
The State of Higher Education Minority Report

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A Status Report and Recommendations for the
Higher Education Funding Study Council

May 31, 2006

The State of Higher Education:

Perspective on the current status of higher education in Ohio

Introduction

The future prosperity of the State of Ohio is driven in large measure by the state of our post-secondary educational opportunities. During the recession years of the early 21st Century, Ohio has reduced its financial commitment to higher education, resulting in skyrocketing tuition, reduction in programs and the number of graduates, and ultimately, reduced economic growth due to a lack of higher wages and economic investment in the state.

For too long legislators have reduced the state's share of the higher education budget because it was one of the few areas where the cost of a college degree could be made up outside of the state's coffers: with student tuition and fees.

A number of changes to the current funding structure were made during the deliberations over the Fiscal Year 2006-2007 budget. Instead of implementing the proposals into the biennial budget, the General Assembly created the Higher Education Funding Study Council.

The Higher Education Funding Study Council (HEFSC) is charged with reviewing all aspects of higher education funding contained in the budget and recommending any changes it determines are necessary. The Council was instructed to review instructional and general fees as well as room and board fees at the 13 state universities with the intent of setting limits on future increases.

This Minority Report will look at the history of our funding problem, the SSI formula and other committee and commission recommendations. Specifically, this report will make critical recommendations not addressed by Majority Report.

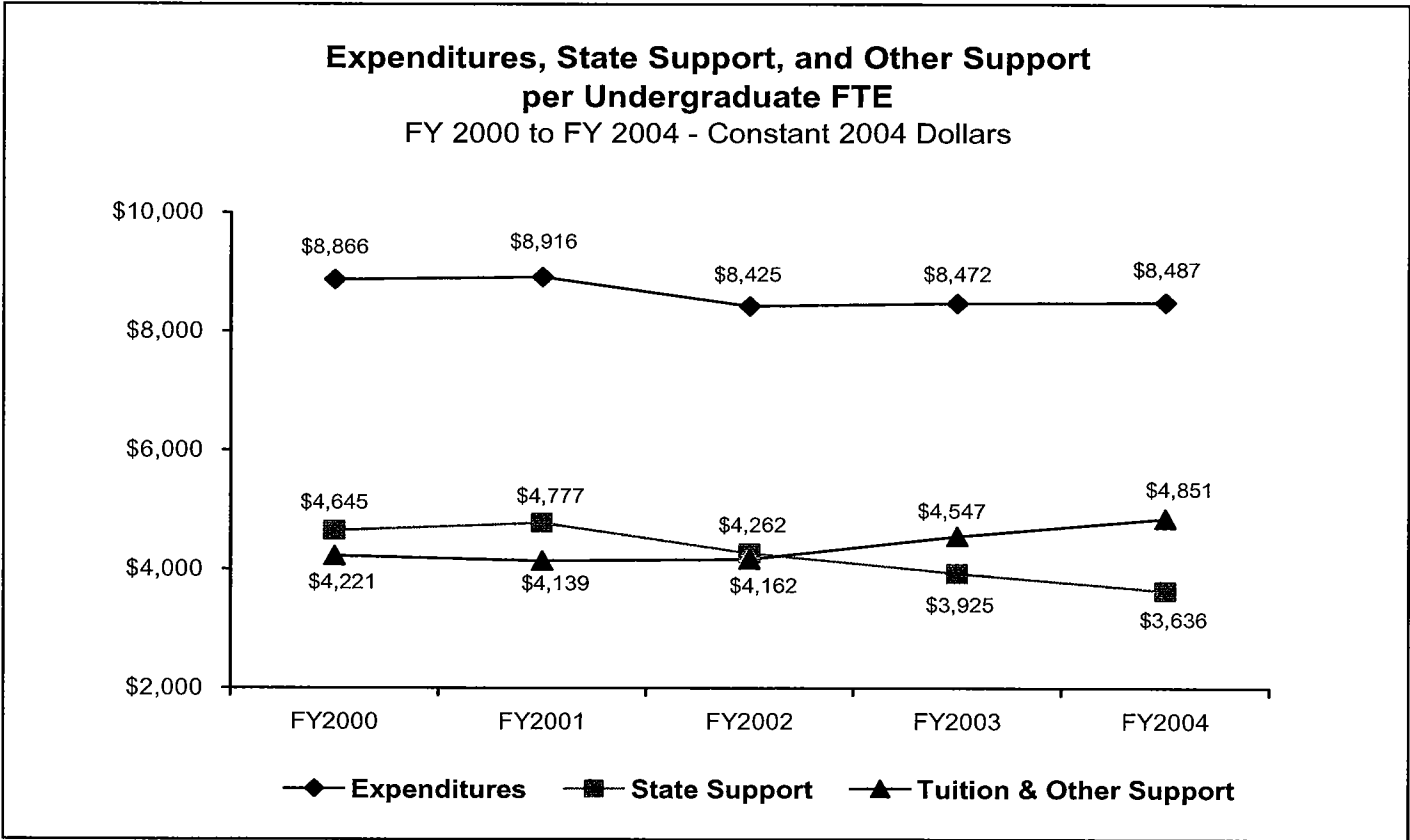
Ohio's System for Funding Higher Education

Since the mid-1960s, a variation on the current per-student subsidy for higher education from state general revenue fund dollars has been used to calculate state support and expected student contribution. Ohio's 38 state-supported colleges and universities receive about \$1.5 billion each

year to support the over 550,000 students enrolled in Ohio.¹ The primary purpose of instructional operations, or SSI, is to reduce student costs and to ensure quality in instructional and related programs on public campuses. SSI constitutes 64 percent of all higher education General Revenue Funding, \$1.559 billion in Fiscal Year 2006 and \$1.589 billion in Fiscal Year 2007.

The SSI, was created to distribute the state's allocation to the Board of Regents equitably among campuses in an "efficient manner." The Board of Regents has used statewide average costs which reward campuses with below average costs and in effect punishes campuses with above average costs, which has been touted as a promotion of efficiency.²

The declining state support of higher education because of tight fiscal restraints has been coupled with a lack of investment in Ohio's post-secondary institutions. The average undergraduate student share of instruction, or what the student was required to contribute towards their college education, was about 37 percent in the late 1980s; in other words, the state appropriations covered about 63 percent of the cost of a student to attend college. By 2005, the state's commitment to higher education has dropped to about 45 percent, with students expected to contribute 55 percent of college tuition.³



Other General Revenue Fund Appropriations

Most of the funds received by the Board of Regents are allocated from the General Revenue Fund; the non-GRF funds constitute a small percentage of appropriations to higher education. The Board of Regents divides its multiple line items into 12 program series, which are designated to represent the broad goals of the Regents, and include four "challenges." Three program series make up

about 88 percent of all funding – Instructional Operations, Facilities and Debt Services, and Student Access.⁴

Facilities and debt service comprises almost 15 percent of the budget for the Board of Regents. Two line items pay for debt service on state bonds and the other is the “capital component,” the amount spent on new facilities and rehabilitating older facilities.

