Recommendations of the

Ohio Higher Education Funding Commission

November 2012

GOVERNOR'S CALL FOR COLLABORATION

In September 2012, Governor John Kasich met with the leaders of Ohio's public colleges and universities and asked them to work together to recast the state's funding formula for higher education so that it rewards student success and completion. The Governor tapped President E. Gordon Gee of The Ohio State University to gather and lead a funding formula commission to research how to most effectively allocate the state's funds, and set a Thanksgiving deadline for receipt of the commission's recommendations.

The Governor's call-to-action for higher education leaders to collaborate, instead of compete, demonstrates his innovative and unprecedented partnership with higher education. It also builds on the successful collaboration among higher education leaders in the most recent capital appropriations budget, a process also commissioned by Governor Kasich.

Furthermore, this groundbreaking partnership places Ohio in a national leadership role in higher education funding. A national commission comprised of higher education leaders from institutions of every size and sector will soon release its report on how to increase college attainment levels. One of the national commission's recommendations will be for states to reward colleges and universities for outcomes, rather than inputs—placing Ohio at the forefront of the nation's path for increased college attainment.

Quite simply, no state in the country is taking such an innovative approach to an issue with broad, national scope.

Ohio's public colleges and universities recognize that Governor Kasich's charge is an expression of support for higher education, and sets a new standard for establishing criteria for state funding of higher education. It also supports the recent recommendation from Chancellor Jim Petro's Complete College Ohio Task Force report for state funding to incentivize completion.[1] With this creative approach to higher education funding, the Governor's administration continues to make colleges and universities a priority for the state.

Ohio's continuing investment in higher education highlights the sector's strong ties to positive economic development. Research shows that individuals with higher levels of education earn more and are more likely than others to be employed.[2] Similarly, a recent study by Georgetown University found that "since the recession began … unemployment rates for college-educated workers have stayed low relative to unemployment rates among those with only a high school diploma or less."[3]

In short, Ohio college and university leaders appreciate the Governor's vote of confidence in their ability to come together and embrace systemic change in support of student success and Ohio's continuing economic growth.

The following report serves as the commission's set of recommendations, which has the support of Ohio's public college and university presidents. First, the report details the commission's process and guiding principles for reforming higher education funding. It then provides the commission's recommendations for policy changes, followed by a recommended implementation plan.

1. https://www.ohiohighered.org/completion
2. http://trends.collegeboard.org/education-pays
3. http://cew.georgetown.edu/collegeadvantage/

COMMISSION MEMBERSHIP

Similar to the most recent capital appropriations bill process, Ohio State President Gee assembled a commission representative of the complete Ohio higher education community. The Ohio Higher Education Funding Commission is comprised of:

President E. Gordon Gee (Chair)
The Ohio State University

President Kevin Boys
Southern State Community College

President Jerry Sue Thornton
Cuyahoga Community College

President Morris W. Beverage
Lakeland Community College

President David Hodge
Miami University

President David Hopkins
Wright State University

President Paul Brown (Vice Chair)
Zane State College

President Rita Rice Morris
Shawnee State University

President Roderick McDavis
Ohio University

Mr. Bruce Johnson
Inter-University Council

Dr. Ron Abrams
Ohio Association of Community Colleges

Mr. Jack Hershey (Staff)
The Ohio State University

GUIDING PRINCIPLES

The commission's initial responsibility was to establish a set of principles to guide the process of reforming state funding for higher education. After several in-person meetings and teleconferences, the commission crafted guiding principles. These principles were then distributed to all Ohio higher education leaders and used to guide the numerous meetings and discussions throughout the collaborative process.

We support the Governor's proposal to align state funding for higher education with the state's economic development goals. This innovative approach, which depends on the continued collaboration of all of our institutions of higher education, will help strengthen Ohio's global competitiveness.

As the State of Ohio works to transform our economy, higher education has a responsibility to produce more quality graduates with the skills needed to meet the new and changing needs of businesses located in Ohio. Simultaneously, higher education must continue to foster its historic mission to generate the knowledge and innovation required to sustain vibrant civic culture and an engaged citizenry.

By striving to attract the best and brightest students to our colleges and universities and supporting the continued pursuit of higher education by our high school graduates and adult learners, Ohio will position itself very well in the new global economy.

A strong and effective engine for economic growth, Ohio's colleges and universities have built a diverse network of relationships with businesses in Ohio and around the world. These connections will help accelerate commercialization, increase technology transfer and encourage economic growth.

