



Ohio Senate Finance – Higher Education Subcommittee
House Bill 64 - FY16-17 Operating Budget Testimony
John Carey, Chancellor, Ohio Board of Regents
May 5, 2015

Chairman Gardner, Vice Chair Cafaro, members of the committee, thank you for the opportunity to present testimony today on the higher education portions of House Bill 64.

I currently lead the agency known as the Ohio Board of Regents, where we are responsible for coordinating higher education in Ohio through program approval; allocating state operating support to public campuses and Ohio Technical Centers; administering the state's financial aid programs; assuring seamless credit transfer among all sectors of post-secondary education; and providing Ohio's students with the education they need to be successful in life and career.

Ohio's public institutions consist of 14 public universities with 24 regional campuses, 23 community colleges, and Ohio's public providers of adult career, technical and basic literacy education. The majority of the agency's General Revenue Fund (GRF) budget supports public colleges, universities, adult workforce, and basic literacy education centers.

Consistent with his past budgets and Mid-Biennium Reviews, Governor Kasich continues to focus on how we can provide and enhance opportunities for students at an affordable cost. Ohio's success depends on a skilled workforce, and that starts with a quality education.

Over the last biennium, Ohio's college and university presidents have created a collaborative process for providing a performance-based funding formula for our community colleges, universities, and technical centers. The new funding formula, based on course completion and graduation, is a major step toward incentivizing schools to foster student success, by helping them achieve credentials that lead to a job and a stronger workforce here in Ohio. Ohio is leading the nation in state-level policy for outcome-based funding models that include all public institutions and allocates dollars based on identified performance metrics.

Not only are higher education institutions working collaboratively, but efforts to coordinate education priorities between K-12 and post-secondary are also increasing. The Ohio Department of Education (ODE) and the Ohio Board of Regents have been co-located in the ODE building for the past two years, working together for Ohio's students, pre-K through career.

The College Credit Plus program is one example of these coordinated efforts. As many of you know, the last budget (HB59) directed me to formulate recommendations to revamp the dual enrollment system in Ohio. These recommendations were enacted in the Mid-Biennium Review (HB487), and are going into effect for the 2015-16 school year. The College Credit Plus program will ensure quality programming and a transparent funding structure for both school districts and colleges, while making more students and parents aware of the opportunities for no-cost college credit while still in high school, whether you attend a public high school, private high school, parochial school, or are homeschooled. Currently, only about 5% of Ohio's high school students take advantage of dual

enrollment – It is our hope that this new system will inform and enable more students to get a head start on their post-secondary degree or training, while bringing significant cost savings to families.

The last budget (HB 59) also required me to establish a One-Year Option for students at Ohio Technical Centers (OTCs). This program allows students who complete certain programs at OTCs to transfer a block of credits to a community college and complete an associate degree with one additional year of coursework. Programs such as College Credit Plus and the One-Year Option will assist students to move more seamlessly through their education and into the workforce.

We also want to create seamless transitions for our veterans and service members to help them achieve college degrees and provide for their families. To that end, higher education in Ohio has taken proactive steps to better serve those who have served our country. Under House Bill 488 requirements, our Articulation and Transfer network has created a baseline set of standards and procedures for awarding college credit for military training, experience, and coursework. Our team is also working on transfer assurance guides to simplify and improve the process for awarding college credit for prior military experience.

While data shows that Ohio’s public colleges and universities have been among the nation’s best at keeping tuition increases down over the past five years,¹ the budget that is before you is advancing new proposals to further control college costs and help us remain leaders in making college more affordable. Our ultimate goal is to help more Ohioans achieve the education necessary to pursue their dreams and provide for their families.

College affordability is one of the greatest challenges facing universities across Ohio and the nation. While a number of Ohio schools have taken steps to reduce costs by monetizing assets and finding efficiencies, more work is needed to help relieve pressure on colleges and universities to raise tuition and fees.

As we focus on student success and making college more affordable, we have proposed the following initiatives in the budget. I would also like to mention that many of the proposals in this budget were the result of collaborative efforts with higher education stakeholders, for example the Quality and Value project led by Dr. Gordon Gee and the Higher Education Student Financial Aid Workgroup.

Keeping Tuition Affordable for Ohio Families

The executive budget proposed holding down tuition by restricting tuition increases at two-year and four-year schools to no more than the greater of two percent over what the institution charged in the previous academic year or two percent of the statewide average cost, by sector. Schools will not be allowed to increase tuition in FY2017, the second year of the biennium. To help schools plan for the tuition freeze in 2017, the Board of Regents will present a menu of efficiency options that schools can adopt to reduce costs.

