Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 484 of the 130th G.A. **Date**: April 10, 2014

Status: As Passed by the House **Sponsor**: Reps. Rosenberger and Brown

Local Impact Statement Procedure Required: No

Contents: Makes changes with respect to coordination and administration of various higher education programs

State Fiscal Highlights

- The bill establishes a State Share of Instruction (SSI) funding formula for FY 2015 to distribute $419.1 million from GRF appropriation item 235501, State Share of Instruction, to community colleges, state community colleges, and technical colleges (two-year colleges).
- The bill earmarks $3.1 million from 235501 in FY 2015 for stop loss funding for two-year colleges to ensure no college receives less than 96% of the SSI funding it received in FY 2014. The As Introduced version of H.B. 483 of the 130th General Assembly increases appropriation item 235501 by $3.1 million to support this earmark.
- The bill establishes a formula to distribute $14.4 million from GRF appropriation item 235444, Post-Secondary Adult Career-Technical Education, to Ohio Technical Centers (OTCs) in FY 2015. The bill also earmarks the remaining $1.4 million appropriation in item 235444 for FY 2015.
- The bill requires or authorizes the Chancellor of the Board of Regents (BOR) to perform several duties. These duties are likely to increase the administrative burden of BOR, but will likely be able to be performed with current resources.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

The bill provides funding formulas for two-year colleges and Ohio Technical Centers for FY 2015. The bill also requires or authorizes the Chancellor of the Board of Regents (BOR) to perform several duties with respect to coordination and administration of higher education programs. The provisions in the bill that have a fiscal effect are discussed below in more detail.

FY 2015 funding formulas for two-year colleges and Ohio Technical Centers

Two-year colleges

Community colleges, state community colleges, and technical colleges (two-year colleges) receive State Share of Instruction (SSI) funding through an earmark of GRF appropriation item 235501, State Share of Instruction. H.B. 59 earmarked $411.3 million in FY 2014 and $419.1 million in FY 2015 for this funding. Over the last several years, Ohio has been moving away from basing the distribution of SSI on enrollments to basing it on outcomes such as course and degree completions. For FY 2014, H.B. 59 bases the distribution of SSI for two-year colleges as follows: 50% on course enrollments, 25% on student success factors, and 25% on course completions. For FY 2015, H.B. 59 did not provide an SSI distribution for two-year colleges, but required the colleges to make recommendations for the use of outcome measures in the FY 2015 SSI formula as well as the identification of "at risk" students for which these measures should be weighted. The bill establishes a funding formula for FY 2015 for two-year colleges that is based on these recommendations.[1]

The bill bases the distribution of SSI for two-year colleges for FY 2015 as follows: 50% on course completions, 25% on student success factors, and 25% on completion milestones. Weights are added to the course completion and completion milestone measures for students who are included in the following access categories: low income (eligible for the federal Pell grant), minority (Native American, African American, or Hispanic), or adult (25 years of age or older when first enrolled). For each of the three measures, the total amount allocated to that measure is divided among the colleges in proportion to the college's share of the measure's statewide total. In general, the measures are three-year averages. More details of each measure are given below.

Course completions

The course completion component measures the full-time equivalent (FTE) number of students who complete a course with a passing grade. H.B. 59 establishes a model cost for each course depending on the subject matter and level of the course.

[1] The recommendations are available on the website of the Ohio Association of Community Colleges: www.ohiocommunitycolleges.org.

If the student falls into any of the three access categories, a weight of 15% is added to the measure.

Student success factors

The student success factors are measured on a point system. One point is awarded for each student who achieves one of the following: earns first 12 semester hours, earns first 24 semester hours, earns first 36 semester hours, completes a developmental English class and attempts a college level English class, or completes a developmental mathematics class and attempts a college level mathematics class.

Completion milestones

The completion milestones component includes three measures. The first is the completion of an associate degree. As with course completions, each degree has a model cost depending on the subject matter. For the first degree earned by a student, the total model cost of the degree is credited to the college. For each subsequent degree earned by the student, 50% of this cost is credited to the college. The second measure is completion of a certificate that requires at least 30 semester hours. For the first certificate earned by a student, 50% of the associate degree model cost is credited to the college. For each subsequent certificate, 50% of this cost is credited to the college. The third measure is transfer to a four-year institution after completing at least 12 semester hours at the two-year college. For each transfer, 25% of the average model cost of all associate degrees is credited to the college. The completion milestone measures are weighted for students in the access categories. The weight is 25%, if the student is in one category; 66%, if the student is in two categories; and 150%, if the student is in all three categories.

Stop loss funding for FY 2015

In addition to the formula, the bill provides an earmark of up to $3.1 million in FY 2015 from 235501 to be used by the Chancellor to provide supplemental subsidy payments to each two-year college whose SSI allocation in FY 2015 is less than 96% of its FY 2014 allocation. The As Introduced version of H.B. 483 of the 130th General Assembly increases GRF appropriation item 235501 by $3.1 million to support this earmark.

