enrollment
- GED / HS dropout
- Part-time attendance
- Financial independence
- One or more children
- Single parent
- Worked full-time

We believe the recommendation which follows provides an important incentive to campuses to focus on the academic success of at-risk students. Implementing this recommendation would provide one additional important building block to an overall state strategy to improve the competitiveness of Ohioans for the knowledge economy of the 21st Century.

Recommendation: Support for existing levels of Access Challenge funding plus inflation is needed to maintain tuition at these campuses at affordable levels. While further investments could provide additional needed tuition restraint, it is suggested instead to direct any new resources to the Two-Year College Success Challenge recommended by the State Share of Instruction Consultation and the Ohio Board of Regents.

A subcommittee formed by the Ohio Board of Regents in response to a legislative request contained in House Bill 66 recommended that a new challenge line item be created with any new resources to reward campuses for their success in awarding associate degrees, certain certificates and transfers.

The new challenge line item should consist of entirely new money, as it becomes available, and be modeled after the existing Success Challenge program, though the distribution of awards in the program should be based only on the successes of students deemed to be "at-risk." The Board of Regents shall thoroughly assess how these "at-risk" students expend their TANF vouchers in the '07 academic year created by the Executive Order dated May 10, 2006. To the greatest extent possible, the design of the two-year campus Success Challenge shall be informed by the evaluation of the TANF program. The subcommittee believes that a new challenge program would represent the appropriate

funding incentive to promote the attainment of associate degrees and in-demand certificates, and successful transfer of students from two-year to four-year institutions.

DEVELOPMENTAL AND REMEDIAL EDUCATION

Students who take a more rigorous college-preparatory curriculum in high school are better prepared for college and have better college outcomes than their peers who take less rigorous courses. Unfortunately, not every student currently takes a complete core curriculum in high school. These students, as well as many adult students attending college for the first time, may need significant developmental or remedial education in order to be successful in college courses.

The Ohio Board of Regents' Transition from High School to College Report (2004) noted that 41 percent of recent high school graduates enrolled as first-time college freshman in Fall 2003 required remedial education in either mathematics or English. The majority of these students did not complete a full college-preparatory core curriculum.

Two-year campuses and access universities serve the educational needs of many of these students. While every campus may need to serve the developmental or remedial needs of some students, the overwhelming majority of remedial education is already provided by two-year campuses. On average, 25 percent of first-year students at university main campuses take remedial courses – on some campuses that percentage is even lower.

The two-year campus (community college, technical college, university regional campus) often provides students a lower-price alternative for beginning a degree. While the cost to provide this option is not vastly different from campus to campus, many students choose the two-year campus as a more viable option for completing remedial education and beginning college courses.

Recommendation: Focus developmental and remedial education services to the extent possible at Ohio's two-year and other access campuses as provided in Senate Bill 311 and House Bill 565.

COLLEGE PREP

Students learn in different ways and at different paces. Those who have accelerated their academic careers often find their options limited as they complete high school. Unchallenged and uninterested, too many of these students end up wasting their senior year in high school with what is known as "senioritis." High school students need to have an appropriate range of academic opportunities such as those provided by Post-Secondary Enrollment Options, Tech-Prep, Advanced Placement, International Baccalaureate and similar programs. By taking advantage of these offerings, students will leave high school with a solid academic preparation, propel themselves into college, and reduce their time to earn a degree and reduce costs to the state and to their families.

Recommendation: Encourage Partnership for Continued Learning efforts to promote the opportunity for every high school graduate to earn at least one term of college credit before high school graduation as provided in Senate Bill 311 and House Bill 565.

ADULT LEARNERS

Education, as it is currently structured in Ohio, is complex and confusing for most adults. Many prospective students are hindered by the current barriers that exist, and even after overcoming obstacles can find it difficult to succeed in their chosen educational field. According to the 2000 census, there are some 320,000 individuals in Northeast Ohio with “some college, no degree.” Statewide, there are as many as one million. These are individuals who were once motivated to go to college but did not complete a degree.

