

Redbook

LBO Analysis of Executive Budget Proposal

Department of Higher Education

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Attachments:

- Ohio Facts 2018 – Higher Education
- Catalog of Budget Line Items (COBLI)
- Appropriation Spreadsheet

LBO Redbook

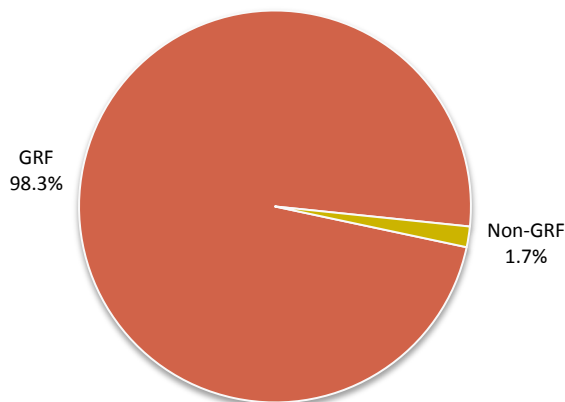
Department of Higher Education

Quick look...

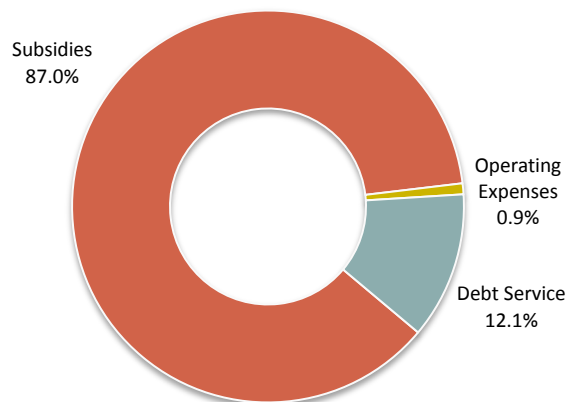
- The Department of Higher Education (DHE) oversees and coordinates Ohio’s network of public colleges and universities, known as the University System of Ohio, and a host of independent colleges and universities.
- Total proposed budget: \$2.73 billion in FY 2020 and \$2.82 billion in FY 2021.
- State Share of Instruction (SSI) increases 1.1% in FY 2020 and 1.0% in FY 2021.
 - SSI comprises 72.3% of the \$5.56 billion total biennial budget for DHE.
- The proposed budget proposes annual increases of 21.2% for need-based student financial aid through the Ohio College Opportunity Grant (OCOG) Program.
- The proposed budget also boosts funding for the Choose Ohio First Scholarship and War Orphans Scholarship programs and Ohio Technical Centers.

Fund Group	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
General Revenue	\$2,553,677,184	\$2,596,873,372	\$2,686,803,853	\$2,774,017,686
Dedicated Purpose	\$19,577,783	\$21,814,197	\$16,739,921	\$16,914,251
Third Frontier Bond	\$6,189,200	\$8,000,000	\$8,000,000	\$8,000,000
Federal	\$20,891,815	\$21,253,313	\$23,103,119	\$23,145,000
Total	\$2,600,335,982	\$2,647,940,882	\$2,734,646,893	\$2,822,076,937
% change	--	1.8%	3.3%	3.2%
<i>GRF % change</i>	--	1.7%	3.5%	3.2%

**Chart 1: DHE Budget by Fund Group
FY 2020-FY 2021 Biennium**



**Chart 2: DHE Budget by Expense Category
FY 2020-FY 2021 Biennium**



Biennial total: \$5.56 billion

Overview

Agency overview

The Department of Higher Education (DHE) oversees and coordinates Ohio's network of public colleges and universities, known as the University System of Ohio, and a host of independent colleges and universities. It authorizes and approves new degree programs at existing institutions, advises the Governor and the General Assembly on higher education policy, advocates for and manages state operating and capital funds for public colleges and universities and student financial aid programs for all students, provides fiscal oversight of all public institutions, identifies gaps in Ohio's trained workforce, and oversees the development of workforce education to fulfill the needs of Ohio's industries, among other responsibilities. The Department is led by the Chancellor of Higher Education, who is appointed by the Governor, with the advice and consent of the Senate.

Appropriation summary

The executive budget provides total appropriations of \$2.73 billion in FY 2020 and \$2.82 billion in FY 2021 for DHE. The preceding table and Chart 1 shown in the **"Quick look"** section present the executive recommended appropriations by fund group. As Chart 1 shows, the General Revenue Fund (GRF) supports 98.3% of the executive budget recommendations for DHE. GRF appropriations increase 3.5% and 3.2% in FY 2020 and FY 2021, respectively, mostly for State Share of Instruction (SSI), the Ohio College Opportunity Grant (OCOG), scholarship programs, and debt service on higher education general obligation bonds. Non-GRF appropriations make up the remaining 1.7% of DHE's budget, including federal funds (0.8%), Dedicated Purpose Fund (DPF) supported items (0.6%), and Third Frontier bond funds (0.3%). DPF appropriations decrease in FY 2020 primarily due to the proposed discontinuation of Fund 5NH0 line item 235517, Short-Term Certificates, which provides need-based financial aid to students who are enrolled in a state institution of higher education in a program that may be completed in less than one year and for which a certificate or industry-recognized credential is awarded in an in-demand job. The executive proposal, instead, provides funding for a similar program in the Development Services Agency's budget under Fund 5VK0 appropriation item 195555, Industry-Recognized Credentials, at \$15.0 million in each fiscal year.

Chart 2 in the **"Quick look"** section shows the executive recommended appropriations by object of expense. As seen from the chart, 87.0% of the DHE biennial budget provides subsidies, mainly to colleges and universities. In addition, 12.1% will be used for debt service and 0.9% will be used for operating expenses. The percentage for DHE's operating expenses include 0.4% for personal services, including salaries, benefits, and various other payroll-related charges; 0.4% for purchased services (i.e., contracts); and 0.1% for supplies, maintenance, and equipment.

Staffing levels

As of February 2019, DHE has a total staff of over 115 employees, including approximately 36 individuals that support the Tuition Trust Authority (TTA). Not including TTA staff, DHE has 79 staff members, including 70 full-time employees, one part-time employee,

and eight intermittent employees. These individuals are organized into the following five divisions:

- **Academic Affairs** leads initiatives to support the development of seamless, affordable academic pathways that lead to degree attainment and student success. The division works with the Ohio Department of Education to strengthen the alignment between P-12 education and postsecondary education in the state, encompassing college readiness and access, College Credit Plus, articulation and transfer, college retention and completion, attainment, workforce development, and graduate education;
- **Economic Advancement** works with state agencies, institutions, adult workforce education centers, and businesses to develop programs that match workforce development to business needs and match degrees and certificates to jobs. This division includes the Aspire (formerly Adult Basic and Literacy Education (ABLE)) Program, which provides free services for individuals who need assistance acquiring the skills to be successful in postsecondary education, training, and employment;
- **Legal** provides general counsel to DHE and the Board of Regents and oversees policy objectives and legislative priorities;
- **Finance and Data Management** prepares and monitors DHE’s budget and expenditures, manages the state’s financial aid programs, and oversees the data within the Higher Education Information (HEI) system; and
- **Operations** oversees all administrative functions of the agency, including communications, human resources, facilities, educational technology, campus safety and sexual violence prevention, and planning for meetings and conferences.

University System of Ohio

The University System of Ohio is comprised of 61 public colleges and universities. In FY 2018, this system enrolled over 517,000 students and produced over 111,000 certificates and degrees. Included in the 61 public institutions are 13 university main campuses, 24 university regional campuses, one free-standing medical college, and 23 community and technical colleges. Table 1 shows the four types of public institutions, the number of each type of institution, and their enrollments.

Institution Type	Number of Institutions	Total Enrollment Headcount	Percentage of Total Enrollment
University main campuses	13	287,082	55.5%
Community and technical colleges	23	171,357	33.1%
University regional campuses	24	57,859	11.2%
Free-standing medical college	1	942	0.2%
Total	61	517,240	100.0%

State Share of Instruction funding

The State Share of Instruction (SSI) formula is used to distribute the core state operating funding for public higher education. For the most part, the executive budget continues the formula used for the FY 2018-FY 2019 biennium. The SSI formula computes funding separately for two sectors: (1) the university main and regional campus sector and (2) the community college sector, which includes community colleges, state community colleges, and technical colleges. Details of the SSI formula calculations and the changes proposed in the executive budget are given in the following discussion.