LINE ITEMS	FY 2006	FY 2007
RENTAL PAYMENTS TO OPFC	\$200,619,200	\$200,795,300
HIGHER ED G.O. DEBT SERVICE	\$137,600,300	\$152,114,100
CAPITAL COMPONENT	\$19,058,863	\$19,058,863
SUBTOTAL	\$357,278,363	\$371,968,263

¹ Source: The Ohio Board of Regents. ² OBOR “The Issue” October 2002. ³ Source: “The Problem of Unfunded Enrollment Growth,” November 17, 2005, Rich Petrick, Board of Regents. ⁴ “Overview of State Higher Education Appropriations” Presentation, Assoc. Vice Chancellor Deborah Gavlik.

The third largest aspect of the Board of Regents budget is **Student Access**, or the student financial aid component. Most of the funds are targeted to low-income or “price-sensitive” students. Ten line items comprise the Student Access portion of the budget.

LINE ITEMS	FY 2006	FY 2007
OHIO INSTRUCTIONAL GRANTS	\$121,151,870	\$92,496,969
PART-TIME STUDENT GRANTS	\$14,457,721	\$10,534,617
OHIO COLLEGE OPPORTUNITY GRANT	\$0	\$58,144,139
ACCESS CHALLENGE ⁵	\$73,513,302	\$73,004,671
SHAWNEE STATE SUPPLEMENT	\$1,918,830	\$1,822,889
WAR ORPHANS SCHOLARSHIPS	\$4,672,321	\$4,672,321
STUDENT SUPPORT SERVICES	\$795,790	\$795,790
STUDENT CHOICE GRANTS	\$50,853,276	\$52,985,376
STUDENT WORKFORCE DEV. GRANTS	\$2,137,500	\$2,137,500
STATE GRANTS & SCHOLARSHIP OPERATIONS	\$1,352,811	\$1,382,881
SUBTOTAL	\$270,853,421	\$297,977,153

⁵ Access Challenge provides funding to “public access campuses,” to help them keep their tuition lower for lower-division undergraduates than it would otherwise have been. Access campuses include all community and technical colleges, all branch campuses, Cleveland State University, Shawnee State University, Central State University, and the two-year programs at the University of Cincinnati, Youngstown State University, and the University of Akron. Funds are distributed based on students enrolled in general studies courses.

Access Challenge was first created in 1998. Since then enrollments at Access campuses have increased by nearly 38,000 full-time equivalents, or 36 percent. The Board of Regents estimates that if Access Challenge did not exist, tuition at community and technical colleges would be about \$700 more a year.

Basic and applied research includes eight line items that support campus initiatives as well as statewide entities like the Ohio Supercomputer Center and the Ohio State University's Agricultural Research and Development programs, which is the largest line item.

<i>LINE ITEMS</i>	<i>FY 2006</i>	<i>FY 2007</i>
AG RESEARCH & DEVELOPMENT CENTER	\$35,955,188	\$35,955,188
ECONOMIC GROWTH CHALLENGE ⁶	\$20,343,097	\$23,186,194
OHIO SUPERCOMPUTER CENTER	\$4,271,195	\$4,271,195
EMINENT SCHOLARS ⁷	\$0	\$1,370,988
DAGSI (Dayton Area Graduate Studies Institute)	\$2,806,599	\$2,806,599
AFIT (Air Force Institute of Technology)	\$1,925,345	\$1,925,345
PRIORITIES IN COLLABORATIVE GRADUATE EDUCATION	\$2,355,548	\$2,355,548
OHIO AEROSPACE INSTITUTE	\$1,764,957	\$1,764,957
SUBTOTAL	\$69,421,929	\$73,636,014

⁶ The Economic Growth Challenge was formerly known as the Research Challenge, but the goal remains the same: to attract more federal and industrial dollars into Ohio to support research. By agreement, 90 percent of the funds are reserved for the public campuses and 10 percent for two private campuses, the University of Dayton and Case Western Reserve University. The distribution of the funds is based on a university's ability to compete for externally funded research.

⁷ The Eminent Scholars program is a newly implemented entity, created by the Board of Regents in 2003. The program is a competition for endowed Eminent Scholar faculty positions to foster national eminence of selected outstanding academic programs at Ohio colleges and universities in support of the Third Frontier Project. Under the leadership of an Ohio Eminent Scholar, Ohio's already established technological research entities will gain increased national visibility. In addition, the Ohio Eminent Scholars Program will be used as a tool to develop Ohio's high-technology research capabilities

Academic Success focuses on baccalaureate degree achievement with the primary objective of improving academic achievement of resident undergraduates. This program series includes three line items that support academic achievement; the Success Challenge is the major line item in this program series.

<i>LINE ITEMS</i>	<i>FY 2006</i>	<i>FY 2007</i>
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SUCCESS CHALLENGE ⁸	\$52,601,934	\$52,601,934
ACADEMIC SCHOLARSHIPS	\$7,800,000	\$7,800,000
CAPITOL SCHOLARSHIPS	\$125,000	\$125,000
SUBTOTAL	\$60,526,934	\$60,526,934

⁸The Success Challenge was created to help colleges support resident undergraduates to complete their baccalaureate degrees in a "timely manner" (generally, four years) and to assist "at-risk students" (defined as those receiving the Ohio Instructional Grant) obtain their degree. Two-thirds of the appropriation is distributed based on each campus' share of total statewide bachelor degrees conferred to "at-risk students," and the other third is allocated in proportion to each campus' share of total bachelor degrees completed in a timely manner.

The Board of Regents indicates that this program has been a "success;" the number of at-risk students graduating increased from 8,686 in FY 2001 to 9,066 in FY 2004, and timely degree completions increased from 9,849 degrees in FY 2001 to 12,752 degrees in FY 2004.

The Medical Support program series primarily provides funding for public medical school clinical teaching and to support targeted medical programs and activities. During the deliberations over House Bill 66, the Clinical Teaching line items were combined into a single line item; however, the medical schools rebuffed efforts to combine their line item into one until a process was established to ensure that each school would receive appropriate funding.

Within the Medical Support series, the Ohio College of Podiatric Medicine, a private institution, receives \$250,000 in each year of the fiscal year, and Case Western Reserve University School of Medicine receives funding to ensure admittance of Ohio students to the school.