Two sets of adult learners need immediate attention from higher education – highly-motivated, highly-literate adults and low-wage earners. Neither group will be drawn into higher education easily. Both need appropriate recruiting and support strategies as well as content (certificates, courses and degrees) redesigned for each audience.

For many adults to be successful, higher education programs must meet each adult where he or she is and help them move to the next place on the educational path. Barriers must be reduced and content must be connected with perceptions of need. These adults need flexible, supportive instruction to create or rebuild confidence in learning and low cost programs that directly make individuals more competitive in the workforce or put them on a track to further education.

In response to this need, the Board of Regents and the Ohio Learning Network created a Task Force on Adult Education in March to explore ideas such as low or no-cost initial courses, self-paced, highly flexible, competencies rather than courses and credit hours and a Regents Degree—a standardized, adult-focused baccalaureate that could be offered by a wide array of participating colleges and universities.

A recent poll of 534 adults found that 81.2 percent of those surveyed were interested in a Regents Degree. In that same study, 50 percent of Ohioans polled said money and family commitments were the main barriers to degree attainment. These data strongly suggest that appropriate academic content at a low cost, financial aid and the necessary student support services, are likely to bring many of those one million Ohioans back into higher education.

Recommendation: Develop the outcome-focused Regents Degree initiative, beginning at the associate degree level, to enhance baccalaureate degree completion in Ohio’s adult population through greater use of distance learning. This should be a statewide initiative for a statewide concern that expands the pilot “Complete to Compete” proposal put forward recently by two public universities.

APPLIED DEGREES

Higher Education is challenged to meet the rapidly changing and advanced technical skill requirements needed in the workplace. Better connections are needed between associate and baccalaureate degrees.

Recommendation: Develop applied baccalaureate degrees at Ohio public universities that are fully articulated with community college associate degrees to meet the changing

requirements of the workplace as determined with the involvement of the Business Alliance for Higher Education and the Economy (BAHEE).

GROWTH AND RESOURCES

Ohio has struggled with unfunded growth over the past several years. The state's resources are limited and Ohio's colleges and universities have raised tuition and fees, time and time again, to maintain facilities and services. Compounding the problem is the fact that enrollment growth has not been evenly distributed among campuses. Uneven growth has required higher education to ration state resources generally on the basis of enrollments, leading to a reallocation of SSI funds. As a result, campuses that have grown less than the state average often saw their state support cut, and campuses that have grown above the state average have received partial reimbursement from the state for the costs of that enrollment growth.

Recommendation: Fund future enrollment growth through additional funds in the SSI line. Also, ensure continued support of the Ohio Instructional Grant and Ohio College Opportunity Grant.

TRANSPARENCY IN COST

Many students, parents of students and legislators have expressed concerns that the costs included in the tuition and instructional and general fees at Ohio's colleges and universities are not readily available to those paying the bills. To some, the ambiguity of these terms creates the perception of "hidden costs."

Recommendation: An itemized budget, breaking down the costs included in tuition, instructional and general fees should be more readily available to all students and parents of students at Ohio's colleges and universities. This information should be included on the college or university's Web site, and a notation should be included on the student's bill directing them to the Web site if they would like to view more detailed information on the charges included in their bill.

TOPIC 2 – OPERATIONAL AND ADMINISTRATIVE EFFICIENCIES

MASTER CAPITAL PLAN

State capital support for Ohio's public colleges and universities is distributed through a formula based on enrollments and the age of educational and general (E & G) facilities. E&G facilities are areas such as classrooms, laboratories and offices. Auxiliary facilities such as residence halls, bookstores and parking garages are financed through non-state revenues and are not considered in the capital formula.

The capital funding policy, implemented in 1996, has encouraged more effective and efficient use of state capital resources at Ohio's campuses. The funding policy conforms to Ohio's decentralized approach to capital planning through formula-based decision rules and a predictable future stream of state capital resources. It also has promoted campus spending decisions that now allocate between 90 percent to 100 percent of state capital resources for the renovation or rehabilitation of existing facilities.

Prior to 1996, state capital allocations were centrally decided. This process led to unpredictable funding decisions for campuses and made it difficult for campuses to plan beyond appropriations made in any given capital biennium. Until a project was funded in a capital appropriation, campuses had no assurance state capital funds would be available to meet campus needs.