University sector funding

The executive budget earmarks \$1.54 billion in FY 2020 and \$1.55 billion in FY 2021, or about 77% of overall SSI, for the university sector. The executive budget continues to distribute 50% of the earmark for universities based on degree attainment, leaving the remainder after set-asides for doctoral and medical programs, or about 30%, to be distributed based on course completions. The following table breaks out university sector funding by component for FY 2019 (before capital component adjustments) and under the executive budget for FY 2020 and FY 2021. More details on each funding component are given following the table.

Funding Component	FY 2019	FY 2020	FY 2021
Degree attainment	\$761.6	\$769.2	\$776.9
Course completion	\$462.0	\$466.6	\$471.3
Doctoral set-aside	\$179.4	\$181.2	\$183.0
Medical II set-aside	\$97.6	\$98.6	\$99.6
Medical I set-aside	\$22.5	\$22.8	\$23.0
Total	\$1,523.2	\$1,538.4	\$1,553.8

Degree attainment

In general, the degree attainment funding component is distributed to universities based on the proportion of the total statewide degree cost attributable to each institution. DHE calculates costs for each degree, based on the courses that need to be completed to earn the degree. Weights are applied to the costs of degrees earned in science, technology, engineering, mathematics, and medicine (STEMM). The weights make these degrees appear more costly, giving institutions an incentive to give priority to these areas. The formula uses a three-year average of associate, baccalaureate, master's, and professional degrees awarded. As under current law, undergraduate degrees earned by out-of-state residents are included if the out-of-state resident remains in Ohio at least one year after graduation, but are multiplied by 50%.

Also, degrees earned by students who are classified as "at-risk" based on academic underpreparation, age, minority status, financial status, or first generation postsecondary status based on neither parent completing any education beyond high school are weighted by a student-specific degree completion weight.

When a degree includes credits earned at multiple institutions, the cost of that degree is allocated to universities based on the cost of the credits earned at each institution. When a student completes credits not earned at a university main or regional campus, the cost of those credits are credited to the degree-granting institution for the first degree earned by a student at each degree level, but are not eligible for at-risk weights and, unless the student transferred 12 or fewer credits into the institution, are limited to 12.5% of the degree cost. If a student is awarded an associate degree and later is awarded a baccalaureate degree, the formula limits the cost allocated for the baccalaureate degree to either (1) the difference in cost between the baccalaureate degree and the cost of the previously earned associate degree, or (2) if the associate degree has a higher cost than the baccalaureate degree, the cost of the credits earned by the student after the associate degree was awarded. Furthermore, if a student earns more than one degree in the same fiscal year and at the same institution and degree level (for example, two baccalaureate degrees), the highest cost degree is to be funded at 100%, but the additional degrees are to be funded at only 25%.

Course completion

Similar to the degree attainment component, the course completion funding component is distributed to universities based on the proportion of the total statewide completed course cost attributable to each institution. The SSI formula breaks the courses offered by institutions into subject areas and levels of study. There are 22 subject/level combinations or curricular models, each with an established cost per full-time equivalent (FTE) student. An FTE is 30 credit hours, which represents a student taking 15 credit hours for two semesters. In addition to the established costs for each curricular model, the formula provides weights for STEM courses and for graduate level courses. The executive budget updates the costs of each curricular model and maintains the calculation method for the course completion funding component used in FY 2019.

Only courses completed by subsidy-eligible students are included in this funding component. Generally, this includes in-state undergraduate students and all graduate students. In other words, the only group that is not eligible for the subsidy is out-of-state undergraduate students. As with the degree attainment component, course completion costs are calculated using a three-year average. Courses completed by students who are considered “at-risk,” or who are determined to be academically underprepared or based on financial status, are weighted more heavily.

Doctoral and medical set-asides

The calculations for the degree attainment and course completion components do not include doctoral or medical courses and degrees. These areas are funded through separate set-asides. The executive budget sets aside up to 11.78% of the university SSI appropriations for the doctoral models and 7.89% for the medical models in each fiscal year, the same percentages set aside last biennium.

Doctoral set-aside allocations

Historically, the SSI formula has allocated the doctoral set-aside based on each campus’s share of three different factors: historical FTE enrollment, statewide degrees, and research grant activity. The executive budget replaces the historical FTE enrollment factor with one

allocated based on each campus's share of course completions. It does, however, retain the remaining set-aside funds to be allocated based on the other two factors. Twelve campuses are eligible for funding through the doctoral set-aside, including the 11 universities with doctoral programs and the University of Toledo's medical school. In FY 2019, the Northeast Ohio Medical University (NEOMED) receives an earmark of \$275,000 from this set-aside to assist the institution in establishing its doctoral programs. The executive budget discontinues this earmark as NEOMED will receive subsidy under this set-aside beginning in FY 2020. Additional details regarding the allocations for this set-aside are provided below.

For FY 2019, 25% of the doctoral set-aside is allocated in proportion to each campus's share of historical Doctoral I FTEs. In FY 2020 and FY 2021, however, the executive budget proposes to allocate 25% of the doctoral set-aside in proportion to each campus's share of doctoral program course completions. Course completion earnings are determined by multiplying the total curricular model amounts and graduate weights by the three-year average of subsidy-eligible doctoral FTEs who successfully complete courses in graduate-level models.

Each fiscal year, 50% of the doctoral set-aside continues to be allocated in proportion to each campus's share of total statewide doctoral degrees, weighted by the cost of the doctoral discipline. The doctoral degree totals are based on the three-year average for the period ending in the prior year.

Each fiscal year, 25% of the doctoral set-aside continues to be allocated in proportion to each campus's share of research grant activity. Funding is allocated to each eligible university in proportion to its share of National Science Foundation research grant activity. Grant awards from the Department of Health and Human Services are weighted at 50%.

Medical set-aside allocations

The Medical I and Medical II models also receive set-asides from the SSI funds appropriated to universities. Ohio's six universities with medical schools are eligible for the medical model set-asides.

In each fiscal year, 6.41% of the university main campus portion of the SSI appropriation is reserved for Medical II FTEs (professional level medical students). This set-aside is allocated to universities in proportion to their share of the statewide total of each institution's three-year average Medical II FTE course completions. The executive budget continues a policy that only 5% of Medical II course completion FTEs may be made up of students repeating terms.

In each fiscal year, 1.48% of the university portion of the SSI appropriation is reserved for Medical I FTEs. This set-aside is allocated to universities in proportion to their share of the statewide total of each institution's three-year average Medical I FTE course completions. The Medical I model comprises doctoral or professional level dentistry and veterinary medicine programs. The Ohio State University is the sole institution in Ohio offering such programs.

Capital component adjustment

SSI allocations for all institutions may be decreased due to the capital component adjustment. This adjustment reduces a campus's subsidy if, in the past, the campus requested and received capital appropriations greater than its formula allocated capital appropriation share. The capital component adjustment was first instituted in FY 1998 in order to implement

an incentive-based capital funding policy. This policy provided each campus a formula-determined capital appropriation share based on the amount and age of space, the number of student enrollments, and the total capital appropriations available. The Capital Component Program reduces a campus's subsidy if it requested and received capital appropriations greater than its formula-determined amount. The amount to be reduced equals the difference between a campus's formula determined debt service amount and the debt service amount actually received by the campus. This capital funding policy was discontinued in H.B. 482, the capital appropriations bill of the 129th General Assembly. The adjustment continues, however, for outstanding debt issued for capital appropriations prior to H.B. 482.

The total amount of the capital component adjustment is deducted from GRF appropriation item 235501, State Share of Instruction, and transferred to GRF appropriation item 235552, Capital Component. The transferred amount is then combined with the original appropriations for that appropriation item and distributed to campuses that do not have the capital component adjustment, i.e., campuses that requested and received capital appropriations below their formula-determined appropriation amounts. Each of these campuses will receive a distribution in an amount equal to the difference in debt service charges between the formula-determined amount and the amount they actually received. Funds received from GRF appropriation item 235552, Capital Component, can only be used for capital projects. DHE estimates that the capital component adjustment will amount to \$2.0 million for 11 campuses in FY 2020. The deductions range from \$17,495 for the OSU Lima regional campus to \$527,261 for Lorain County Community College.