GUIDING PRINCIPLES

In order to meet the Governor's expectations, Ohio's colleges and universities collectively adopt the following principles to ensure that the state's funding will be the catalyst that generates the seamless connection between higher education, workforce development and increased economic growth for our state:

Incentivize colleges and universities to improve graduation rates, the number of graduates and the time it takes to graduate in order to produce more students ready to enter the workforce.

Increase Ohio's competitive advantage by capitalizing on our existing strengths.

Strengthen our ability to respond to new or increased workforce development opportunities in the state.

Raise participation rates in higher education among Ohio high school graduates.

Attract the best and brightest students from Ohio and elsewhere to learn and work in Ohio.

Encourage colleges and universities to attract, prepare and graduate non-traditional and at-risk students.

Ensure that college is affordable for students and families.

RECOMMENDATION HIGHLIGHTS

As noted, Ohio higher education leaders embrace the opportunity to prove our commitment to student success and our contribution to the state's economy. Following the aforementioned guiding principles, the commission recommends several policy changes to the higher education funding formula. Highlights of the recommendations include:

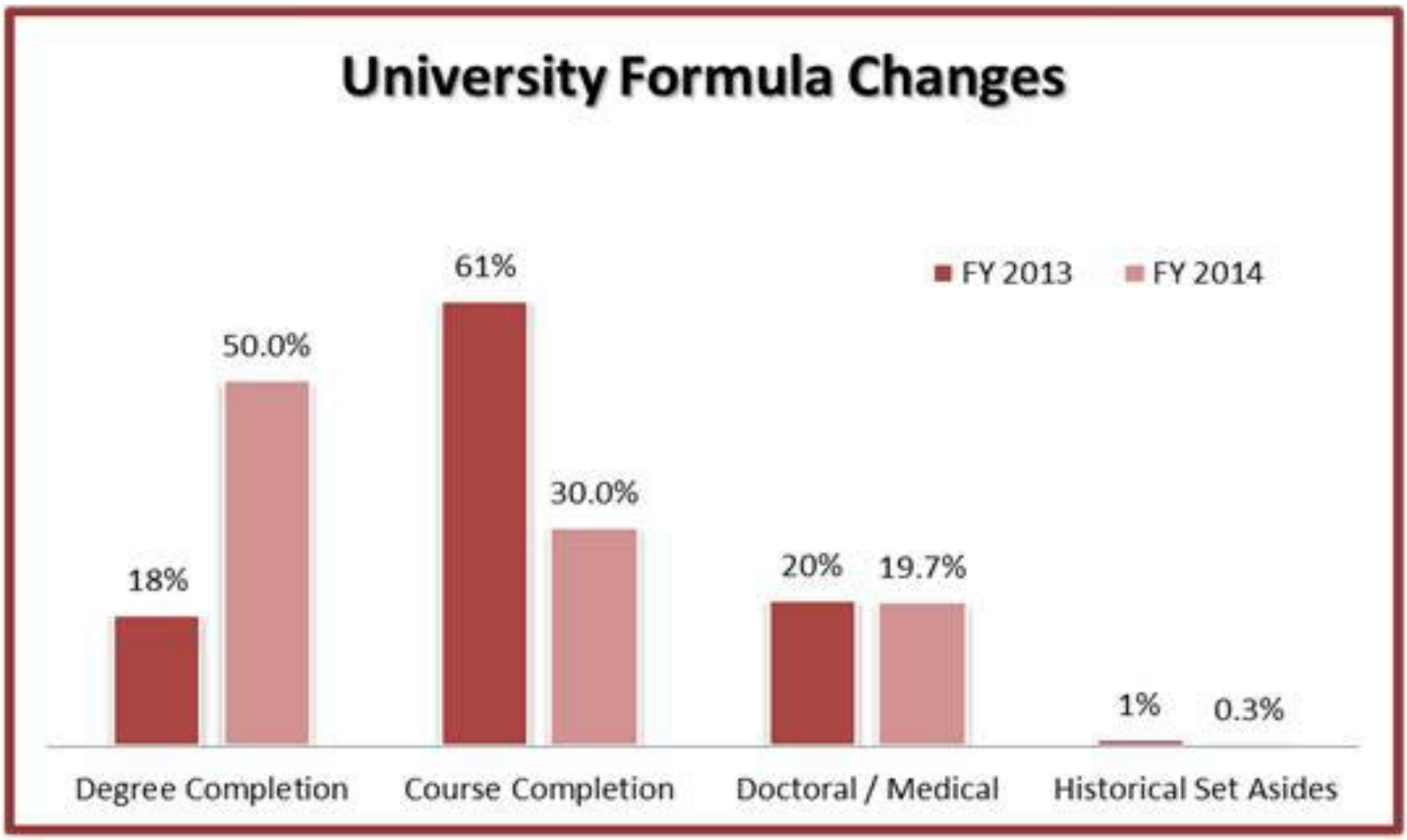
- **A majority of state funding at Ohio's universities should only be awarded based on their ability to successfully graduate students.**
- **The funding for community colleges in Ohio should transition from a system that mainly rewards enrollment in classes to one that rewards the completion of classes, certificates and degrees.**
- **All university students on all campuses (main or regional) should be treated equally in the funding formula and in any relevant state laws.**
- **Colleges and universities should be rewarded if they attract out-of-state students to Ohio and keep them in the state for employment or continued education.**
- **Historical set-asides and earmarks should be eliminated so that all of the state's funding flows through the new completion-based formula.**
- **Ohio's community colleges should review the current success points incentive system, which has proven very successful, to ensure it is fully capturing the range of activities that lead to completion.**
- **Ohio's community colleges should develop a new degree incentive component for the second year of the biennium that rewards the completion of an associate degree, certificate or transfer to a university.**
- **The Ohio Board of Regents should work with campus leaders and faculty to begin establishing statewide standards for certificates. Once a standard is developed for a specific certificate, it should be rewarded through the state formula.**
- **A new weighting system is recommended in the second year of the biennium for non-traditional and at-risk students to ensure that Ohio's schools maintain their access mission.**