Since 1996, the state's higher education capital funding policy has rationalized the allocation of state capital resources and given campuses the ability to plan projects beyond a capital biennial period. Under this system, campuses have effectively used state capital funding streams to address renewal needs. However, a large proportion of current facilities were built to accommodate the baby boom generation during the 1960s and 1970s. The simultaneous aging of these facilities – which is often referred to as "Block Obsolescence" – has overwhelmed the Ohio's ability to address campus renewal.

Compounding the need for capital appropriations is the charge made by the Governor's Commission on Higher Education and the Economy (CHEE) to increase enrollments by 30 percent in the next 10 - 15 years to help Ohio better compete in the knowledge economy. Given that most of Ohio's campuses are at or near capacity, it will be difficult to meet this charge if the capital renewal needs of existing facilities are not met and if resources are not available to build new facilities to accommodate some of the anticipated enrollment increase.

Campuses are struggling to manage these facility issues through a variety of strategies:

- Where possible and appropriate, campuses have borrowed money on their own to address critical facility needs. As a result, campus debt has more than tripled in the past five years and now exceeds \$3 billion.
- Rapidly growing campuses lease space as a short-term response to surging enrollments.

- Campuses increasingly rely on distance education to enable them to expand service to students and communities with minimal need for additional space.
- Campuses continue to seek external funding from private donors.

The HEFSC recognizes the need for a comprehensive long-term higher education capital plan to address campus renewal needs and the capacity to serve a significant increase in enrollment. The state-wide plan must be consistent with the higher education goals of the state.

Recommendation: To accept the Board of Regents capital recommendations to create a statewide master capital plan with outside expertise brought in to provide an independent assessment of the recommendations. The master capital plan should also include the Board of Regents supplemental capital request in its long-term plan for Ohio's higher education capital needs. Among other issues and factors, the master plan should consider:

- Improving the utilization of existing capacity to minimize costs of new construction;
- Increasing the use of technology to improve learning and reduce capital costs;
- Offering incentives to universities to provide baccalaureate degree completion programs on two-year campuses for place-bound adults;
- Developing or adopting construction standards that promote best practices in energy conservation;
- The learning needs of students and the research needs of the state;
- Best practices among the states relative to capital project delivery methods to minimize costs and maximize effectiveness;
- Various methods to finance the plan over time, including the best use of private or federal funds for capital purposes where possible and appropriate in order to minimize state costs.

ENCOURAGING COOPERATION

The business community, government and higher education must build a new compact to address in a united way the core issues facing the state and higher education. The compact must be built upon solid commitment from all stakeholders to address issues such as access and affordability, funding for higher education, and academic and administrative efficiency. Without improved collaboration among these entities, Ohio will not fully achieve strengthened accountability for increased college preparation and expansion of research and commercialization of research results.

Recommendation: The HEFSC recommends the implementation of CHEE Recommendation #9 – “Forge a compact among higher education, the business community and state government to strengthen accountability for increasing college preparation and expanding research and commercialization.” BAHEE should spearhead this effort.

REPORTING REQUIREMENTS

There is much debate within the Ohio General Assembly and among higher education institutions over what impact various state and local reporting requirements have on costs to the state, campuses and ultimately students. The Study Council reviewed information demonstrating that campuses are subject to an overwhelming number of requests for reports and information from state and local public bodies.

Facing limited resources, Ohio institutions have taken steps to contain costs and become more efficient in recent years. As campuses continue to pursue savings and efficiencies, careful thought should be given to the value of the information contained in these state and local reporting requirements versus their toll on campus costs.

Recommendation: Create a study group on state reporting requirements to be led by the Board of Regents with a reporting deadline of March 1, 2007.