Community college sector funding

The executive budget earmarks \$460.8 million in FY 2020 and \$465.4 million in FY 2021 for the community college sector. Under the executive budget, community college funding continues to be based 50% on course completions, 25% on student success factors, and 25% on completion milestones. The following table breaks out community college sector funding for FY 2019 (before capital component adjustments) and under the executive budget for FY 2020 and FY 2021. More details on each funding component are given following the table.

Funding Component	FY 2019	FY 2020	FY 2021
Course Completion	\$228.1	\$230.4	\$232.7
Student Success	\$114.1	\$115.2	\$116.4
Completion Milestones	\$114.1	\$115.2	\$116.4
Total	\$456.3	\$460.8	\$465.4

Course completion

As with the course completion component for universities, the course completion component for community colleges is distributed based on the proportion of the total statewide completed course cost attributable to each institution. The course costs use the same costs, including the STEM weights, that are used for universities, although at-risk weights are

calculated differently. Currently, for community colleges, courses completed by students who are in one or more of the following access categories are given an additional weight of 15% based on: (1) financial status, (2) minority status, (3) age, or (4) academic underpreparation.

Student success factors

The student success factors are measured on a point system. One point is awarded for each subsidy-eligible student who achieves one of the following: completes the first 12 semester hours of college-level coursework, completes the first 24 semester hours of college-level coursework, completes the first 36 semester hours of college-level coursework, completes a developmental English class and, within the next year, enrolls in a college-level English class, or completes a developmental mathematics class and, within the next year, enrolls in a college-level mathematics class. The funding is distributed according to the proportion of points earned by each institution from the total number of points earned by all institutions in the sector.

Completion milestones

The completion milestones component includes three measures. All three measures use the same degree costs as universities. The first measure is the completion of an associate degree. 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 technical certificate that requires over 30 credit 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 of college-level coursework 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 four access categories used for course completions. The weight is 25%, if the student is in one category; 66%, if the student is in two categories; 150%, if the student is in three categories; and 200% if the student is in all four categories.

Requirements for institutions receiving increase in SSI

The executive proposal requires any institution that receives additional SSI subsidy compared to the prior year to use the additional distribution to provide need-based aid and counseling, support services, and workforce preparation services to its students.

Study on the use of employment metrics for the SSI formulas

The executive proposal establishes the Employment Metrics Consultation to study formula weights for post-graduation employment measures that may be incorporated in the SSI distribution formulas for universities and regional campuses and community and technical colleges beginning in FY 2022. The study must (1) research the most appropriate data sources available to measure employment outcomes, (2) evaluate the public policy benefits of adding such measures to the current SSI allocation formulas to reward institutional job placement performance, and (3) identify and evaluate the most critical factors that should be considered as possible enhancements to the formulas, including the relevance of graduates' degrees to job placement, employment in Ohio versus out of state, placement in high demand fields, and

other qualitative factors. The Inter-University Council (IUC) and Ohio Association of Community Colleges (OACC) must each recommend eight members representing their respective institutional sectors to serve on the Employment Metrics Consultation. The study must be completed by June 30, 2020.

Other notable budget provisions

Tuition and fee increase restrictions

In the current biennium, H.B. 49 of the 132nd General Assembly freezes in-state undergraduate tuition charged by public universities and their regional campuses at the FY 2017 levels for FY 2018 and FY 2019 and allows community and technical colleges to increase their tuitions by up to \$10 per credit hour in FY 2019 to support quality academic programming. The executive budget authorizes a state institution of higher education, for academic years 2019-2020 and 2020-2021, to increase its in-state undergraduate instructional and general fees by no more than 2% over what the institution charged in the prior academic year. However, the Chancellor must approve any increases in, or the creation of, all other special fees. Special fees include fees that are specific to a program, such as a laboratory fee.

Differential tuition programs

The executive proposal authorizes the Chancellor to establish a differential tuition program for undergraduate students, which, if the Chancellor chooses to do so, may be offered by eligible institutions to their students. Under these programs, an institution may charge an additional amount on top of its base instructional and general fees to support high-cost degrees, such as engineering or nursing. The Chancellor must develop the criteria for participating in the program including, but not limited to, requirements that revenues generated by the program support student services and need-based financial aid.

Undergraduate tuition guarantee programs

Under current law, a public university may establish an undergraduate tuition guarantee program, which allows the university to provide a cohort of eligible students with a fixed rate for instructional and general fees for at least four years. The executive proposal, instead, requires all public universities to establish such a program. According to DHE, 11 of 13 public universities have established an undergraduate tuition guarantee program. Central State University and the University of Cincinnati have yet to establish the program, but are expected to implement them soon.

Continuing law authorizes each public university a one-time increase of up to 6% above what was charged by the university in the previous year for the first cohort enrolled under the university's tuition guarantee program. After the initial cohort, public universities may then increase the guarantee amount one time per subsequent cohort. Under current law, the increase may be up to the sum of (1) the average rate of inflation, as measured by the consumer price index (CPI) prepared by the Bureau of Labor Statistics, for the previous 60 month period and (2) the percentage amount the General Assembly restrains increases on in-state undergraduate instructional and general fees for the applicable fiscal year. The executive proposal reduces, from 60 months to 36 months, the timespan of the average rate of inflation component. According to DHE, the reduced timespan makes the factor more responsive to the economy.

Community College Acceleration Program

The executive proposal requires DHE, with assistance from the Department of Job and Family Services, to establish the Community College Acceleration Program to enhance financial, academic, and personal support services to students in need of support from local social service agencies. Services may include comprehensive and personalized advisement, career counseling, tutoring, tuition waivers, and financial assistance to defray the costs of transportation and textbooks. The goal of the program, modeled upon the City University of New York's successful Accelerated Study in Associate Programs (ASAP), is to ensure eligible community college students have access to wrap-around services and, thus, improve college retention and completion rates. The planned source of funding for the initiative is Supplemental Nutrition Assistance Program (SNAP) Employment and Training dollars.

OhioCorps Pilot Program

S.B. 299 of the 132nd General Assembly created the OhioCorps Pilot Program to provide eligible at-risk students living in Ohio with guidance to a pathway to higher education through mentorship programs operated by public universities and community and technical colleges during FY 2020 and FY 2021. Under the program, an "at-risk" student is at least 13 years old and (1) is eligible for a free or reduced price lunch, (2) would have an expected family contribution of \$0, as determined by the Free Application for Federal Student Aid (FAFSA), in grade 12, or (3) is impacted by family opioid addiction or has entered into recovery for opioid addiction.

Each mentorship program must consist of a service-learning component for students enrolled at each participating institution that will allow those students to mentor and assist at-risk middle and high school students, and their parents, on a variety of topics, including preparing for college and career planning, tutoring, and opioid and drug education programs. Qualifying mentorship programs must provide a stipend, in an amount to be determined by the institution, to student mentors and develop plans for training mentors and partnering with local providers and existing programs, such as AmeriCorps and the Ohio Commission on Service and Volunteerism. In future fiscal years, the program will provide a one-time college scholarship of \$1,000 for at-risk participants that complete the program, enroll in a state institution of higher education, and meet other academic and community service requirements.

S.B. 299 provided \$2.5 million through an FY 2019 cash transfer from the GRF to the OhioCorps Fund (Fund 5UK0) and permits the unused balance of the appropriation at the end of FY 2019 to be reappropriated for FY 2020 to continue to support the mentorship programs. As a result, the executive proposal does not include any new appropriations for the program, but permits the unused balance of the appropriation at the end of FY 2020 to be reappropriated for FY 2021. DHE is currently evaluating pilot program proposals submitted by institutions. Potential applicants had until February 5, 2019 to respond to the Department's request for proposals (RFP).

Health Care Workforce Preparation Task Force

The executive proposal requires the Chancellor to establish the Ohio Physician and Allied Health Care Workforce Preparation Task Force to study, evaluate, and make recommendations with respect to health care workforce needs in Ohio. Topics to be considered by the Task Force may include physician, nursing, and allied health care education programs

and health care workforce shortages in Ohio. The Chancellor will appoint task force members that must include State Medical Board members, medical school deans, hospital administrators, physician and nursing organizations, and other allied health personnel. The task force must issue a report to the Governor, the Speaker and Minority Leader of the House of Representatives, and the President and Minority Leader of the Senate no later than March 1, 2020.