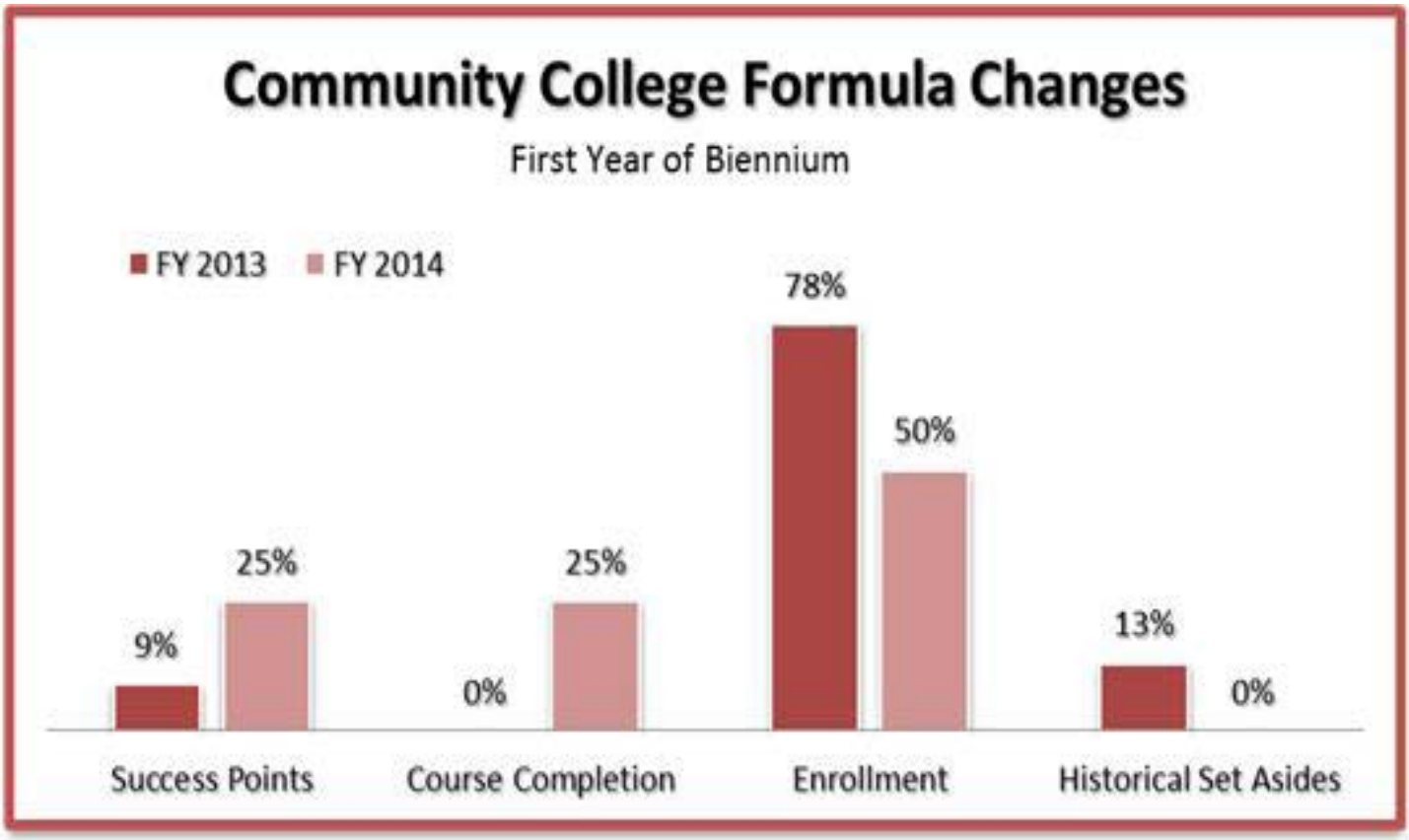
PROPOSED POLICY CHANGES INCORPORATED INTO NEW UNIVERSITY FORMULA

Move 50% of state funding into degree completion	In the current formula, 20% of state funding is awarded based on degree attainment. This proposal increases the percentage to 50%.
Remove the separate funding formula for regional campuses	In the current formula, funding is set aside for regional campuses and distributed on a course completion basis. This proposal removes the set-aside, and treats all students in the university sector the same, regardless of where they are located.
Out of state undergraduate students	The new formula proposes a 50% FTE credit in the degree attainment portion for out-of-state undergraduate degrees. However, those students would have to remain in Ohio after graduation to be counted in the formula. The State of Ohio would be asked to cross-reference student graduation data with other state data to ensure they are still in Ohio one year after being awarded a degree. Graduate funding would apply to all students.
Award credit for Associate Degrees	The new proposal gives credit within the state formula for associate degrees earned at all regional and main campuses. Currently, only a small number of main campuses earn credit for associate degrees.
Remove the stop loss	This historical safeguard, which redistributes funding from high performing schools to prevent funding losses at other schools, is recommended for elimination.
Remove Access Challenge & square footage (POM) based earmarks from regional campuses	These historical earmarks are applied to a limited number of campuses. In the most recent budget, Access Challenge totaled $17 million (mostly at regional campuses) and POM totaled $3 million. The commission recommends removing the Access and POM set-asides on regional campuses for the FY13 budget, and fully removing the appropriations for main campuses in the following budget.
Adopt a standard three-year average	The current formula uses several different methods of averaging. In the interest of appropriate planning and transition, the commission recommends adopting a standard three-year average in year one of the budget and all future years.