Reducing Costs and Driving Performance

The Governor recently issued an executive order to create a nine-member Task Force on Affordability and Efficiency in Higher Education.² The budget requires a report of the task force to recommend ways

¹ According to College Board data utilized by the Center on Budget and Policy Priorities, over fiscal years 2008-2013, Ohio ranked 49th out of 50 states in the percentage increase in tuition at public, four year institutions, holding tuition increases at 2.8% on average. <http://www.cbpp.org/cms/?fa=view&id=3927>

² Executive Order 2015-01K, Establishing the Ohio Task Force on Affordability and Efficiency in Higher Education, was signed by the Governor on February 10, 2015, and is available at <http://www.governor.ohio.gov/Portals/0/Executive%20Order%202015-01K.pdf>.

for Ohio public colleges and universities to foster increased innovation to drive down costs at our institutions. Some of the areas the task force will be examining include identifying opportunities for shared services and outsourcing, administrative staffing levels, more efficient space utilization, elimination of low-enrollment courses, intellectual property that has potential to be commercialized, and the use of technology to reduce costs.

Building upon the work of the task force, the board of trustees at each of Ohio's public colleges and universities will be required to conduct an efficiency review at the institution to help the schools identify ways to implement the task force recommendations and other cost savings measures. In order to incentivize these efforts, a new \$20 million innovation program will help colleges and universities implement their best reform ideas that deliver long-term, sustainable cost savings to students.

Along with holding the line on tuition, this budget increases funding for higher education in several key areas.

State Share of Instruction

The State Share of Instruction (SSI) receives a two percent increase per year. This increased funding, which is distributed to public universities and community colleges under the performance-based funding formula, further incentivizes our institutions toward student success. Funding is also increasing by \$1 million (6.3%) for Ohio Technical Centers (Ohio's adult career centers).

With performance-based funding, Ohio has created a formula that other states can emulate. Ohio's outcome-based funding policies align with many of the commonly accepted, research-informed, best practices for designing and implementing these policies, including engaging institutions, using a limited set of consistently defined metrics, recognizing the different student populations served by each institution, incenting the success of the "at-risk" student populations, and phasing in the new funding policies.

Ohio's funding formula is a cost-based formula that incentivizes student completion at our public colleges and universities. Fifty percent of the funding is allocated to degree completion, with incentives for universities to accept and graduate non-traditional students. The formula also provides additional weighting and funding for support services to "at-risk" students, which includes eligible minorities, students who start college after age 22, Pell-eligible students, and those who are academically underprepared.

The formula continues to provide funding for medical and doctoral programs, and the remainder is allocated for course completion.

The university formula has a couple changes for the FY16/17 budget. An institution funded for awarding an associate degree will not receive full funding if a student continues to receive a bachelor's degree at the same institution. The institution will receive the difference between the bachelor's degree cost and the funding provided for the associate degree.

Also, the formula will limit the amount of credits not earned at an Ohio public university to 12.5 percent of degree cost. If a student transfers in fewer than 12 credit hours, this limit would not apply. This benefits those universities with degree costs below the statewide average.

The community college formula allocates 25 percent of its funding to degree and certificate completion, 25 percent for success points, and 50 percent for course completion. The formula provides

additional weighting to fund support services for access (or at-risk) students, which include eligible minorities, students starting college after age 24, and Pell-eligible students.

The community college formula also has changes for the FY16/17 budget, including the addition of a fourth “access” factor for academically underprepared students that will be phased in. Only those students that meet the criteria for remediation free standards in math will be included in this access factor. The community colleges also are changing which three-year average will be used for degree and certificate completion and success points, to eliminate the need for projections in these categories and provide a more stable formula for the fiscal year.

State Grants and Scholarships

Another important area of investment is in scholarships. Ohio currently provides nearly \$130 million each year in various higher education scholarship programs to keep post-secondary education affordable to Ohio students. The executive version of the budget provides that an additional \$4 million (3.4%) in each year of the biennium will be invested to enhance several scholarship funds, including:

- **Ohio College Opportunity Grant (OCOG):** The budget will provide an additional \$1 million in OCOG funding to help students at community colleges and regional campuses who are attending year-round and have exhausted their annual federal Pell grants.
- **War Orphans:** The governor’s budget proposes covering 100 percent of tuition and general fees at two- and four-year public institutions for children of deceased or severely disabled Ohio veterans. Currently, these scholarships cover 77 percent of tuition and general fees.
- **Ohio National Guard:** In recognition of the commitment of Ohio National Guard members, the governor’s budget adds more than \$1 million to this scholarship program in order to continue covering 100 percent of tuition and general fees for all eligible applicants at public universities and community colleges.
- **Choose Ohio First:** To bolster Ohio’s economic strength in areas of science, technology, engineering, math, and medicine, the budget adds \$750,000 to this important program in order to enroll an additional cohort of high-performing students in these in-demand fields.

Summer OCOG

Currently, federal Pell grants only cover two terms of study each year, limiting resources for students attending community colleges and regional campuses who choose to study full-time year round. The Higher Education Student Financial Aid Workgroup sought to remedy this situation in the group’s recommendations. The executive budget authorizes funding students with financial need with the Ohio College Opportunity Grant (OCOG) during summer terms, once Pell grants are exhausted. This step will help low-income community college and regional campus students who seek to use summer terms to speed their time to a degree.