Capital appropriation increase for RAPIDS Program

The executive proposal amends H.B. 529 of the 132nd General Assembly to increase Higher Education Improvement Fund (Fund 7034) capital appropriation item C23529, Workforce Based Training and Equipment, from \$8.0 million to \$16.0 million, in the FY 2019-FY 2020 capital biennium. Capital appropriation item C23529 provides funds for the Regionally Aligned Priorities in Developing Skills (RAPIDS) Program, which supports collaborative projects among higher education institutions to strengthen education and training opportunities that maximize workforce development efforts in defined areas of the state. To support the increased appropriation from Fund 7034, the executive budget also authorizes the Ohio Public Facilities Commission to issue and sell an additional \$8.0 million in bonds.

Analysis of FY 2020-FY 2021 budget proposal

Introduction

This section provides an analysis of the Governor's recommended funding for each appropriation line item (ALI) in DHE's budget. For organizational purposes, these ALIs are grouped into 12 major categories based on their funding purposes. The analysis for an ALI with a lower category or subcategory designation will appear before that for an ALI with a higher category or subcategory designation. That is, the analysis for an ALI with a category designation of C1:8 will appear before the analysis for an ALI with a category designation of C2:1 and the analysis for an ALI with a category designation of C1:3 will appear before the analysis for an ALI with a category designation of C1:8.

To aid the reader in locating each ALI in the analysis, the following table shows the category in which each ALI has been placed, listing the ALIs in order within their respective fund groups and funds. This is the same order the ALIs appear in the DHE section of the budget bill.

In the analysis, each appropriation item's estimated expenditures for FY 2019 and recommended appropriations for FY 2020 and FY 2021 are listed in a table. Following the table, a narrative describes how the appropriation is used and any changes affecting the appropriation that are proposed by the Governor. If the appropriation is earmarked, the earmarks are listed and described.

Categorization of DHE's Appropriation Line Items for Analysis of FY 2020-FY 2021 Budget Proposal

Fund	ALI	ALI Name	Category
General Revenue Fund Group			
GRF	235321	Operating Expenses	C8:1 Planning and Coordination
GRF	235402	Sea Grants	C3:3 Agricultural and Sea Grant Programs
GRF	235406	Articulation and Transfer	C7:4 Higher Education Collaboration
GRF	235408	Midwest Higher Education Compact	C7:6 Higher Education Collaboration
GRF	235414	Grants and Scholarship Administration	C2:6 Student Access
GRF	235417	Technology Maintenance and Operations	C7:2 Higher Education Collaboration
GRF	235428	Appalachian New Economy Workforce Partnership	C4:3 Workforce and Regional Economic Development
GRF	235438	Choose Ohio First Scholarship	C2:2 Student Access
GRF	235443	Adult Basic and Literacy Education – State	C4:2 Workforce and Regional Economic Development
GRF	235444	Ohio Technical Centers	C4:1 Workforce and Regional Economic Development
GRF	235474	Area Health Education Centers Program Support	C5:5 Medical Support
GRF	235492	Campus Safety and Training	C8:2 Planning and Coordination
GRF	235501	State Share of Instruction	C1:1 College and University Instructional Operations

Categorization of DHE's Appropriation Line Items for Analysis of FY 2020-FY 2021 Budget Proposal

Fund	ALI	ALI Name	Category
GRF	235504	War Orphans Scholarships	C2:4 Student Access
GRF	235507	OhioLINK	C7:1 Higher Education Collaboration
GRF	235508	Air Force Institute of Technology	C6:2 Basic and Applied Research
GRF	235510	Ohio Supercomputer Center	C6:1 Basic and Applied Research
GRF	235511	Cooperative Extension Service	C3:2 Agricultural and Sea Grant Programs
GRF	235514	Central State Supplement	C2:5 Student Access
GRF	235515	Case Western Reserve University School of Medicine	C5:3 Medical Support
GRF	235519	Family Practice	C5:2 Medical Support
GRF	235520	Shawnee State Supplement	C2:5 Student Access
GRF	235525	Geriatric Medicine	C5:7 Medical Support
GRF	235526	Primary Care Residencies	C5:4 Medical Support
GRF	235535	Ohio Agricultural Research and Development Center	C3:1 Agricultural and Sea Grant Programs
GRF	235536	The Ohio State University Clinical Teaching	C5:1 Medical Support
GRF	235537	University of Cincinnati Clinical Teaching	C5:1 Medical Support
GRF	235538	University of Toledo Clinical Teaching	C5:1 Medical Support
GRF	235539	Wright State University Clinical Teaching	C5:1 Medical Support
GRF	235540	Ohio University Clinical Teaching	C5:1 Medical Support
GRF	235541	Northeast Ohio Medical University Clinical Teaching	C5:1 Medical Support
GRF	235546	Central State Agricultural Research and Development	C3:1 Agricultural and Sea Grant Programs
GRF	235548	Central State Cooperative Extension Services	C3:2 Agricultural and Sea Grant Programs
GRF	235552	Capital Component	C10:2 Facilities and Debt Service
GRF	235555	Library Depositories	C7:5 Higher Education Collaboration
GRF	235556	Ohio Academic Resources Network	C7:3 Higher Education Collaboration
GRF	235558	Long-term Care Research	C5:8 Medical Support
GRF	235563	Ohio College Opportunity Grant	C2:1 Student Access
GRF	235572	The Ohio State University Clinic Support	C5:6 Medical Support
GRF	235599	National Guard Scholarship Program	C2:3 Student Access
GRF	235909	Higher Education General Obligation Debt Service	C10:1 Facilities and Debt Service
Dedicated Purpose Fund Group			
2200	235614	Program Approval and Reauthorization	C8:3 Planning and Coordination
4560	235603	Sales and Services	C8:6 Planning and Coordination

Categorization of DHE's Appropriation Line Items for Analysis of FY 2020-FY 2021 Budget Proposal

Fund	ALI	ALI Name	Category
4E80	235602	Higher Educational Facility Commission Administration	C10:3 Facilities and Debt Service
5D40	235675	Conference/Special Purposes	C8:5 Planning and Coordination
5FR0	235650	State and Non-Federal Grants and Award	C8:4 Planning and Coordination
5JC0	235654	Federal Research Network	C6:3 Basic and Applied Research
5NH0	235684	OhioMeansJobs Workforce Development Revolving Loan Program	C4:4 Workforce and Regional Development Programs
5P30	235663	Variable Savings Plan	C9:1 Ohio Tuition Trust Authority
6450	235664	Guaranteed Savings Plan	C9:2 Ohio Tuition Trust Authority
6820	235606	Nursing Loan Program	C5:9 Medical Support
Bond Research and Development Fund Group			
7011	235634	Research Incentive Third Frontier	C6:4 Basic and Applied Research
7014	235639	Research Incentive Third Frontier – Tax	C6:4 Basic and Applied Research
Federal Fund Group			
3120	235611	Gear-up Grant	C2:7 Student Access
3120	235612	Carl D. Perkins Grant/Plan Administration	C4:5 Workforce and Regional Economic Development
3120	235641	Adult Basic and Literacy Education – Federal	C4:2 Workforce and Regional Economic Development
3BG0	235651	Gear Up Grant Scholarships	C2:7 Student Access
3H20	235608	Human Services Project	C5:10 Medical Support
3N60	235658	John R. Justice Student Loan Repayment Program	C2:8 Student Access

Category 1: College and University Instructional Operations

C1:1: State Share of Instruction (ALI 235501)

Earmark	FY 2019 Estimate*	FY 2020 Introduced	FY 2021 Introduced
University main and regional campuses	\$1,522,313,848	\$1,538,392,149	\$1,553,776,070
Community and technical colleges	\$455,057,106	\$460,818,566	\$465,426,752
GRF ALI 235501 total:	\$1,977,370,954	\$1,999,210,715	\$2,019,202,822
% change	--	1.1%	1.0%

* The FY 2019 estimates take into account capital component adjustments. See pages 6 and 46 for additional details.

Ohio's State Share of Instruction (SSI) serves as the state's primary financial support to public higher education in Ohio. SSI provides unrestricted operating subsidies to Ohio's

61 public colleges and universities, funding a portion of the operating costs of serving approximately 338,000 full-time equivalent (FTE) students enrolled in those colleges and universities. SSI is distributed to campuses in approximately equal monthly payments during a given fiscal year.