Apply STEM weights to degree completion model	In the current formula, the STEM weights only apply at the course level. Under the new proposed formula, STEM weights would also apply at the degree level.
Proportional credit for transfer students	In the current formula, degree attainment funding is awarded exclusively to the institution from which the student graduated. The new formula proposes to award proportional degree credit to each university based on the actual amount of credits taken at that university.
Apply at-risk weights at the student level in the formula	In the current formula, at-risk weights are applied at the campus level through a campus index, which attempts to reflect the proportion of at-risk students at each campus. The new formula proposes to remove the campus index, and instead apply the at-risk weights directly at the student level when they graduate based on their precise level of at-risk categories.

PROPOSED POLICY CHANGES INCORPORATED INTO NEW COMMUNITY COLLEGE FORMULA

Transition funding from enrollment to completion	In the current formula, only 10% of state funds are distributed by success points. Recommendation: In the first year of the biennium, funding is distributed 25% to success points, 25% based on course completion and 50% based on enrollment. In the second year of the biennium, the community colleges will make a recommendation to the Chancellor on how to distribute the funds, although none of those categories will be awarded based on enrollment.
Develop a degree Completion incentive	A new formula provision will be developed for the second year of the budget to reward the successful completion of an associate degree, certificate or transfer to a university.
Develop a new at-risk formula weight	In order to protect the access mission of Ohio's community colleges, a new formula weight is recommended for the second year of the budget to reward schools that are successful in educating non-traditional and at-risk student populations.
Remove the stop loss	This historical safeguard, which redistributes funding from high performing schools to prevent funding losses at other schools, is recommended for elimination.
Remove Access Challenge earmarks from regional campuses	These historical earmarks are applied to a limited number of campuses. In the most recent budget, Access Challenge totaled $54.4 million.