EARLY RETIREMENT

Current state statute permits Ohio's public colleges and universities to offer employees the opportunity to participate in early retirement incentive programs (ERIP). Pursuant to current state statute, if an employer wishes to offer ERIP to reduce faculty numbers in a specific area, the same offer must be made to all State Teachers Retirement System (STRS) contributing employees university-wide. This broad requirement does not provide employers with a cost-effective opportunity to offer targeted ERIPs when considering adjustments to a specific program or other needs to reduce budgets or right-size staffing. For example, a campus may wish to reduce the number of faculty members in a college with low student demand, but maintain or expand faculty levels in another college with high student demand. Current state statute does not permit a public campus to do this efficiently, thereby reducing campus options to save taxpayer money.

Recommendation: The Ohio Public Employees Retirement System (OPERS) has permitted college-specific ERIP programs for years; these regulations should be appropriately modified to be made applicable to employees covered under STRS and the School Employees Retirement System (SERS) if applicable.

COLLABORATION OF IDEAS

The Higher Education Funding Study Council understands that each public college and university has notable successes in programs designed to increase access, enhance retention and graduation rates, and meet Ohio's workforce requirements. The Council also recognizes each institution has areas of administrative and operational efficiency on its campus. It is important for institutions to learn from one another as well as to collaborate with each other to maximize and disseminate these academic and administrative best practices.

Recommendation: The Ohio Board of Regents, in consultation with the Higher Education Funding Commission, will identify a mechanism for:

- Collecting information on best practices in the areas of access and retention, particularly in STEM² and workforce shortage areas and disseminating those best practices;
- Creating incentives/rewards for collaborations designed to increase the impact of these programs;
- Seeking legislative support to fund the establishment and implementation of the incentives/rewards program.

INNOVATION INCENTIVE

The Funding Study Council is sensitive to the value of the statutory role of institutional boards of trustees with respect to academic programming. It also appreciates the need to realign graduate programming to better address state needs. The Council believes the tension between these values is best resolved by a process permitting institutional decision-making within parameters established by the state to assure responsiveness to state needs.

Recommendation: The Council believes the Innovation Incentive program, with the latest revisions brokered by the Ohio Board of Regents, is a sound approach for redirecting campus investments in graduate programming to better meet state needs. The Board of Regents shall assess each institutions progress toward meeting established parameters annually, and report its findings in the Performance Report beginning with the December 2006 edition.

TOPIC 3 – WORKFORCE AND ECONOMIC DEVELOPMENT

WORKFORCE AND EDUCATIONAL OUTCOMES

A skilled workforce is the single strongest correlation of employment and earnings growth. With more than 1.5 million low-wage working adults in Ohio having less than a high school education, a significant portion of the State's workforce is acutely in need of additional training and skills.

At both the state and local levels, results-oriented educators are committed to providing learning opportunities for adults. This is evidenced by Ohio's postsecondary adult career centers, community and technical colleges and university regional campuses, which have delivered high-quality instruction and services to varied populations of full and part-time students for decades. However, it has become increasingly critical for the state to increase the number of adults who access and complete education and training. While the institutions have endeavored to serve as many students as possible, more must be done to enable a greater number of adult learners to move through the different components of the education and training pipeline.

Significant challenges exist to improving how adults and their employers work with public education and training providers; the problem is two-fold:

- There is no clear "overall outcomes goal" for Ohio's public institutions that provide workforce education and training for adults;
- Overlapping missions between the increasingly parallel systems of education and training in Ohio create barriers for learners and employers.

Ohio must take action to build systemic alignment of Ohio's adult career centers, community and technical colleges and university regional campuses in order to create a responsive system that enables students to more effectively advance along the education and training continuum. This action will result in effective investments of state resources into public postsecondary education while also enabling employers to better use the state infrastructure for education and training.

Ohio must develop a single cogent, coordinated vision for adult workforce education and training, and create a new coordinating structure that would open pathways for the state's postsecondary education and training providers, in the meantime, building closer linkages between family assistance and economic development strategies designed to upgrade the skills of Ohio's adult workforce.

The new coordinating system could provide resources and outcomes framework to connect a Career Pathways model of employment-focused education and training at the local and regional level. A Career Pathway is a series of connected educational programs that targets jobs of importance to the local economy in a manner that is designed to be most effective for new job seekers and incumbent workers. Career Pathways are designed to supply qualified workers for employers and create educational "stepping stones" for advancement of workers and jobs seekers, particularly those stuck in low-wage jobs. As

such, Career Pathways help to ensure that investment in education and training pays off in enhanced economic development.