<i>LINE ITEMS</i>	<i>FY 2006</i>	<i>FY 2007</i>
LONG-TERM CARE RESEARCH	\$211,047	\$211,047
FAMILY PRACTICE	\$4,548,470	\$4,548,470
PRIMARY CARE RESIDENCY	\$2,245,688	\$2,245,688
OSU CLINIC SUPPORT	\$1,277,019	\$1,277,019
CWRU SCHOOL OF MEDICINE	\$3,011,271	\$3,011,271
OSU Clinical Teaching	\$13,565,885	\$13,565,885
UCN Clinical Teaching	\$11,157,756	\$11,157,756
MCO Clinical Teaching	\$8,696,866	\$8,696,866
WSU Clinical Teaching	\$4,225,107	\$4,225,107
OHU Clinical Teaching	\$4,084,540	\$4,084,540
NEO Clinical Teaching	\$4,200,945	\$4,200,945
AHEC PROGRAM SUPPORT	\$1,571,756	\$1,571,756
GERIATRIC MEDICINE	\$750,110	\$750,110
OHIO COLLEGE OF PODIATRIC MEDICINE	\$250,000	\$250,000
SUBTOTAL	\$59,796,460	\$59,796,460

⁹ "Overview of State Higher Education Appropriations" Presentation, Assoc. Vice Chancellor Deborah Gavlik

Workforce and Regional Economic Development encompasses all the line items that are geared toward improving Ohio's economic competitiveness by providing job-related training to employees, improving services to businesses, and increasing the capacity and quality of regionally focused economic development programs.⁹ The Ohio State University Cooperative Expensive is the largest line item in this series, and the Jobs Challenge is one aspect of the series as well.

<i>LINE ITEMS</i>	<i>FY 2006</i>	<i>FY 2007</i>
COOPERATIVE EXTENSION SERVICE	\$25,644,863	\$25,644,863
JOBS CHALLENGE ¹⁰	\$9,348,300	\$9,348,300
SCHOOL FOR INTERNATIONAL BUSINESS	\$450,000	\$450,000
ENTERPRISEOHIO NETWORK	\$1,373,941	\$1,373,941
APPALACHIAN NEW ECONOMY	\$1,176,068	\$1,176,068
SEA GRANTS	\$231,925	\$231,925
BGSU CANADIAN STUDIES CENTER	\$100,015	\$100,015
SUBTOTAL	\$38,325,112	\$38,325,112

¹⁰ **The Jobs Challenge** provides funding to the 53 campuses – mostly two-year campuses – that are members of the EnterpriseOhio Network in support of their efforts to partner with local businesses and industry to provide assessment and non-credit job training for employees. This is different than the other job training efforts provided by the Ohio Department of Jobs and Family Services and the Department of Development. Seventy-two percent of the program's customers were in the manufacturing sector; the program reduced the training cost per employee for the businesses from \$212 to \$97.

Higher Education Collaborations includes six line-items, referred to as higher education's utilities. We have asked the Ohio Board of Regents to prepare information for us to differentiate the OhioLink, Ohio Learning Network, and OARNet online programs.

<i>LINE ITEMS</i>	<i>FY 2006</i>	<i>FY 2007</i>
OHIOLINK	\$6,887,824	\$6,887,824
OHIIO LEARNING NETWORK	\$3,119,496	\$3,119,496

LIBRARY DEPOSITORIES	\$1,696,458	\$1,696,458
OARnet	\$3,727,223	\$3,727,223
ARTICULATION & TRANSFER	\$2,900,000	\$2,900,000
MIDWEST HIGHER ED COMPACT	\$90,000	\$90,000
SUBTOTAL	\$18,421,001	\$18,421,001

The Public Safety program series is comprised of the National Guard Tuition Grant, the Police and Fire grants for select communities, and the Hazardous Materials line item which supports training of first responders statewide. The local governments receiving support for police and fire services are Athens, Bowling Green, Fairborn, Kent, Nelsonville, Oxford, Portsmouth, Rootstown and Xenia Township.

<i>LINE ITEMS</i>	<i>FY 2006</i>	<i>FY 2007</i>
POLICE AND FIRE PROTECTION	\$171,959	\$171,959
FIREFIGHTER HAZ MAT PRG	\$360,435	\$360,435
OHIO NAT. GUARD TUITION GRANT	\$15,128,472	\$16,611,063
SUBTOTAL	\$15,660,866	\$17,143,457

The **K-16 Preparation and Access** program series is geared toward increasing access and academic preparation, particularly in the areas of math and science.

<i>LINE ITEMS</i>	<i>FY 2006</i>	<i>FY 2007</i>
COLLEGE READINESS & ACCESS	\$6,375,975	\$7,655,425
TEACHER IMPROVEMENT INITIATIVES	\$2,697,506	\$2,697,506
SUBTOTAL	\$9,073,481	\$10,352,931

General Public Service is comprised of the public service research institutions and the commitment to studying urban and rural issues.

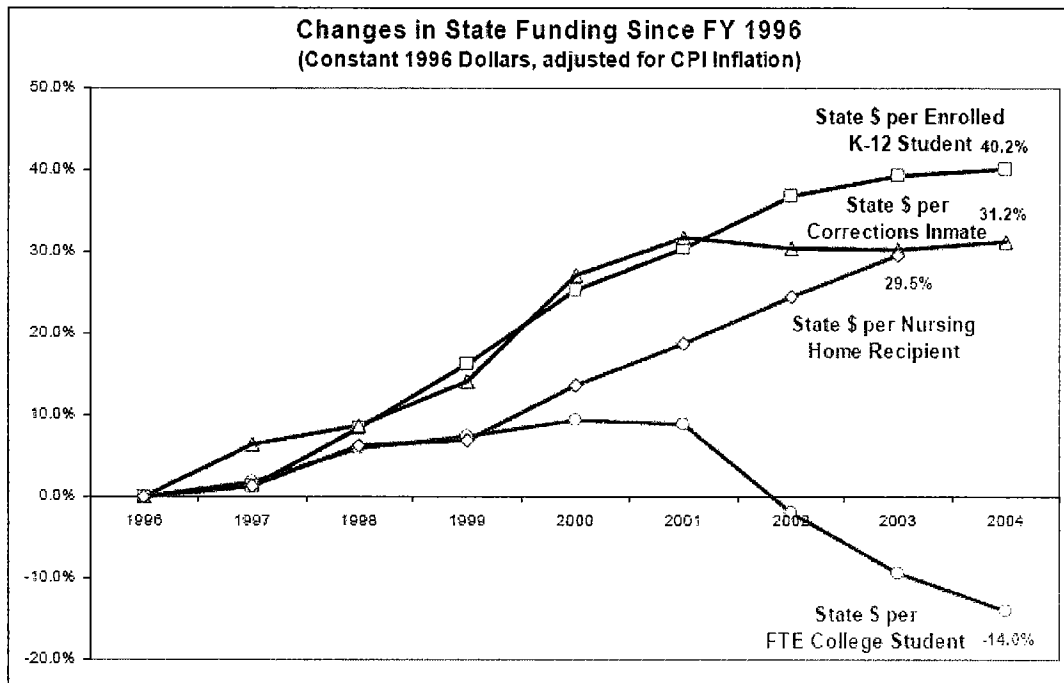
<i>LINE ITEMS</i>	<i>FY 2006</i>	<i>FY 2007</i>
URBAN UNIVERSITY PROGRAMS	\$4,992,937	\$4,992,937
RURAL UNIVERSITY PROJECTS	\$1,147,889	\$1,147,889

OU VOINOVICH CENTER	\$336,082	\$336,082
OSU GLENN INSTITUTE	\$286,082	\$286,082
SUBTOTAL	\$6,762,990	\$6,762,990

Planning and Coordination is the final program series which includes two line items that contribute directly or indirectly to policy development and management of all higher education program series.

