

Am. Sub. H.B. 66 Mandated Studies

SECTION 209.64.99. STUDY ON DISTRIBUTING STATE SHARE OF INSTRUCTION FUNDS BASED ON THE NUMBER OF DEGREES AND CERTIFICATES AWARDED

The Board of Regents, in consultation with representatives from the higher education community, shall conduct a study on the feasibility of distributing a portion of GRF appropriation item 235-501, State Share of Instruction, based on the number of Ohioans who are awarded certificates or associate's, baccalaureate, master's, or doctoral degrees. The study shall examine whether it is feasible to retain a portion of the State Share of Instruction distributed to the campuses until such times as the certificates or degrees are conferred, whether the existing appropriation is sufficient to fund such an initiative, and how much in additional funds might be necessary to significantly increase the number of certificates and degrees earned by Ohioans each year. The Board of Regents shall submit the results of the study to the Higher Education Funding Study Council not later than April 15, 2006.

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Overview

The subcommittee recommends that a new challenge line item be created to reward state colleges and universities for their success in having Ohioans complete programs in Science, Technology, Engineering, Math and Medicine (also known as “STEM²”). The subcommittee believes that this method of promoting the STEM² goals would be successful, given the past successes documented for the existing challenge line items. Combined with the existing Success Challenge – which supports baccalaureate degree completion of Ohio undergraduates – and the newly proposed challenge line which will support certificate and associate degree completion, and student transfer, the STEM² Challenge would then provide Ohio with a well-balanced set of incentives to campuses to promote certificate and degree completion, and provide campuses with the additional resources needed to help students achieve these goals.

The subcommittee also concluded that it was not feasible to either: 1) distribute a portion of the State Share of Instruction (SSI) based on the number or proportion of certificates or degrees awarded, or 2) delay the distribution of SSI funds until the time that the awards are made.

The subcommittee believed that there were many appropriate funding incentives in place in the SSI and in financial aid policies that promote program completion in general.

1. Why a “STEM²” Challenge?

- 1.1. The four existing Challenges – Jobs Challenge, Research Challenge, Access Challenge, and Success Challenge – have proven to be successful targeted approaches to funding with a high degree of visibility and accountability;*
- 1.2. While the Knowledge Economy of the 21st century places a premium on higher levels of education in general, more graduates in the STEM² fields will especially be needed to help Ohio and Ohioans to remain competitive.*
 - 1.2.1. Recognizing this need, the Business Alliance for Higher Education and the Economy (BAHEE) has adopted as one of its primary goals the doubling of degrees in these fields in the next 10 years.*
- 1.3. Relative to many other academic disciplines, instruction in the STEM² areas is very costly. A new challenge to promote STEM² program completion would provide campuses with necessary additional resources they need to build more capacity to provide the instruction necessary to increase student participation and success in STEM² programs.*

2. Past Challenge Programs Have Been Very Successful

- 2.1. The state has a long history of developing and implementing successful performance-based funding initiatives for higher education through separate line*

items called challenges. The creation of separate challenge line items provides state policy makers with a more understandable menu of distinguishable policy choices, and also makes it easier to establish accountability for the use of the targeted funds. The existence of clearly defined separate line items encourages periodic focused review, whereas incorporating this proposal within a larger line item, such as the SSI, would tend to make it invisible to state decision makers.

2.2. Given the well-documented achievements and clarity of Success Challenge, and the companion proposal in H.B. 66 to extend the Success Challenge funding concept to two-year programs, the subcommittee concluded that efforts to promote more certificate and degree completion should focus on funding enhancements to the existing Success Challenge program and to the new companion two-year program challenge recommended in a companion document submitted to the General Assembly..

2.3. Evidence: Data reported in the Performance Report and elsewhere attest to the improvements that have occurred in degree production and productivity in the past 5 years or so.

2.3.1. Total degree production is up 12.5% from FY 2000 to FY 2004 at public colleges and universities, increasing from 60,629 to 68,234. Changes by degree level are as follows:

<i>Associate:</i>	<i>+10.9%</i>
<i>Baccalaureate:</i>	<i>+14.4%</i>
<i>Master's:</i>	<i>+13.4%</i>
<i>First Professional:</i>	<i>+ 6.4%</i>
<i>Doctoral:</i>	<i>- 7.1%¹</i>
<i>State total</i>	<i>+12.5%</i>
<i>State total excluding doctoral</i>	<i>+13.1%</i>

2.3.2. Progress toward degree completion and time to degree for 4-year degrees awarded at public universities have improved:

** The 6-year graduation rate has increased from 49% in FY 01 to 53% in FY 05²*

** Median time to degree has decreased from 4.5 yrs in FY 99 to 4.3 yrs in FY 04*

** The proportion of "timely" degree completers has increased, as proportion of all baccalaureate degrees granted, from 36% in FY 1999 to 43% in FY2004*

¹ *The reduction in doctoral degrees reflects policy choices made in the doctoral review in late 1990s to eliminate subsidy for some non-competitive doctoral programs and strengthen others. The overall decline masks the fact that degrees in the natural sciences and engineering actually increased, and that degrees awarded in social and behavioral sciences and arts and humanities actually decreased by double digit rates.*

² *Figures are for same institution; the system-wide graduation rate in FY 2005 was 58.5%*