Recommendation: The Higher Education Funding Study Council recommends an Executive Order to impanel by July 1, 2006 a commission with authority to explore and make recommendations to the legislature for a new coordinating structure for State of Ohio postsecondary adult workforce education and training. The commission would submit their final report no later than November 1, 2006.

Recommendation: While it is anticipated that the new coordinating system outlined in recommendation 3.1 will help to leverage improved outcomes, there is a critical need to provide education and training to more Ohio adults. It is recommended that the legislature set aside additional funding to leverage improved local programmatic implementation once an optimal coordinating system is created at the state level. The new coordination entity will ultimately design the outcomes-based implementation plan.

SERVICE DISTRICTS

Not all communities in Ohio are adequately served by higher education. Ohio needs an implementation model to ensure that all communities are served by higher education service providers.

Recommendation: Ohio Board of Regents will develop a model to ensure that all Ohio communities are served by higher education service providers that carefully address the nine service standards outlined in Section 3333.20 of the Revised Code, which includes the provision of transfer education, technical education, and meeting the needs of employers and potential employees in reference to workforce development and economic development. This model should be coordinated with the post secondary adult workforce education and training structure developed by the Ohio Workforce Education and Training Commission created in recommendation 3.1.

- “Market penetration” data could be used to identify the gaps not currently addressed by existing service districts.
- Consider using e-learning to create greater collaborations among and between education service providers.

RECRUITING EDUCATORS

Ohio currently has a shortage of STEM² and foreign language high school teachers and the implementation of the Ohio CORE as provided in Senate Bill 311 and House Bill 565 will increase this need. The state must strategically invest in STEM² and foreign language high school teachers to build capacity in these key disciplines.

Recommendation: Create a large, available base of Ohio CORE teachers. Include financial incentives and reasonable pre-requisites such as those outlined in the Governor’s teacher capacity plan to support the creation of this teacher base.

CO-OP ACCESSIBILITY

Too few Ohio citizens are accessing proven co-op education and training because an insufficient number of co-op opportunities are available. Co-ops alternate classroom study with paid career-related work experiences, which provide critical appraisals by work supervisors, individualized instruction by professional practice faculty and a realistic test of career interests and aptitudes in a real-time work environment.

Recommendation: Make co-op opportunities available to students and businesses throughout the state at all levels. Also, establish research and development to stimulate economic growth such as business incubators, engineering clinics, regional research centers and other regional industry collaborations. BAHEE will play a key role in implementing this recommendation.

HEALTHCARE PROFESSIONAL EDUCATION

The Higher Education Funding Council (HEFSC) recognizes there is an impending shortage of medical services in Ohio and the nation. Medical, postgraduate medical, nursing, pharmacy and other related educational programs are critical components contributing to the economic development of the state. An adequate supply of physicians, nurses, pharmacists and allied medical personnel is necessary to supply medical care, create medically related employment, attract businesses to Ohio and provide access to high quality medical care to Ohioans.

Additionally, these programs leverage the state's investment to attract external research funding and create biotechnology businesses that support economic development in Ohio, thus showing an exceptional return on that investment.

Due in part to reductions in the level of state funding over the past 10 years and increases in the cost of medical tuition, student debt is increasing dramatically and is becoming prohibitive for the average student. Medical students are reaching the limits of federally subsidized loan programs and have no other way to finance their medical education. This excess debt is driving students towards higher paying specialties and away from primary care medicine and underserved Ohio communities. Funding in other health-related areas has not been sufficient to maintain an adequate supply of nurses and other allied health care personnel. An increased number of clinical training sites is necessary to educate medical, nursing, pharmacy and allied health care students. Due to increased private sector competition, faculty nearing retirement and attrition, nurses prepared in programs that emphasize professional education will be needed to augment nursing school faculty.

Recommendation: To ensure an adequate number of health care professionals, the Higher Education Funding Study Council recommends that an assessment of the aforementioned problem be conducted and appropriate funding be made available to meet projected needs and provide appropriate levels of support.