The executive proposal, which recommends increases for SSI of \$21.8 million in FY 2020 and \$20.0 million in FY 2021, requires any institution that receives additional SSI subsidy above what it received in the prior year to use the additional distribution to provide need-based aid and counseling, support services, and workforce preparation services to its students. The “**Overview: State Share of Instruction funding**” section of this Redbook provides a detailed analysis of the SSI formula and proposed changes in the executive budget.

Category 2: Student Access

This category supports efforts to increase participation in higher education by providing a variety of student aid, from direct financial assistance for college students to institutional subsidies that help institutions maintain lower and more affordable tuitions.

C2:1: Ohio College Opportunity Grant (ALI 235563)

Earmark	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
Public and Private Nonprofit Institution OCOG Grants	\$95,351,123	\$113,700,000	\$139,700,000
Two-year Campuses – Textbooks and Materials	\$0	\$3,000,000	\$3,000,000
Remainder – Private For-Profit Institution OCOG Grants	\$5,523,877	\$5,560,500	\$5,500,000
GRF ALI 235563 total:	\$100,875,000	\$122,260,500	\$148,200,000
% change	--	21.2%	21.2%

The Ohio College Opportunity Grant (OCOG) provides need-based financial aid for higher education students based on their expected family contribution (EFC), as determined by the Free Application for Federal Student Aid (FAFSA). Currently, Ohio residents with an EFC of 2190 or less and a maximum household income of \$96,000 are eligible for OCOG awards. In general, the awards are determined by subtracting the sum of the EFC and associated Pell award (a fixed amount) from the average instructional and general fees charged by the student’s respective institutional sector. In FY 2019, the fixed EFC and Pell award combination used to determine OCOG awards is \$6,095. The Chancellor publishes award amounts on DHE’s website each fiscal year in an OCOG award table.

The executive budget earmarks \$113.7 million in FY 2020 and \$139.7 million in FY 2021 for OCOG aid to students attending public and private, nonprofit institutions of higher education. The additional \$18.3 million in FY 2020 and \$26.0 million in FY 2021 in this earmark will be used to increase the award for full-time students by \$400 in FY 2020 and an additional \$500 in FY 2021. Therefore, eligible students attending public institutions will receive \$1,900 in FY 2020, up from \$1,500 in FY 2019, and \$2,400 in FY 2021. Similarly, awards for private, nonprofit students will increase from \$3,000 in FY 2019 to \$3,400 and \$3,900 in FY 2020 and FY 2021, respectively. DHE anticipates that the proposed appropriation levels will continue to

support approximately 60,000 students each year over the next biennium, or approximately the same number of students served in FY 2019. Over the last five years or so, the number of OCOG recipients has been on a downward trend, mostly due to market conditions.

The executive budget recommends a new earmark of \$3.0 million in each fiscal year to award need-based financial aid to two-year college students for the purchase of textbooks and instructional materials. This funding provides aid to students who are generally unable to access OCOG currently. Because the fixed EFC and Pell award combination is greater than the average instructional and general fees charged by the two-year sector, students attending these low-cost institutions are generally precluded from receiving OCOG awards for tuition assistance. According to DHE, eligibility requirements to receive aid for textbooks are likely to be the same as for the traditional OCOG awards. Ultimately, individual awards will be determined by the number of recipients.

The remaining \$5.6 million in FY 2020 and \$5.5 million in FY 2021 is earmarked for students attending private, for-profit institutions. According to DHE, the number of OCOG recipients attending these institutions has declined substantially in recent years, coinciding with a considerable drop in enrollment in this sector due to market conditions and recent federal regulatory changes.

The executive budget discontinues a current law policy that requires awards for a student attending a nonprofit institution to be determined at twice the rate of the awards for a student attending a public institution. Instead, the executive budget specifies the award amounts for eligible students attending public and private, nonprofit institutions in FY 2020 and FY 2021, which are the same as those described above. Should OCOG obligations exceed appropriations, the Chancellor may change eligibility requirements or decrease award amounts.

Before determining OCOG award amounts, the Chancellor must use funds from line item 235563 to pay tuition waivers and student fees for eligible students in the Ohio Safety Officer's College Memorial Fund Program, which provides tuition assistance for children and spouses of peace officers, firefighters, and safety officers who were killed in the line of duty. In FY 2018, 38 students received a total of approximately \$284,000 in assistance from this program.

H.B. 59 of the 130th General Assembly created the Ohio College Opportunity Grant Reserve Fund (Fund 5PU0), to receive cash equal to any unused appropriations in a fiscal year and to use this cash to pay grants in excess of the appropriations made for the program in a future fiscal year. The executive budget authorizes the Director of OBM to transfer cash, up to the certified amount of canceled prior-year encumbrances in 235563, from the GRF to Fund 5PU0. Currently, Fund 5PU0 has a balance of approximately \$7.5 million.

C2:2: Choose Ohio First Scholarship (ALI 235438)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235438, Choose Ohio First Scholarships	\$16,177,613	\$28,169,310	\$40,177,613
% change	--	74.1%	42.6%

This appropriation item provides scholarships to students pursuing STEM or STEM education degrees at one of Ohio's institutions of higher education. Selected institutions are awarded funds through a competitive grant process based on their STEM recruitment and retention plans. Recipient institutions then distribute scholarships to students. The program also provides scholarships to health professionals through the Patient Centered Medical Home (PCMH) Nursing and PCMH Medical scholarships. Since its inception in 2007, the number of STEM degrees awarded in Ohio has increased by 61%. In FY 2018, approximately \$12 million was awarded to approximately 2,500 undergraduate students attending an Ohio college or university. Through FY 2018, 47 public and private colleges and universities have received Choose Ohio First funds. In addition to direct funding support, scholarship programs leveraged more than \$29 million in matching funds from participating institutions in FY 2018.

At the proposed funding levels, DHE estimates that an additional 2,500 scholarships may be available over the biennium. The additional scholarship funds are expected to focus on under-represented student populations. Individual scholarship awards are not likely to increase, however, as the maximum award authorized under the current program is approximately \$7,500.

H.B. 59 of the 130th General Assembly created the Choose Ohio First Scholarship Reserve Fund (Fund 5PV0), to receive cash equal to any unused appropriations in a fiscal year and to use this cash to pay scholarship obligations in excess of the appropriations made for the program in a future fiscal year. The executive budget authorizes the Director of OBM to transfer cash, up to the certified amount of canceled prior-year encumbrances in 235438, from the GRF to Fund 5PV0. Fund 5PV0 currently has a balance of approximately \$5,500.

C2:3: National Guard Scholarship Program (ALI 235599)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235599, National Guard Scholarship Program	\$20,400,003	\$20,604,000	\$21,222,120
% change	--	1.0%	3.0%

This program provides higher education scholarships to all authorized personnel of the Ohio National Guard (ONG). The program serves as both a recruitment and retention tool for the Guard and has proved to be an effective incentive for enlisting. The appropriation item provides funds for both scholarship grants and marketing efforts. The program's purpose is to recognize the service of the ONG by providing access to higher education for its members. The scholarship covers full tuition for students of state-assisted institutions and an amount equivalent to the average state-assisted award for students of private institutions. In FY 2017 and FY 2018, the program provided approximately 5,200 scholarships each year. The scholarship is available for up to 12 full-time quarters or eight full-time semesters, equivalent to four years of study. Students must apply for the scholarship before each quarter or semester.

The executive budget's funding recommendations in each fiscal year are expected to provide sufficient resources to continue providing 100% tuition coverage to ONG members attending state colleges or universities over the next biennium. The program also maintains a National Guard Scholarship Reserve Fund (Fund 5BM0) to pay scholarship obligations in excess

of the GRF appropriations made for that purpose. The executive budget authorizes the Director of OBM to transfer cash, up to the certified amount of canceled prior-year encumbrances in line item 235599, from the GRF to Fund 5BM0. As of February 2019, the current cash balance in the National Guard Reserve Fund is approximately \$481,000.