<i>LINE ITEMS</i>	<i>FY 2006</i>	<i>FY 2007</i>
PROGRAM MANAGEMENT		
General Agency Operations	\$2,897,659	\$2,966,351
INFORMATION SYSTEM		
HEI Operations	\$1,146,510	\$1,175,172
SUBTOTAL	\$4,044,169	\$4,141,523

Reduction in State Support



A number of study committees and task forces to reform the state's tax code, Medicaid system and addressing student achievement and financing student success. The Board of Regents provided information regarding the spending for nursing home residents, prison inmates and K-12 student support, and the decrease in support of college students.

¹⁸ Source: A Fair and Balanced Budget Plan. ¹⁹ Source: Policy Matters Ohio. ²⁰ Source: National Postsecondary Education Cooperative ²¹ Source: Policy Matters Ohio. ²² Source: National Center for Public Policy and Higher Education, "Measuring Up," 2004. ²³ Source: Center for the Study on Education Policy, 2005. ²⁴ Source: US Bureau of the Census, 2003. ²⁵ Source: Policy Matters Ohio, 2005.

Section
2

The State of Higher Education:

Findings of the Higher Education Funding Study Council

HEFSC Presentations

Since it first convened in August 2005, the Higher Education Funding Study Council has met consistently to hear presentations from the higher education community including information on specific programs at universities and colleges in the State of Ohio. The agenda for the study council has been driven by the interest and questions of the study council members as well as the charges set forth for the committee in House Bill 66.

The Board of Regents volunteered to serve as a clearing house for this information, recording the minutes of the study council and supplying copies of the presentations on its website.

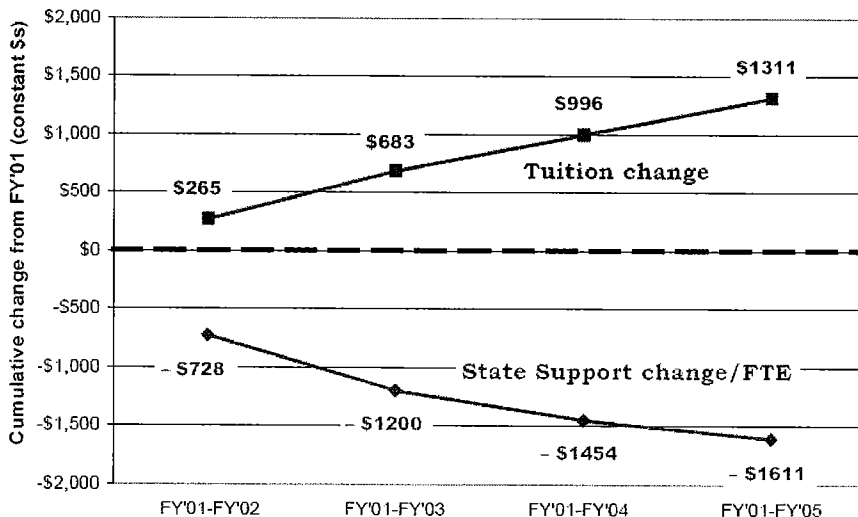
State Share of Instruction. Representatives from the Board of Regents and the Legislative Service Commission presented an in-depth review of how the allocations process works and how the funding formula for full-time equivalents impacts colleges and universities.

Over the decades, the SSI has become less of a means to an end, but more of a justification of the means. In a statement before the Higher Education Funding Study Council, noted higher education expert Matt Filipic indicated that a paradigm shift has occurred over the last 20 years; instead of using the formula to determine how much funding higher education needs, the legislature has set an amount they are willing to spend, and then “backs in” to the formula.

In part, this shift is due to the role of enrollment projections as an aspect of the funding formula. Prior to the 1980s, enrollment forecasts “mattered;” additional enrollments were seen as a legitimate claim on additional state resources and LSC, OBM and the Board of Regents committed a significant aspect of their time and energy to create enrollment projections.

After the 1990 formula changes, enrollment forecasts did not matter as much because state and student share of costs were no longer considered “fixed;” the share that students carried was permitted to rise to minimize state obligations. The

Changes in State \$/FTE and Resident Undergraduate Tuition
(FY '05 data are estimates)



result was then that an increasing portion of the cost of additional enrollments was paid for by student fee increases instead of the state, and the state funds allocated to higher education had to be rationed.¹¹

¹¹ Source: "The Problem of Unfunded Enrollment Growth" Presentation, Rich Petrick, Board of Regents

Ohio Higher Education Performance Outcomes. The higher education sector reports numerous outcomes to respond to the various expectations students, parents, faculty, businesses, legislators and the general public have for the education they receive. The Regents report that Ohio's colleges and universities are routinely held accountable to a large number of local, regional, state, and national entities, with reports and studies ranging from overall institutional performance, to college and program finances and performance, and to grant evaluation and expenditures. The Board of Regents has identified a number of outcomes expected from higher education in the state, including:

- Enrollment trends and student characteristics
- Student success - retention, graduation, and transfer
- Remedial instruction
- Degree production – levels and trends
- Post-graduation employment
- Higher education finance, tuition and financial aid

There are a number of factors contributing to the need for an all-inclusive report on how Ohio will manage its resources in support of higher education, including the following:

- Since 2000, the number of Advanced Placement tests taken in Ohio has increased 28 percent from approximately 27,000 to more than 37,000 tests.
- Ohio's graduation rate has increased since 1995-96 to a current level of almost 85 percent.
- College remediation rates for students who take the more rigorous curriculum (complete core) are 19 percentage points lower than those who take a minimum core curriculum. (*Source: The Condition of Education in Ohio 2004*)

Higher Education Capital Facilities and Budgeting in Ohio. Ohio's aging buildings and facilities on its 65-plus campuses incur substantial maintenance, technological upgrades, and many buildings built to accommodate the "Baby Boomer" population have run their course and have become obsolete. The Board of Regents indicates that more than 25 percent of the buildings used for educational facilities and "auxiliaries" like dormitories and cafeterias were last constructed, acquired or rehabilitated between 1965 and 1985.¹²

"Block obsolescence," or the simultaneous aging of a large block of facilities in a relatively short time period, increases need for additional state capital investments; the additional investment need is estimated to be between \$3.9 to \$5.0 billion. Annual renewal and replacement expenditures to keep non-obsolete buildings up to state and local building standards and capable to accommodating emerging technologies are estimated at \$292 to \$365 million. And the state's commitment to constructing new facilities for primary and secondary schools and the constitutional debt cap requirements significantly limits the amount of new dollars available for construction on campuses.¹² Source: The Ohio Board of Regents

The "Commission to Study Higher Education Debt Service" established a new funding sequence for capital funding on college campuses in 1994. The formula earnings based on campus' share of "activity," or credit instruction, sponsored research, and non-credit job-related training (50%) and aged space (50%). Then, adjustments are made for the small campus factor and space shortage. The final earned allocation is equal to the debt service equivalent of the money spent.