University Formula Changes
FY 2013
FY 2014
18%
50.0%
61%
30.0%
20%
19.7%
1%
0.3%
Degree Completion
Course Completion
Doctoral / Medical
Historical Set Asides


Community College Formula Changes
First Year of Biennium
FY 2013
FY 2014
9%
25%
0%
25%
78%
50%
13%
0%
Success Points
Course Completion
Enrollment
Historical Set Asides

IMPLEMENTATION

College and university leaders agree that an aggressive phase-in approach is the most effective and sustainable method of implementing these recommendations. A phase-in approach allows for both implementation of the Governor's request for completion-based funding in the first year and for additional refinement of some of the recommendations in the second year. This gives college and university leaders the opportunity to fill gaps where gaps appear, as well as provides a needed transition period to allow schools to adjust internal student support services in anticipation of the new funding model.

Year One

- Move state funding into completion-based
  - *2-year colleges: 25% course completion + 25% success points + 50% enrollment*
  - *4-year universities: 50% degree completion*
- Remove the stop loss for universities
- Adopt a three-year budget average
- Apply STEM weights to degree completion

Year Two

- Move all community college funding into completion-based
- Remove separate funding formula for regional campuses
- Remove the stop loss for community colleges
- Degree credit for out-of-state undergraduate students who remain in Ohio
- Award credit for associate degrees at all campuses
- Award proportional credit for transfer students
- Apply at-risk weights at the student level at universities
- Implement new at-risk weights at community colleges

Year Three

- Remove Access Challenge and POM earmarks.

Ohio's higher education leaders thank the Governor for his efforts to reform state funding for colleges and universities, which places the state in a national leadership role. We believe these recommendations fulfill the Governor's request for the state to invest in institutions that demonstrate a commitment to student success and economic development. Furthermore, an aggressive phase-in approach to the recommendations will allow the state to quickly begin seeing results, while allowing for a manageable transition period on campus. Finally, the Ohio Higher Education Funding Commission will remain intact throughout the State of Ohio's budget process to continue to refine these recommendations and to support the successful implementation of the policy changes.

By signature below, the Inter-University Council Presidents affirm their approval of the Ohio Higher Education Funding Commission's final report and recommendations.

President Luis M. Proenza
University of Akron

President Mary Ellen Mazey
Bowling Green State University

President Cynthia Jackson-Hammond
Central State University

President Santa Ono
University of Cincinnati

President Ronald M. Berkman
Cleveland State University

President Lester A. Lefton
Kent State University

President David C. Hodge
Miami University

President Jay A. Gershen
Northeast Ohio Medical University

President E. Gordon Gee
The Ohio State University

President Roderick J. McDavis
Ohio University

President Rita Rice Morris
Shawnee State University

President Lloyd A. Jacobs
University of Toledo

President David R. Hopkins
Wright State University

President Cynthia E. Anderson
Youngstown State University

By signature below, the Ohio Association of Community Colleges Presidents affirm their approval of the Ohio Higher Education Funding Commission's final report and recommendations.

Dr. Joseph E. Bukowski
President, Belmont College

Dr. Bonnie L. Coe
President, Central Ohio Technical College

Dr. O'dell M. Owens
President, Cincinnati State Technical & Community College

Dr. Karen E. Rafinski
President, Clark State Community College

Dr. David T. Harrison
President, Columbus State Community College

Dr. Jerry Sue Thornton
President, Cuyahoga Community College

Dr. Laura M. Meeks
President, Eastern Gateway Community College

Dr. Cristobal Valdez
President, Edison Community College

Dr. Ron Erickson
President, Hocking College

Dr. Morris W. Beverage, Jr.
President, Lakeland Community College

Dr. Roy A. Church
President, Lorain County Community College

Dr. J. Richard Bryson
President, Marion Technical College

Mr. Donald L. Plotts
President, North Central State College

Dr. Mike Bower
President, Owens Community College

Dr. Barbara Gellman-Danley
President, University of Rio Grande & Rio Grande Community College

Dr. Kevin S. Boys
President, Southern State Community College

Dr. Jerome Webster
President, Terra State Community College

Dr. Paul R. Brown
President, Zane State College

Dr. Thomas L. Stuckey
President, Northwest State Community College

Dr. Debra L. McCurdy
President, Rhodes State College

Dr. Steven Lee Johnson
President, Sinclair Community College

Dr. Para M. Jones
President, Stark State College

Dr. Bradley Ebersole
President, Washington State Community College