C2:4: War Orphans Scholarship (ALI 235504)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235504, War Orphans Scholarships	\$8,372,500	\$11,163,333	\$12,502,933
% change	--	33.3%	12.0%

This appropriation item provides funds for scholarships for the children of deceased or severely disabled Ohio veterans of wartime military service in the U.S. armed forces. The scholarship can be used at both state-assisted institutions and private institutions. In FY 2019, awards for students of state-assisted, two-year and four-year institutions are equal to 84% of instructional and general fees. Scholarships for students at private institutions are \$6,435. War Orphans Scholarship recipients must be Ohio residents under the age of 25, full-time undergraduates, and maintain a 2.0 grade point average (GPA). Overall, the number of eligible scholarship applicants has increased from approximately 750 students in FY 2013 to approximately 1,300 students in FY 2019 primarily due to growing diagnoses of severe post-traumatic stress disorder (PTSD). It is expected the number of eligible students will continue to rise. According to DHE, the executive budget provides appropriations sufficient to fund scholarships at the 100% award level in the next biennium. If there are more eligible recipients than expected, the awards will be reduced proportionally to meet appropriation levels.

H.B. 59 of the 130th General Assembly created the War Orphans Scholarship Reserve Fund (Fund 5PW0), to receive cash equal to any unused appropriations in a fiscal year and to use this cash to pay scholarship obligations in excess of the appropriations made for the program in a future fiscal year. The executive budget authorizes the Director of OBM to transfer cash, up to the certified amount of canceled prior-year encumbrances in line item 235504, from the GRF to Fund 5PW0. Fund 5PW0 currently has a balance of approximately \$612,000.

C2:5: Campus Supplements (ALIs 235514 and 235520)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235514, Central State Supplement	\$11,685,516	\$11,685,516	\$11,685,516
% change	--	0.0%	0.0%
GRF ALI 235520, Shawnee State Supplement	\$2,537,456	\$2,537,456	\$2,537,456
% change	--	0.0%	0.0%

These line items provide additional subsidy to Central State University and Shawnee State University according to plans developed by the Chancellor. This funding is intended to allow the universities to maintain lower tuition, fund scholarships, and increase access for

minority students, mainly African-Americans, and students from the Appalachian region of the state, respectively. In FY 2019, Central State University's tuition is the lowest among the 13 university main campuses. Shawnee State's tuition is the second lowest.

C2:6: Grants and Scholarship Administration (ALI 235414)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235414, Grants and Scholarship Administration	\$826,181	\$837,799	\$855,433
% change	--	1.4%	2.1%

This appropriation item provides funds to support the operating expenses of all of the student financial aid programs administered by DHE. In addition to administration of the state need-based financial aid programs, this line item provides funding for DHE to support all state financial aid audits and serve as fiscal manager for the Ohio National Guard Scholarship Program, the War Orphans Scholarship Program, the Safety Officers College Memorial Fund, the Ohio College Opportunity Grant Program (OCOG), the Nurse Education Assistance Loan Program (NEALP), the John R. Justice Student Loan Repayment Program, and a portion of the Choose Ohio First Scholarship Program. This appropriation item also supports state financial aid audits. Approximately 69,000 students received financial awards from DHE programs in FY 2018.

C2:7: Gear-up Grant and Scholarships (ALIs 235611 and 235651)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
3120 ALI 235611, Gear-up Grant	\$1,762,976	\$1,995,808	\$2,000,000
% change	--	13.2%	0.2%
3BG0 ALI 235651, Gear Up Grant Scholarships	\$1,250,000	\$1,750,000	\$1,750,000
% change	--	40.0%	0.0%

These federal funds support programs at the state and local partnership levels to encourage low-income middle and high school students to raise their academic expectations, stay in school, take challenging courses, and go to college. FED Fund 3120 appropriation item 235611, Gear-up Grant, provides a comprehensive system of school and community-based services including academic preparation, after-school and summer enrichment services, advising, tutoring, and mentoring in four communities (Parma, Marion, Norwood, and Crooksville) in the state with low college participation and high remediation rates. These consortia will help outside partners replicate their efforts in other parts of the state. According to DHE, Gear-up requires a 1:1 match from state or private funding sources. The recommended appropriations for item 235611 for FY 2020 and FY 2021 are essentially the same as the FY 2019 appropriation of \$2.0 million. While DHE anticipates FY 2019 spending to be below this amount, expenses in the next two fiscal years are expected to be closer to the appropriation due to anticipated increases in staff salary and other operating costs. FED Fund 3BG0 appropriation

item 235651, Gear Up Grant Scholarships, is used to provide scholarships to Gear-up high school graduates who attend a state institution of higher education. According to DHE, the increase in appropriation for item 235651 will support an increasing number of participating students graduating and matriculating to college as the program is fully implemented. A new grant award totaling \$24.5 million, covering both programs, was awarded in FY 2016. The new award is expected to support both programs for seven years.

C2:8: John R. Justice Student Loan Repayment Program (ALI 235658)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
3N60 ALI 235658, John R. Justice Student Loan Repayment Program	\$60,000	\$70,000	\$70,000
% change	--	16.7%	0.0%

This appropriation item supports the federal John R. Justice Student Loan Repayment Program, which provides loan repayment assistance for state and federal public defenders and state prosecutors who agree to remain employed in hard-to-staff locations for at least three years. Recipients of the Ohio John R. Justice loan repayment grants may be competitively selected. Award amounts are dependent on the number of qualified recipients. At the proposed funding levels, DHE expects to provide awards of approximately \$1,500 to more than 30 individuals in each year of the biennium.

Category 3: Agricultural and Sea Grant Programs

This category of appropriations supports the land-grant missions of Central State University (CSU) and the Ohio State University (OSU), including agricultural research and development, cooperative extensive services, and the sea grant program that seeks to improve the development and management of Lake Erie.

C3:1: Agricultural Research and Development (ALIs 235535 and 235546)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235535, Ohio Agricultural Research and Development Center	\$36,361,470	\$36,361,470	\$36,361,470
% change	--	0.0%	0.0%
GRF ALI 235546, Central State Agricultural Research and Development	\$1,437,017	\$3,492,485	\$3,492,485
% change	--	143.0%	0.0%

One of the primary missions of land-grant universities is to engage in agricultural research and development. These line items provide state support for agricultural research and development efforts by Ohio's two land-grant institutions, OSU and CSU. The combined funding for agricultural research and development recommended by the Governor amounts to \$39.9 million each fiscal year, over 91% of which flows to OSU through the Ohio Agricultural Research and Development Center (OARDC).

OARDC

OARDC is the nation's largest comprehensive AgBioscience research organization. It serves as the research arm of OSU's College of Food, Agricultural, and Environmental Sciences. Headquartered in Wooster, OARDC also has ten "outlying agricultural research stations" located in every region of Ohio. OARDC is active in the following basic and applied research areas:

- agricultural, environmental, and development economics;
- food, agricultural, and biological engineering;
- animal sciences and food-animal health;
- food science and technology;
- horticulture and crop science;
- human and community resource development;
- human ecology, natural resources, and plant pathology; and
- entomology.

OARDC also trains graduate students in these areas and works with researchers at other OSU colleges, including the colleges of Human Ecology, Medicine and Public Health, and Veterinary Medicine. The Center serves such diverse groups as consumers, farmers and other producers, food processors, environmentalists, landfill managers, and researchers. OARDC's research portfolio includes about 750 research projects at any point in time, with primary focus in three areas: advanced bioenergy and biobased products, environmental quality and sustainability, and food security, production, and human health. Flat funding over the biennium will permit OARDC to continue existing programs, be responsive to the agricultural industry, and meet emerging needs such as water quality and food safety.

CSU agriculture research and development

This item is used by CSU to meet the match required for federal funds. The appropriations increase in FY 2020 will be used by CSU to draw down its full allotment of federal funding. Generally, item 235546 will provide 50% of CSU's annual budget for agriculture research and development. The rest will be supported by federal funds.

C3:2: Cooperative Extension Service (ALIs 235511 and 235548)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235511, Cooperative Extension Services	\$24,110,186	\$24,110,186	\$24,110,186
% change	--	0.0%	0.0%
GRF ALI 235548, Central State Cooperative Extension Services	\$1,346,976	\$3,004,367	\$3,004,367
% change	--	123.0%	0.0%

These appropriation items support the offering of cooperative extension services by OSU and CSU. According to the U.S. Department of Agriculture, extension services provide relevant information through nonformal education and learning activities to farmers, small business owners, consumers, and families in both rural and urban areas. In October 2015, OSU and CSU began a five-year cooperation agreement to partner in the offering of agricultural extension services pursuant to federal law that requires a single, comprehensive extension program for a state. Both universities serve as co-executives in counties in which they both have programs and coordinate to create a unified extension program. Although cooperative, and often co-located, both universities work individually and collaboratively to provide services to diverse populations across Ohio. The combined funding for extension services recommended by the Governor amounts to \$27.1 million each fiscal year, about 89% of which flows to the OSU Extension.