Ohio Technical Centers (OTCs)

The bill also establishes an FY 2015 funding formula for Ohio Technical Centers (OTCs), which are public career centers that offer post-secondary programs. The formula allocates about $14.4 million from GRF appropriation item 235444, Post-Secondary Adult Career-Technical Education, in FY 2015. The formula defines a full-time equivalent (FTE) student as one who completes 450 hours and directs the Chancellor to use a three-year average of this FTE count. The formula bases the distribution for this funding as follows: 50% on the proportion of FTE students who have found employment, entered military service, or enrolled in certain additional post-secondary education and training; 25% on the proportion of FTE students completing a post-secondary workforce training program

approved by the Chancellor with a grade of "C" or better or a grade of "pass" if the program is evaluated on a pass/fail basis; 20% on the proportion of FTE students completing 50% of a program of study as a measure of student retention; and 5% based on the proportion of FTE students completing a third-party credential. The bill phases in this funding by specifying that, excluding the 5% based on students completing a third party credential, each OTC receive at least 96% of the average allocation it received in the last three fiscal years.

The bill earmarks the remaining FY 2015 appropriation in item 235444 as follows: $975,000 for OTCs that provide business consultation with matching local dollars, $400,000 for the Ohio Central School System, and $48,000 for accreditation assistance for OTCs.

Chancellor's duties under the bill

Community college tuition guarantee program

For two-year colleges that choose to develop a tuition guarantee program, the bill requires the Chancellor to establish guidelines for college boards of trustees to follow when developing their programs and submitting their applications to the Chancellor. Establishing these guidelines may minimally increase the administrative burden of BOR.

Course and program sharing network

The bill requires the Chancellor to establish a course and program sharing network to enable state institutions of higher education and adult career centers to share curricula for existing courses and academic programs with one another. BOR may incur administrative costs for establishing, and for adopting rules to administer, the network.

Inventory of workforce development and training education programs

The bill requires the Chancellor to make available by December 31, 2014, in a prominent location on BOR's website, a complete inventory of education programs that focus on workforce development and training that includes: (1) programs offered by state institutions of higher education, adult career-technical institutions, and all private nonprofit and for-profit postsecondary institutions operating in the state, and (2) programs registered with the Ohio State Apprenticeship Council established under the Department of Job and Family Services.

Post-secondary globalization

The bill requires the Chancellor to do two things with respect to promoting the state's post-secondary globalization. First, it requires the Chancellor to designate a post-secondary global liaison to work with state institutions of higher education, and representatives of the business community to enhance state globalization efforts. Second, it requires the Chancellor, by December 31, 2014, to submit recommendations to the Governor and the General Assembly regarding future efforts to promote the

state's post-secondary globalization. Both of these provisions may increase the administrative burden of BOR, however, the bill permits the Chancellor to designate a person employed by BOR to be the liaison.

Interstate reciprocity agreement for distance education

The bill authorizes the Chancellor to enter into a reciprocity agreement with the Midwestern Higher Education Compact that allows both a participating institution of higher education in another state to enroll Ohio residents in distance education programs at that institution without attaining prior approval from the Chancellor and a participating institution of higher education in Ohio to do the same for residents of other participating states. The bill also authorizes the Chancellor to perform several specific duties under the reciprocity agreement if the Chancellor chooses to enter into the agreement. If the Chancellor chooses to participate in the agreement, they are likely to experience administrative costs.

Performance-based funding evaluation

The bill requires the Chancellor to evaluate performance-based funding practices and policies at all state institutions of higher education and make recommendations regarding funding weights and factors for at-risk populations, including potential funding weights and factors for veterans and individuals residing in Appalachia. The Chancellor, no later than December 31, 2016, must report to the Governor and the General Assembly the findings and recommendations. BOR may incur administrative costs in performing this evaluation.

State university faculty workloads

The bill requires each of the state's 13 universities and the Northeast Ohio Medical University, in conjunction with faculty members of the University and any organization that represents the faculty, to report to the Chancellor, no later than December 31, 2014, on the institution's faculty workload policy and procedures. This reporting requirement may minimally increase the administrative burden of each of the 14 universities.

Cap on enrollment at state universities

The bill repeals a provision that currently limits the student enrollment at the central campuses of Bowling Green State University (17,000), Kent State University (22,000), Miami University (17,000), Ohio University (22,000), and the Ohio State University (42,000). These universities may experience an increase in both their revenue and expenditures if their enrollment increases due to the removal of these caps.

Higher education student financial aid workgroup

The bill creates the Higher Education Student Financial Aid Workgroup to review financial assistance provided to Ohio residents that attend the state's higher education institutions. The Workgroup is required to develop recommendations with regard to the types of financial aid available, including assistance for at-risk

populations, and optimal funding levels and submit the recommendations to the Governor and General Assembly no later than December 31, 2014, at which time the Workgroup will cease to exist. Participating entities, including BOR, members of the General Assembly, and other higher education groups, may experience an increase in administrative burden to participate. These costs are not likely to exceed minimal.

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