Revenues and Expenditures at Higher Education Institutions. Instructional and General Expenditures (I & G) encompass the bulk of what colleges and universities spend their money on, and include:

- Instruction, including all expenditures for general academic instruction, occupational and vocational instruction, preparatory and adult basic education.
- Academic support for instruction and research such as libraries, audio-visual and technology.
- Student services include funding for admissions, registrar, career guidance, counseling, financial aid administration, and student health services.
- Institutional support for executive management, legal and fiscal operations, space management, employee personnel and records, logistical services (i.e., purchasing or printing), public relations, and development.
- Plant operation and maintenance (POM) includes the expenditures for administration of the physical plant, building maintenance, custodial services, utilities, landscaping and grounds maintenance.

There are three basic areas of **Non-Instructional and General Expenditures**, including:

- Public service expenditures for services provided to individuals and groups outside of the college or university, such as noncredit workforce training, conferences and reference bureaus.
- Scholarships and fellowships including student grants, stipends and tuition waivers.
- Research expenses are expenditures made specifically for activities to produce research outcomes and commission by an agency either external to the institution or separately budgeted by an organization within the institution.

The rates for room and board expenses at Ohio's public universities is about average compared to the rest of the nation; in FY 2003, the national room and board rate was \$5,962 compared to an average of \$5,916 at Ohio schools. Since 2003, Ohio's room and board rates have increased to an average \$6,982 for the current academic year.¹³

The Board of Regents reports that auxiliary operations, including residence halls and cafeterias, are self-supported and therefore must cover all costs from year to year.

Campus Missions. Chancellor Chu presented an overview of the history of campus missions and Ohio's system of delivering higher education. While the Board of Regents do not micro-manage campus mission statements or their implementation, numerous state policies reaffirm the missions and link state money in support of achievement of the missions and certain student, regional and state goals. In addition, statewide networks – such as OhioLINK, the Ohio Supercomputer Center, and others – are sensitive to campus missions and are aimed at enhancing the performance of those missions.

Dr. Morris Beverage spoke on the mission of Ohio's state supported community and technical colleges. This presentation touched on the nine education service standards established for these colleges in the revised code, as well as the demographics of the population served by community and technical colleges. Almost 90% of community college students are “nontraditional,” and many face financial, academic and cultural barriers to their success in higher education.

Dr. Jean Scott spoke on the missions of Ohio's independent colleges and universities. Dr. Scott presented the demographics of Ohio's independent college and university students and their fields of study. These colleges educate 33 percent of Ohio's college students and are a major importer of talent to the state.¹⁴

Unfunded Growth. One problem area created by the current funding formula unintentionally penalizes colleges and universities that are growing, but at a rate less than the state average. Thirteen colleges in Ohio were adversely affected for FY 2006-07 when the growth rate of universities increased at a rate lower than the state higher education average, the schools experience a decrease in SSI funding even though their enrollment is increasing. The policy change from a 103 percent funding guarantee, to a hold harmless rate of 100 percent, to a 97 percent stop-loss measure has meant that colleges and universities are practically sure to lose 3 percent growth in their budgets annually regardless of enrollments.²⁶

The change in enrollments has been greater than the change in state support for higher education. The issue is further complicated because five universities have enrollment caps, the medical and law schools have enrollment caps created in the budget bill, and many campuses are already at capacity and therefore cannot “grow” their way out of budget cuts.²⁷

Summary of Findings

The state share of instruction, or SSI, is the primary concern of higher education advocates because instead of using the current formula to determine how much higher education costs, lawmakers have instead estimated how much they are able or willing to spend for higher education and used the funding formula to allocate those funds to the respective colleges and universities.

Legislators need to address the rapidly aging state of the facilities at institutions of higher education, as deferred maintenance and “block obsolescence” becomes a more pressing factor limiting the available space for instruction on Ohio's campuses.

Between 1999 and 2001, funding for the Access program series increased and resulted in an increased number of students participating in higher education opportunities. Since 2001, enrollment has reached a plateau because allocations for Access have not increased since that time.

In calculating the cost of higher education, Ohio does not consider room and board or other expenditures other than tuition in assessing the “cost” of education. Other states, including Minnesota, look at the entire sticker-price for attending and living on campus when calculating student financial aid need.

Finally, the current funding formula has generally guaranteed that all sectors of higher education have lost funding because of budget cuts, tuition caps and unfunded growth. A plan to increase state support for higher education would need to address these areas.

Funding for higher education should be immune from the restrictions placed upon GRF spending in the “TEL-lite” provisions of Senate Bill 321 as this report recommends funding for higher education as an increased priority. However, if this provision remains, universities must not raise tuition above the “TEL-lite” limit.

¹⁴Source:Minutes from HEFSC, 11.17.05. ²⁶ Source:“The Problem of Unfunded Enrollment Growth” Presentation, Board of Regents. ²⁷ Source:“The Problem of Unfunded Enrollment Growth” Presentation, Board of Regents.

The State of Higher Education:

Findings of the Other Higher Education Entities and Studies

The CHEE Report

The Governor convened the **Commission on Higher Education and the Economy (CHEE)** to study and make recommendations about education policy in the State of Ohio. The committee held a number of meetings between June 2003 and March 2004 to consider ways higher education could better serve the economy of the state, including economic competitiveness, access and success, and delivering results.

The committee developed nine recommendations to meet two goals:

- Provide more Ohioans with the knowledge and skills to succeed.
- Create more jobs through world-class research, innovation and technology commercialization.

The second recommendation – to increase the number and proportion of Ohioans who participate and succeed in higher education – is a driving force behind the work of the Higher Education Funding Study Council.

In September, the Governor's office provided the study council with an update on the progress completed thus far in pursuit of meeting the CHEE report goals. The Governor identified four actions completed so far, including:

- A \$30 million allocation for higher education to be distributed at the discretion of the Higher Education Funding Study Council for the Return on Educational Investment plan. (H.B. 66)
- An allocation of \$1.1 million in FY06 and \$1.2 million in FY07 for the creation of more Ohio College Access Network programs to reach more students. (H.B. 66)
- Creation of the Early College High School pilot program, which targets highly motivated, first-generation college students who might not otherwise have the means to earn college credit; H.B. 66 allocation more than \$3 million in FY06 and \$5.5 million in FY07.
- A partnership of the state with KnowledgeWorks Foundation to make available \$100 million from its allocation of tax-exempt, federally authorized revenue bonds for a new student loan program.