OSU Extension

The OSU Extension is headquartered in the College of Food, Agricultural, and Environmental Sciences and has had partnerships with the faculties and staffs of many departments across OSU. Located in every one of Ohio's 88 counties, the OSU Extension is an educational entity that creates partnerships with individuals, families, communities, businesses and industries, and organizations to strengthen the lives of Ohioans through research-based educational programs. OSU Extension programs focus broadly on health and wellness, workforce development, thriving across lifespan, sustainable food systems, citizen engagement, and environmental quality. The programs under the Cooperative Extension Service are designed to help people improve their lives, businesses, and communities through research-based education using scientific knowledge focused on identified issues and needs.

The Extension is supported by the state through GRF appropriation item 235511, Cooperative Extension Service, which is also used as a match to obtain nearly \$30.0 million each year in federal and county funds. In addition, state funds are used to leverage an additional \$20.0 million each year from grants and philanthropic gifts.

In the FY 2018-FY 2019 biennium, funds are earmarked from this line item for 4-H Clubs in Cleveland and Cincinnati (\$148,136 in FY 2019) and a pilot project in which a food policy coordinator is employed by the OSU Extension office in Ashtabula County to connect local food producers with local food customers such as the Lake Erie Correctional Institution, hospitals, nursing homes, schools, and supermarkets (\$48,831 in FY 2019). The executive budget discontinues these earmarks.

CSU Extension

CSU Extension’s mission is “to become a premier community-based outreach and educational program leader that provides a holistic Extension approach to improve the overall conditions facing families in rural and urban communities and addressing agricultural issues in rural and urban locations.” To achieve this, CSU Extension has placed a county agent in five of Ohio’s major cities or counties. CSU Extension’s community approach includes the following strategies: to be adaptive to different community demands and to be specialized in a particular food and agriculture system. According to its strategic plan for 2017 through 2021, the following impact areas of concern for CSU are: creating youth pathways to success, building families and communities, developing better social economic and sustainable communities, and improving agriculture, plant pathology, and agriculture economies.

Similar to OSU’s extension item 235511, CSU’s GRF appropriation item 235548, Central State Cooperative Extension Service, is used to meet the match necessary for drawing down federal funds. According to DHE, the increase in appropriation for item 235548 will allow CSU to draw down its full allotment of federal funds for the program.

C3:3: Sea Grants (ALI 235402)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235402, Sea Grants	\$299,250	\$299,250	\$299,250
% change	--	0.0%	0.0%

The Sea Grants appropriation item matches federal funds for the Ohio Sea Grant Program, the mission of which is to improve the development and management of Lake Erie. The Ohio Sea Grant Program is one of 32 Sea Grant programs in the National Oceanic and Atmospheric Administration’s (NOAA) Sea Grant College Program and a part of the OSU land-grant program. Between one-third and one-half of this funding goes to competitive grants for agency and academic scientists to conduct research on the following topics, among others:

- aquaculture;
- aquatic ecology and dead zones;
- invasive species and zebra mussels;
- biotechnology;
- coastal and open-water engineering;
- fishing and fisheries;
- marine recreation, tourism, and boating.

The program also supports six extension agents and approximately 250 workshops, field trips, and conferences annually at Stone Laboratory, which was founded in 1895 as Ohio’s Lake Erie laboratory and is the oldest freshwater biological field station in the U.S. S.B. 299 of the 132nd General Assembly provided an appropriation of approximately \$2.7 million over the

FY 2019-FY 2020 capital biennium to be used by the program to construct new laboratory space at Stone Laboratory and purchase new in-lake monitoring equipment. According to DHE, state funds leverage about \$1.5 million annually in federal funds.

Category 4: Workforce and Regional Economic Development

This category of appropriations provides support to Ohio's economy through the development of services and activities to improve the adult workforce.

C4:1: Ohio Technical Centers (ALI 235444)

Earmark	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
Ohio Central School System	\$396,054	\$468,136	\$553,350
OTC assistance	\$48,000	\$48,000	\$48,000
OTCs providing business consultation with matching local dollars	\$1,300,000	\$1,300,000	\$1,300,000
Remainder – Ohio Technical Centers	\$14,896,859	\$17,853,423	\$21,348,650
GRF ALI 235444 total:	\$16,640,913	\$19,669,559	\$23,250,000
% change	--	18.2%	18.2%

Ohio Technical Centers (OTCs) provide education and training through full-time and part-time adult career-technical training programs. School districts, joint vocational school districts, and other public educational institutions are eligible for funding. Each year, OTCs serve about 13,000 adults at 55 adult workforce education centers. Of those, 39 are full-service centers that also provide career guidance and counseling, assessment services, job placement, financial aid, and transitional services. The executive budget continues to allocate formula funds to OTCs according to a performance-based funding model as follows:

- 50% based on job placement;
- 25% based on program completion;
- 20% based on retention (participants completing half of program hours);
- 5% based on industry-recognized credentials.

The distribution formula continues to include a phase-in provision for all but the 5% allocation based on industry-recognized credentials, but reduces the amount each OTC is guaranteed to receive from 94% of the average allocation received in the last three fiscal years to 75% in FY 2020 and to 65% in FY 2021.

According to DHE, the increase in OTC funding recommended by the Governor corresponds with the state's focus on increasing short-term certificate and workforce training program completion. The increased state subsidy is designed to reduce tuition costs for and thus increase the number of students attending OTCs.

C4:2: Adult Basic and Literacy Education (ALIs 235443 and 235641)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235443, Adult Basic and Literacy Education – State	\$7,083,344	\$7,083,344	\$7,083,344
% change	--	0.0%	0.0%
3120 ALI 235641, Adult Basic and Literacy Education – Federal	\$16,600,000	\$17,579,996	\$17,600,000
% change	--	5.9%	0.1%
Total Adult Basic and Literacy Education	\$23,683,344	\$24,663,340	\$24,683,344
% change	--	4.1%	0.1%

GRF appropriation item 235443, Adult Basic and Literacy Education – State provides the state match for the federal Aspire (formerly Adult Basic and Literacy Education (ABLE)) Program grants appropriated in line item 235641, Adult Basic and Literacy Education – Federal. DHE anticipates an increase in federal funds to support the program. However, the amount appropriated to meet federal maintenance of effort requirements will remain flat at the FY 2019 level. A funding cap of 5% is in place for administrative costs. DHE awards Aspire funds to local grantees through a competitive grant process approximately every three years.

The Aspire Program provides grants for the development and administration of courses with instruction in basic literacy, workplace literacy, family literacy, English for speakers of other languages (ESOL), and preparation for high school equivalency tests. Over the last three years, Aspire has served nearly 30,000 adults per year, of which approximately 25% were non-English speaking.

C4:3: Appalachian New Economy Workforce Partnership (ALI 235428)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235428, Appalachian New Economy Workforce Partnership	\$1,228,000	\$1,228,000	\$1,228,000
% change	--	0.0%	0.0%

This appropriation item promotes economic development in Appalachian Ohio through integrated investments designed to improve and target the region's information technology and knowledge infrastructure. Led by Ohio University, the Appalachian New Economy Partnership (ANEP) supports public-private technology partnerships among Ohio's public and private campuses, private industry, local government, and school districts within the 32-county Appalachian region. ANEP's goal is to develop talent, technology, and capital in the areas of entrepreneurship and business assistance, regional public management, and K-16 education to

transform Ohio's Appalachian region so that its residents can take part in and benefit from the global economy. ANEP also provides workshops, marketing strategies for distressed communities, and consultation services in planning, marketing, finance, and information systems.

At the proposed funding levels in FY 2020 and FY 2021, ANEP should continue to be able to match dollars for federal Small Business Administration, Economic Development Administration, and Defense Logistics Agency, and other funds that currently flow into Ohio University and its partnerships. Funding will also support research in K-16 education, health care, and environmental issues.