Campus Safety

This budget provides \$2 million for campus safety and training, specifically for developing and implementing best practices for preventing and responding to sexual assault on our campuses.

Competency-Based Education

Ohio will convene our public university and college presidents to develop competency-based courses in which students earn college credit by demonstrating competencies learned rather than by spending a specified amount of time in a classroom. This type of programming will particularly benefit Ohio’s adult learners who need flexibility as they seek to earn their college degree. The budget provides \$4 million dollars in each year of the biennium for this initiative, of which \$250,000 per fiscal year will be directed toward certificate-level programs for low-income workers.

The language additionally requires public institutions to submit a competency-based program plan to me by December 31, 2015. If no plans are submitted from the public institutions, Ohio will work with Western Governor's University (WGU) to extend their competency-based programming into Ohio.

Getting More High School Students Access to College-Level Credit

The governor's budget provides \$18.5 million through the Straight A Fund to expand Advanced Placement and College Credit Plus courses and reward those schools that exceed a high level of participation in the program. This budget provides grant funding of \$10 million in FY16 and \$3.5 million in FY17 for teachers to fund graduate-level coursework at an Ohio institution that will credential them to teach college-level courses, or to increase hiring of credentialed teachers. Additionally, the second year of the biennium, the budget provides \$5 million in incentive funding for districts with outstanding successful completion rates for students participating in College Credit Plus and Advanced Placement courses.

Relieving College Debt

A great number of Ohioans are struggling with college debt, with the average debt amount of an indebted 2013 graduate totaling about \$29,000.³ The budget creates a fund to help relieve college debt for need-based students in high-demand jobs who promise to stay in Ohio for five years. This bill requires me to establish a four-year program using state surplus funds from the current biennium and develop a plan to allocate these funds to have the greatest impact.

Allowing Community Colleges to Offer Bachelor's Degrees

Under this bill, Ohio's community colleges will be able to offer affordable bachelor's degrees in instances where local businesses are saying they need workers with advanced, highly skilled training. If a university within 30 miles is unable to offer the degree, Ohio's community colleges would be able to step in and fill that workforce need for local employers. This is a great example of Ohio's new culture in higher education, as our two-year and four-year institutions collaborated to make this recommendation.

Research Collaboration

Ohio is home to world-class research at its colleges and universities, tackling some of our world's most pressing problems. To help address key issues impacting our state, the budget allocates \$8 million to facilitate collaborative research activities across both public and private universities and disciplines, and prioritizes improving water quality and reducing infant mortality.

Preparing Students for the Workforce

The budget also requires us to coordinate with public colleges and universities to develop, by the end of 2015, an implementation plan to embed work experiences (including co-ops and internships) into the curriculum of degree programs. This work will also include strategies to ensure that OhioMeansJobs.com is the central location for college students to access information on work experiences and career opportunities. Further, all public institutions of higher education will be required to have a career counseling program in place by December 31, 2015 and have a link to OhioMeansJobs.com on their websites.

³ According to the Project on Student Debt, the average debt for the 2013 graduates from public and private non-profit 4-year institutions in Ohio who graduated with loans is \$29,090 - http://projectonstudentdebt.org/state_by_state-view2014.php?area=OH

Federal Compliance

Also included in the bill is a provision that will put Ohio in compliance with the Federal Veterans Access, Choice, and Accountability Act of 2014. This act requires all public institutions of higher education in the country to offer in-state tuition rates to those students who are receiving GI Bill federal education benefits for academic terms starting after July 1, 2015. This requires a change to our current residency statute, to allow GI Bill beneficiaries living in Ohio to receive in-state tuition as long as they meet service and enrollment requirements.

Rent Devolution and Administrative Line Item Consolidation

For the 2016-17 budget, the administration made a policy shift away from Department of Administrative Services paying the GRF portion of state agencies' rent. The executive version of the budget included General Revenue Funds for each agency in their individual budgets to cover the rent payments. This resulted in an increase in several of our key operating line items, specifically our main operating expenses line (235321) and the Ohio Supercomputer Center line (235510), which will enable us to pay our rent in the upcoming biennium. In addition to devolving rent payments, we have consolidated several of our administrative line items into our main operating expense line (235321), which accounts for the additional increases in that line.

Proposed Name Change

While the executive version of the budget proposed several initiatives to address cost and affordability, one final portion of the higher education budget deals with a name change for the Ohio Board of Regents. The budget includes language that will change my title from "Chancellor" to "Director," and also change the name of the agency from "Ohio Board of Regents" to the "Ohio Department of Higher Education." The advisory board, also known as the Board of Regents, will remain intact, and this name change will provide clarity to differentiate the functions of the board from those of the state agency. It is important to note that whatever name we operate under, our agency spends less than a third of a percent on administration⁴ – the vast majority of our funding goes out to serve students.

Mr. Chairman, this concludes my testimony. Thank you for the opportunity to speak to you about the higher education budget portion of the budget today. I would be happy to answer any questions you may have at this time.

⁴ In FY15, payroll costs for Board of Regents agency staff comprised 0.28% of the overall budget.