Partnership for Continued Learning (P-16)

The Ohio Partnership for Continued Learning was created to focus on Ohio's education pipeline from early education through postsecondary education to the workforce, in an effort to improve Ohio's capacity to prepare all students for success. The Partnership, which includes Battelle For Kids and the KnowledgeWorks Foundation, is responsible developing ideas and policies to:

- Improve the alignment of high school graduation requirements with college and work readiness standards.
- Boost the number of high school students who take a rigorous core curriculum.
- Create incentives and other methods to hold schools accountable for graduating better prepared students.
- Create incentives for colleges and universities to improve graduation rates.

In November, the Bill and Melinda Gates Foundation awarded \$2.75 million to the State of Ohio to help the state reach goals under the American Diploma Project.

The Learning Productivity Study

The Chancellor of the State University of New York published his report on how the states can achieve increased productivity of learning in order to meet the financial constraints and learning objectives of our society.¹⁵

The study observes four predominant problems in the American higher education system:

- Financial strains on colleges and universities, with inadequate revenue sources consummate with rising costs.
- Financial burdens on students and families incurred by the increased expense of tuition and other family necessities, and the increased amount of debt.
- Insufficiently prepared students entering college or for the mainstream workforce.
- Inadequate learning once in college to truly prepare students for the workforce.

The report offers a many suggestions and solutions to deal with the mounting problems straining the financial stability of the higher education system.

One perspective offered was to increase course and class loads, and create more incentives to reward faculty for the quantity and quality of their teaching rather than for their research or reputation among their peers.

The school calendar based on fixed units of time, semesters or quarters, aren't geared toward concept mastery, instead packaged into neat units between substantial vacation periods. Most colleges and universities could better utilize summer sessions to decrease the time required for degree completion. Colleges that alter their perspective to award appropriate credit for coursework completed and accelerate the student into new learning objectives.

Another way to reduce the time spent attaining an undergraduate degree would be to increase the amount of college-level work completed during the high school years. Creating more incentives for rigorous course loads and learning opportunities, particularly during students' senior years, would prove to be a more productive use of the students' time and would reduce the amount of remediation needed for incoming freshmen.

Finally, the report indicates that the determination of "need" in the calculation of financial aid should not be limited to tuition, but also include the cost of personal software, self-administered tests, computer time and other expenses associated with obtaining a degree.

The Governance Divide

A September 2005 study¹⁶ of the K-16 reforms in four states demonstrated ways to improve college readiness and success with the implementation of congruent standards throughout all years of a students' educational career.

The report identified four key areas where states could make dramatic improvements in creating real reform across the education spectrum, with the main recommendations centered around course transferability and assessments.

Alignment of Courses and Assessments. The report indicated that states should ensure that students are prepared for college by instructing what they should know and do in high school with the expectations of postsecondary curriculum. The National Education Summit on High Schools has made seven recommendations to states: 1) define a rigorous college preparatory curriculum required for high school graduation; 2) provide college readiness assessments to high school students; 3) create course transfer agreements to ensure that college-level work completed in high school counts toward a degree; 4) provide financial incentives for at-risk students to take Advanced Placement exams and college preparatory classes; 5) expand the opportunities for students traditionally under-represented in postsecondary education by increasing college-level learning experiences; 6) design literacy and math recovery programs; and 7) develop and fund supporting programs to help students pass their high school exit exams.¹⁷

The report also offered policy suggestions for finance, data systems and accountability.

¹⁵ "Learning Productivity: A New Imperative for American Higher Education," D. Bruce Johnstone, May 15, 1993.

¹⁶ Source: "The Governance Divide: A Report on a Four-State Study on Improving College Readiness and Success, September 2005. ¹⁷ Source: "Achieve and NGA, *Ready? Set? Go!*"

The State of Higher Education: Policy Recommendations for Increased Investment

This section seeks to provide some recommendations for policies and legislative proposals stemming from the number of studies on Ohio's higher education system, and discussions that occurred during the Higher Education Funding Study Council. These are meant to be guidelines and suggestions for policy proposals.

Preparation

Implement standards and programs to ensure that all Ohio high school graduates are prepared with a college preparatory curriculum. With more jobs and careers demanding educational experience beyond high school, there really is little room for anything less than a rigorous high school curriculum for all students. The Partnership for Continued Learning should examine opportunities to expand summer programs to give students more opportunity to take high school courses to prepare for the next grade level or review a course for a passing grade, opportunities to use college and university resources to maximize use of those facilities during the less populated months. This should include better preparation for students attending vocational high schools.

Consider whether Ohio's emphasis on standardized testing correlates with proper academic preparation for college. Instead of a graduation test administered in students' senior year of high school, Illinois requires (and pays for) all seniors to take the ACT. The high school curriculum is also based on preparation for this national college test. This provides a better measure for students with regard to their standing among their peers in other states, and open the doors to higher education for students who would have never considered taking the ACT. The requirement also aligns with the No Child Left Behind requirement of a high school graduation test. And this idea saves Ohio a lot of money for creating, administering and grading tests; the state's five-year testing contract with Measurement Inc. cost the state \$107 million and errors in grading impacted the passage of 1,559 students. Based on the number of high school graduates in 2003-04, the state would pay \$29 per ACT test administered, a cost of about \$3,596,000.

Expand the Stark P-16 Partnership as a larger pilot project. The legislature should provide assistance to counties and regions to form P-16 partnerships between primary and secondary schools, institutions of higher education and the business community to connect students throughout the educational spectrum with the benefits of obtaining advanced education.

Address the specific needs of teacher preparation. The Board of Regents allocated \$5,195,012 in FY 2006-07 for Teacher Improvement programs; according to the Legislative Office of Education Oversight, Ohio spent about \$1.75 million in state and federal funds in 2004 and 2005 for professional development. Additionally, there are a number of provisions and federal funding provided to ensure that students have a Highly Qualified Teacher.

STEM2

This report recognizes the importance of STEM2 studies and advocates for increased funding and attention. However, Globalization of the economy requires today's students to have a wide range of expertise, knowledge, skills and competencies. While some of these strengths must clearly be in areas of math, science, and engineering, students need other strengths in order to compete and thrive in the knowledge economy. These include knowledge of other cultures, legal systems, and languages, appreciation of the arts, and an understanding of major historical forces and events. In an increasingly multi-polar international business climate, this knowledge makes current events more understandable, promotes communication and collaboration among partners with vastly different backgrounds, helps create leadership skills, and empowers students by making them more flexible in order to adapt to an ever-changing world.