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2.3.3. *Progress toward degree completion and time to degree for 2-year degrees awarded at public colleges have improved or remained stable, despite increases in enrollments and rising costs:*

** The 3-year graduation, transfer and persistence rate has increased from 57% in FY 01 to 59% in FY 04*

** Median time to degree has remained stable, at 3.8 years for the period FY 99 - FY 04*

3. Existing Funding Policies are Time-Limited and Offer Incentives to Students to Complete Their Degrees

3.1. *A large number of current state funding policies act collectively to send a clear signal to campuses and students that state support for students is time-limited, and that degree completion should be the ultimate goal. These include the following:*

3.1.1. *Need-based state aid (Ohio Instructional Grants) is limited to in-state undergraduates for 15 quarters (or 10 semesters) which is the equivalent of 5 full-time academic years.*

3.1.2. *Non need-based aid (Ohio National Guard Scholarships, Ohio War Orphans Scholarships, and Student Choice Grants) is limited to in-state undergraduates for 15 quarters or 10 semesters.*

3.1.3. *Merit-based aid (Academic Scholarships) is limited to in-state undergraduates for 12 quarters (or 8 semesters) which is the equivalent of 4 full-time academic years.*

3.1.4. *State support (SSI subsidy) for Professional Doctoral students – the fastest growing programs in the state – is limited to 120 semester hours (4 years) for Pharm D students, and 90 semester hours (3 years) for all other Professional Doctorate students.*

3.1.5. *State support (SSI subsidy) for traditional doctoral students is limited to 174 semester hours.*

3.1.6. *State support (SSI subsidy) for medical students – the most expensive academic program offered in the state – is limited to 13 quarters.*

3.1.7. *DAGSI tuition scholarships are limited generally to two full academic years and fellowships are generally limited to three full academic years.*

3.1.8. *In addition, the current SSI formula includes incentives for campuses to retain students from year to year, since the state share of instruction increases as students move from lower division to upper division coursework.*

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3.1.9. *As stated earlier, Success Challenge rewards university main campuses for their success in having in-state undergraduates complete their four-year degrees in a timely manner, which generally means 4 years.*

3.2. *As a result of these and other policies and incentives, there are very few undergraduates who are enrolled for extended periods of time. For example, only 5% of all undergraduate students enrolled at a public campus in FY 2004 were enrolled for more than 150 semester credit hours.*

4. Why the SSI Should Not Be Revised for This Purpose

4.1. *Certificates and degrees are awarded well after the college or university has incurred the costs of instruction. In the case of at-risk students seeking associate degrees, degree completion could well extend to 6 to 8 years after initial enrollment. Using or reallocating the SSI to reward these outcomes would leave a potentially huge gap between the time that the campus incurred the costs for the instructional or related support efforts and the time that state resources become available to support that effort. It could also leave a psychological disconnect between the effort and the reward, thereby diminishing the effect of the state incentive on campuses and students.*

4.2. *It was the consensus of the subcommittee that the SSI should be funded and used – as it always had been – to assist public institutions defray the costs of instruction for current enrollments as close as possible to the time that the costs are incurred in order to maintain quality, ensure budget predictability, and restrain student fee increases. This concern is especially urgent in the upcoming biennium, since funding for higher education for the period FY 2001 - FY 2006 has been flat despite a cumulative 17% increase in enrollments and an estimated 13% increase in inflation.*

4.3. *Adding another component to the SSI formula would make an already complex formula more complex, making it more difficult for campuses and policy makers to understand.*

4.4. *The more complex the SSI formula, the greater the likelihood that the combined effect of various components might have perverse or unintended effects on campuses or students and work to the detriment of the preferred outcome. For example, adding an element in the formula to reward degree completion might be re-distributive, which in turn might require additional changes or trigger new changes in the formula that may work to detriment of the original proposal.*

4.5. *Another subcommittee of the SSI consultation has developed and recommended a major revision to the existing formula based upon a reclassification of course enrollments into new funding models. The changes are complex and may take some time to phase in. Adding another layer of complexity at this time of change –*

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such as reserving a portion for certificate or degree completion – could make it more difficult for all parties to understand the purpose and the effects of the proposed initial changes to the formula.

5. Why SSI Funds Should Not be Held in Escrow

5.1. If the decision is made to use a portion of the SSI for the purpose of promoting degree completion, we recommend that any amounts set aside for this purpose be distributed as quickly as possible – preferably within the year the appropriation is made – and not be retained for distribution in a future year.

5.1.1. It is a well accepted fact that one General Assembly cannot bind the decisions of a future General Assembly. Establishing an escrow account for distribution at a future date could in effect represent an attempt to do just that – bind the decisions of a future General Assembly.

5.1.2. As the state has experienced with the Tobacco Settlement Funds, such funds can be easily diverted from their original intended use. This uncertainty would at the very least make it difficult for campuses to budget.

5.1.3. If successful, the proposed Tax and Expenditure Limitation (TEL) amendment to the Ohio Constitution could place any funds held in escrow at risk of reallocation for another purpose not intended by the General Assembly.

5.1.4. All other things being equal, the diversion of funds from the SSI to such an escrow account would create more uncertainty and place even more pressure on campuses to raise fees. A more immediate distribution of funds would lessen the pressure to raise fees.