A significant portion of this Study Council's Report focuses on much-needed investments in Science, Technology, Engineering, Math and Medicine. This emphasis is appropriate, given both the increasing need for experts in these disciplines and our society's relative inattention to these areas in the recent past. However, the emphasis on 'STEM2' as it is often called, should not come at the expense of other needed investments in the social sciences, humanities, and the arts that also help students become successful citizens of Ohio and the world.

Medical Services

This report recognizes that 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 Ohio's citizens.

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 and 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, including virtual 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.

To ensure an adequate number of health care professionals, this report 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.
(Rep. Ujvagi)

Finance

Decrease tuition costs to all Ohioans. Lowering the tuition costs to all Ohioans should have been the primary focus of this Council. Currently, the state subsidizes only 41% of a student's tuition, leaving the student with the bulk of the cost. Increasing the state's commitment to 60% and decreasing the student's share to 40% would represent a more reasonable family contribution and a more responsible state contribution. This new funding would be strictly earmarked for tuition reduction.

Of the 2006-2007 state operating budget appropriations, higher education received only 10%. A greater commitment is needed to invest in our students and turn around our economy. By increasing state commitment to 60%, average-weighted tuition and fees would drop from \$7,000 to \$5,600. Ohio ranking would rise from the 6th most expensive state to the 18th most expensive, making college education less expensive than some of our neighbors, Pennsylvania, Michigan.

Create transparency in education budget process. Currently the state considers the Transportation budget, the Industrial Commission Budget, and the Workers' Compensation Budget separately from the Main Operating Budget. The legislature should consider the state's education budget prior to, and separately from the operating budget to generate transparency and create opportunity for more in-depth consideration of the state's arguably most important expenditure. Additionally, all expenses in the state budget should be grouped into one of two categories – "investment" or "consumption."

Codify the state's financial commitment to higher education. Unlike the budgets established for primary and secondary education, there is no legal basis that describes the minimum contribution the state must invest in higher education. The legislature should establish a minimum allocation to higher education to ensure a baseline of support and to provide some consistency and certainty in the budget process.

Include all college education expenses in calculation of need. Ohio currently only uses the cost of tuition as an indicator in the cost of education for financial aid. Other states, like Minnesota, incorporate all relative costs, including room and board, general fees, parking, books, and lab fees, into the calculation of need, presenting a better picture on the actual cost of obtaining a college degree. The Board of Regents has developed a model formula for this, but it has never been embraced by the General Assembly. *This model must be revisited.*

Reform the Student Share of Instruction formula. This report recommends the acceptance of the report of the Taxonomy Subcommittee, shifting model costs to reflect more realistic expenditures.

TEL. Sub. SB 321 passed through the 126th General Assembly in May of 2006 states that the general revenue fund appropriations made by future general assemblies cannot exceed either 3.5% of the current operating budget, or the sum of the inflation rate and rate of Ohio's population change. Such an expenditure limitation on the state's general revenue fund does not bode well for higher education if it is not made a legislative priority. According to the State Board of Regents, in order to restore the state funding of higher education that has been declining or remained flat over past years, the state would need to increase its SSI contribution by approximately 2% over the next several years. In light of the new spending limitations, this means that the state could not do so with additional monies – it instead would need to garner the dollars by cutting other areas of the GRF. A review of recent state budgets demonstrates that higher education has not been the priority in state funding allocations. The legislature needs to recognize higher education as a top priority of the state, and support it as an investment opportunity rather than expenditure.

Establish a statewide sales tax holiday for school-related expenses. Legislators of both parties have introduced efforts to establish a two-day to one-week period in which the state sales tax is not assessed for items essential to student learning and school attendance, including school supplies, clothing, shoes and computers.

Encourage all community and technical colleges to seek local levies. The ability to continue to keep costs of community colleges and technical schools at typical low rates will continue to be exasperated if new funds are not contributed to higher education. This legislation would hold community colleges harmless from cuts in state aid with regard to the monies raised through the schools' local levy assessment.

Invest in financial assistance to train more faculty members in critical job shortage areas, particularly nursing. Targeting state funds to assist accomplished nurses in pursuing teaching credentials, and providing funds to ensure faculty can be hired to provide instruction.

Governance and Efficiency

Consolidate the back-office work of institutions under the authority of the Board of Regents. This could include transcript filing and other student records, student health services, and other services. The statewide transcript program would create a central repository for all post-secondary records; students would request transcripts of all their post-secondary education from the Regents, and a complete record would then be available, without having to request such information from every institution attended.

Increase the number of trustees with relation to the size of the university. An increased participation of members of the Boards of Trustees will expand opportunities for private funding for projects of the respective universities. The Governor would be authorized to appoint out-of-state trustees with significant connections to Ohio or the particular university.

Develop ways to use facilities in the evenings and on weekends. The Board of Regents should be charged with developing a plan to reach second and third shift workers by offering educational opportunities that reach a broader scope of workers, including late night courses and weekend experiences. These opportunities should also be granted to high school students and to middle school students to increase their connection with particular universities.

Improve the technology clearinghouse at the state level for universities, primary and secondary schools and businesses. Ohio currently has four technology systems to share information among the universities: the **Higher Education Information (HEI) System**, which contains student demographics and enrollments, physical plant inventories, financial data and courses offerings; **OhioLINK**, which is the electronic library information and retrieval system; **Ohio Academic Resources Network (OARNet)**, which supplies internet access to students, researchers and the general public in addition to providing funds to Ohio's state-assisted campuses for maintaining and enhancing their networks; and the **Ohio Learning Network**, which is the central clearinghouse for distance education courses and supports the use of technology in instruction. Together, the Regents allocated \$29,790,768 for FY2006-07 for four technology systems that are not integrated with the primary and secondary technology systems. Those line items – Computer Application Network Development, Ohio Educational Computer Network, Educational Management Information System, Computer Services – Operational Support, and the Ohio Career Information System – collectively will cost \$117,685,292 in FY 2006-07.

Request continued status reports of specific line items. The General Assembly provides additional funding through separate line items for several programs at the public colleges and universities – the School of International Business, University of Akron; Bowling Green State University Canadian Studies Center; EnterpriseOhio Network; the International Center for Water Resources Development, Central State University; and the Ohio University Innovation Center. The General Assembly should receive yearly presentations and updates regarding the work and progress of these entities receiving separate line item funding.

Reduce need for costly remedial classes through mandatory high school ACT. Requiring high school students to take the ACT, in addition to the OGT, would assist students in determining their college readiness and promote the option of higher education to students who might not have contemplated enrolling without the exposure. Colleges and universities would use the student's ACT score to determine remedial need instead of administering their own tests. This will create a more even determination of remedial need and eliminate college remedial testing costs and perhaps an overuse of remedial classes. Colleges and universities will include ACT subject requirements in the admission information so that students will know what score they must receive to test out of a remedial class. If a student does not meet the school's ACT requirement for a particular subject, they will have an opportunity to take the ACT again. However, the cost of additional tests will be the responsibility of the student. The last national ACT test day is in June and it generally takes 4-7 weeks from test date to receive the results. In addition, test results are posted on-line beginning ten days after the test date

Reduce time to degree. According to Ohio Board of Regent data, only 43% of full time, first time students graduate in four years. It is the aim of this report to reduce the average time-to-degree and therefore the costs to the state and to the student.

- **Align credit hours with 4 year graduation time periods.** Currently, many institutions have discrepancies between credit hours needed to graduate in 4 years and the number of credit hours to be considered "full time." An additional fee is charged to students taking enough credits hours to graduate in 4 years that is above the "full time" limit. This policy promotes extended enrollment periods and increased state costs. This report strongly recommends that this policy be terminated. Currently, many institutions have discrepancies between credit hours needed to graduate in four years and the number of credit hours to be considered "full time." An additional fee is charged to students taking enough credits hours to graduate in four years that is above the "full time" limit. This policy promotes extended enrollment periods and increased state costs. Universities must focus on reducing time to degree.

One obstacle to graduating in four years is the unavailability of core classes due to student capacity and schedule conflict. Baylor University has recognized that time to graduation has a direct impact on the cost of education. Their Financial Aid department works rigorously with students to get them into their needed classes so that they can graduate in four years.

- **Class availability/scheduling.** One obstacle to graduating in four years is the unavailability of core classes due to student capacity and schedule conflict. Institutions must improve student access to needed classes. This report recommends the availability of E-classes for general requirements to assist in alleviating this costly issue.

Baylor University has recognized that time to graduation has a direct impact on the cost of education. Their Financial Aid department works rigorously with students to get them into their needed classes so that they can graduate in four years. In Ohio, we seem to find ways to prolong, not help this problem.

To reduce time to completion, Maryland requires students to earn 12 credits outside of the traditional classroom through online courses, study abroad programs, internships or advanced placement courses

University of Maryland freshman are encouraged to enroll in the spring instead of the fall and to obtain 12 credits before arriving on campus. These credits may be obtained through their online courses or from community colleges.

The State of Texas has identified increasing the graduation rate as a major initiative. Texas Board of Regents had found that reducing time to degree will save families money by lowering living expenses and speed up the entry of graduates into the labor market. In addition, it will aid the institution by enabling it to enroll new students.

The University of Texas has created incentives to completing a degree in four years. Students taking summer classes at the University of Texas- Austin receive reduced semester hour costs and the University of Texas- San Antonio offers a flat rate of tuition for students taking 15 semester credit hours or more. Students who take classes during low demand periods, or "off peak" times are given reduced tuition at the University of Texas- Pan American.

• **Post-Secondary Enrollment Options Program (PSEOP.)** PSEOPs enables high schools and higher education institutions to work together to provide opportunities for high school students to enroll in college-level courses. This report recommends the collaboration of all school districts and higher education institutions to provide PSEOPs for high school seniors. This program will reduce the number of classes needed in college and therefore reduce the cost to the state and to the student.

While the program must still be funded by the state, the costs would be substantially lower as many students would attend college-level courses at two year schools where program costs aren't as high. In addition, while enrolled in a program and still in high school, the student would not be burdened by the cost of room and board.

In addition, PSEOPs would help a student recognize and remedy a remedial need while still in high school.

• **Major changes and classes dropped.** Major changes and classes dropped by students are substantial factors in extended college enrollment. Students taking time off from their education or those enrolled part-time are not the target of this initiative. Reducing major changes and classes dropped, already subsidized by the state, will lower time-to-degree and therefore the state subsidy for those classes wasted. This report recommends several initiatives to lessen degree changes and classes dropped.

• **The Ohio Career Information System (OCIS.)** It is the findings of this report that a leading cause of major changes and classes dropped is that students entering college are unsure of what degree or career to pursue.

The OCIS is a computer-based career information system containing education and occupational data. It provides information on career decision-making process with post-secondary educational and training choices, as well as employment opportunities based on current labor market information. This report recommends that the (OCIS) be made available, free of charge, to every middle and high school in Ohio.

OCIS is an Ohio Department of Education system that can be provided to every school for a license fee of \$325 per year. OCIS currently receives a budget line item of \$529,000 per year, which ODE has tried to increase. This program should be provided free to every school in Ohio

- **Career counseling in high school.** This report recommends career counseling and shadowing beginning in the 9th grade.

- **Reduce transfer barriers.** This report also requires the removal transition barriers between two and four years schools. A streamlined, efficient process between schools must be implemented.

- **Credit hour caps.** The State Share of Instruction subcommittee to the Higher education Funding Study Council has discussed the possibility of capping undergraduate SSI funding to 150 hours. Certain exemptions would apply for certain degrees such as engineering. This report recommends these caps.

The Jobs Connection

Create a central clearing house for job development, training and incentives. A number of state departments, including the Department of Jobs and Family Services, Workers' Compensation, the Board of Regents and the Department of Development, have a piece of the job pie. This Jobs Department would ensure that displaced workers are moved more efficiently through the rehabilitation process and provided with ample opportunity for new training for emerging technological fields in which new graduates are needed. This would also streamline the state's potential repetitious programs.

Create a tax credit for individuals earning degrees in the areas of science, technology, engineering and mathematics, and include incentives to keep them in Ohio. Potential students of the sciences and other highly technical fields are often stunned with "sticker shock" on the price of their education, and are less likely to go into lower paying fields of public service, including school teaching.

Conclusion

Though the Higher Education Funding Study Council has made some significant recommendations, there are several issues that were not thoroughly discussed or advocated in the Majority Report.

While the Council recommends supporting existing levels of Access Challenge, directing new resources to the Two-Year College Success Challenge, allocating \$30 million into the SSI formula and increasing funding for OCOG, it shopped short of the real goal. These recommendation target specific students with specific circumstances. Lowering the tuition costs to all Ohioans should have been the most important goal of the council.

To turn around our economy and compete nationally and globally we need to invest in our students. At only 10% of our state budget, the funding for higher education is unsubstantial. More of our state's funding needs to be targeted for tuition reduction.

Other recommendations include:

- Ohio should support families by addressing the cost of educational resources with changes to how the estimated family income is assessed for financial aid to colleges, and providing sales tax incentives for school-related purchases.

- Ohio needs to establish more flexibility in its ability to increase funding for staffing for emerging technological fields to ensure students can get into the necessary programs.
- Ohio's schools must reduce time to degree to improve efficiency and reduce to the costs to the state and to students.
- While the report recognizes the important of STEM2 studies and graduates, Ohio must divert neither attention nor funding from the social sciences, humanities and the arts.