C4:4: OhioMeansJobs Workforce Development Revolving Loan Program (ALI 235684)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
5NH0 ALI 235684, OhioMeansJobs Workforce Development Revolving Loan Program	\$188,600	\$245,163	\$250,000
	% change	--	30.0%
			2.0%

This line item supports DHE's administrative costs associated with the OhioMeansJobs Workforce Development Revolving Loan Program. Under the program, created by S.B. 1 of the 130th General Assembly, a state institution of higher education or career-technical center may apply to the Chancellor for approval of a workforce training program. After the Chancellor determines the amount awarded to the institution for a program, the institution may then award loans to eligible program participants. The loans are to be repaid to the state within seven years, are interest-free until six months after the participant successfully completes the program, and cannot exceed \$10,000 per individual. The maximum annual award amount per workforce program is \$250,000.

The recommended appropriations for FY 2020 and FY 2021 are approximately the same as the FY 2019 appropriation of \$250,000. While DHE anticipates FY 2019 expenditures to be below this amount, spending levels in the next two years are expected to be closer to the appropriation due to anticipated increases in staff salary and other operating costs as the program grows. The program is funded from Fund 5NH0, which consists of casino-licensing revenue transferred from Fund 5JCO in S.B. 1 of the 130th General Assembly. Loans are disbursed from the Treasurer of State budget in Fund 5NH0 appropriation item 090610, OhioMeansJobs Revolving Loan Program, which is appropriated \$13.1 million in FY 2020 under the bill.

C4:5: Carl D. Perkins Grant and Plan Administration (ALI 235612)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
3120 ALI 235612, Carl D. Perkins Grants and Planning Administration	\$1,278,680	\$1,332,315	\$1,350,000
% change	--	4.2%	1.3%

The federal Carl D. Perkins Career and Technical Education Improvement Act aims to increase the quality of academic, career, and technical education within the United States. The appropriation item provides funding for the administration and development of the academic, career, and technical skills of secondary and postsecondary students who enroll in career and technical education programs to prepare themselves both for postsecondary education and for careers in high-skill, high-wage, or high-demand occupations in the knowledge and skills-based economy. The appropriations support technical assistance, program monitoring, data collection and reporting, campus grant funding calculations, and general direction of the program. The continuing focus of the Perkins Act is to integrate academic knowledge and technical skill development and to raise the academic performances of all career-technical students. Ohio's Perkins Grant Program serves approximately 120,000 students at more than 23 college campuses and 37 Ohio Technical Centers.

Perkins funds are provided to states that, in turn, allocate funds by formula to secondary and postsecondary schools. DHE receives a transfer of a portion of the federal funds obtained under the Perkins Act by the Ohio Department of Education to administer the Perkins grant funds for community and technical colleges and some universities, as well as to provide technical assistance to Perkins campus coordinators.

Category 5: Medical Support

This category of appropriations provides support to Ohio’s medical, dental, and veterinary education programs and bolsters Ohio’s health industry.

C5:1: Clinical Teaching (ALIs 235536, 235537, 235538, 235539, 235540, and 235541)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235536, The Ohio State University Clinical Teaching	\$9,185,494	\$9,185,194	\$9,185,194
% change	--	0.0%	0.0%
GRF ALI 235537, University of Cincinnati Clinical Teaching	\$7,554,944	\$7,554,944	\$7,554,944
% change	--	0.0%	0.0%
GRF ALI 235538, University of Toledo Clinical Teaching	\$5,888,670	\$5,888,670	\$5,888,670
% change	--	0.0%	0.0%
GRF ALI 235539, Wright State University Clinical Teaching	\$2,860,830	\$2,860,830	\$2,860,830
% change	--	0.0%	0.0%
GRF ALI 235540, Ohio University Clinical Teaching	\$2,765,651	\$2,765,651	\$2,765,651
% change	--	0.0%	0.0%
GRF ALI 235541, Northeast Ohio Medical University Clinical Teaching	\$2,844,469	\$2,844,469	\$2,844,469
% change	--	0.0%	0.0%

These six appropriation items provide subsidies in support of laboratory and clinical teaching components of the medical and other health-related curricula at each of Ohio’s six public medical colleges. These items help defray the costs of clinical training for Ohio’s student health professionals. Clinical training is regarded as a fundamental component in the education of physicians and other health care professionals. Areas of subsidized training include medicine, nursing, pharmacy, physical and occupational therapy, and medical technologies. A significant majority of the students receive some clinical experience each year. In FY 2019, there are approximately 4,500 medical students in state-assisted medical schools. H.B. 49 earmarked \$100,000 in both FY 2018 and FY 2019 from line item 235537 to support the SmartOhio Financial Literacy Program at the University of Cincinnati. The executive budget discontinues this earmark.

C5:2: Family Practice (ALI 235519)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235519, Family Practice	\$3,007,876	\$3,007,876	\$3,007,876
% change	--	0.0%	0.0%

This appropriation item funds family practice initiatives. The appropriation item supports family practice residencies and instruction in the departments of family medicine within each medical college in Ohio, both public and private. State-assisted medical schools are required to establish and maintain departments of family medicine. The Family Practice appropriation supports an incentive-based subsidy that rewards medical schools for the number of medical school graduates who: (1) go on to family practice residencies, (2) establish family medicine practices in Ohio, and (3) serve underserved populations and/or geographic areas of Ohio. The subsidy's purpose is to raise the quality and number of family practice physicians practicing in the state. The executive budget requires funds from item 235519 to be distributed in each fiscal year based on each medical school's share of residents placed in a family practice and graduates practicing in a family practice.

C5:3: Case Western Reserve University School of Medicine (ALI 235515)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235515, Case Western Reserve University School of Medicine	\$2,038,940	\$2,038,940	\$2,038,940
% change	--	0.0%	0.0%

This appropriation item provides supplemental state funding for the Case Western Reserve University (CWRU) School of Medicine. In return, the medical school agrees to use the funds to improve the clinical experiences of its medical students and to increase medical outreach to the residents of Cleveland and Cuyahoga County. Approximately 130 organizations and their clients are served through several community programs.

These funds are used by CWRU to recruit students across the country and create a curriculum that focuses on health issues in Ohio. Students learn to address critical public health issues that exist in Ohio's communities and provide medical services to underserved populations throughout Cuyahoga County, in part through early clinical experiences. CWRU submits an annual report to DHE detailing the students participating in health and healthcare initiatives; the health, healthcare, and medical areas addressed at CWRU; and the progress made in delivery of the community curriculum in the preceding year.

C5:4: Primary Care Residencies (ALI 235526)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235526, Primary Care Residencies	\$1,425,000	\$1,425,000	\$1,425,000
% change	--	0.0%	0.0%

The Primary Care Residencies appropriation item is an incentive-based subsidy that rewards medical schools based on the number of medical school graduates who: (1) go on to primary care residencies in pediatrics, internal medicine, pediatric internal medicine, or osteopathic medicine, and (2) establish primary care practices in Ohio. The appropriation item supports instruction in primary care specialties, such as internal medicine and pediatrics, in order to raise the quality and number of primary care physicians in medical practice. The executive budget requires funds from item 235526 to be distributed in each fiscal year based on each medical school's share of residents placed in a primary care field and graduates practicing in a primary care field.

C5:5: Area Health Education Centers Program Support (ALI 235474)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235474, Area Health Education Centers Program Support	\$873,000	\$873,000	\$873,000
% change	--	0.0%	0.0%

The Area Health Education Centers (AHEC) Program coordinates the placement of students of medicine and the other health professions into community-based clinical training sites, especially those in regions of physician shortages such as rural and inner-city areas.

The program also supports other health care workforce development efforts, including pipeline programs facilitating STEMM education and the support of practitioners already located in areas with shortages of healthcare professionals. The program's goal is to improve the geographic distribution and quality of healthcare personnel and healthcare delivery in the state. Measurement criteria include the number of training sites served, the number of students receiving education through the program, and student experiences in areas with current shortages of healthcare professionals.

C5:6: The Ohio State University Clinic Support (ALI 235572)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235572, The Ohio State University Clinic Support	\$728,206	\$728,206	\$728,206
% change	--	0.0%	0.0%

This program supports the clinical components of the instructional programs at the dental and veterinary medicine schools at the Ohio State University. The clinics provide practical education to dentistry and veterinary medicine students, as well as to dental hygiene students.

C5:7: Geriatric Medicine (ALI 235525)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235525, Geriatric Medicine	\$496,043	\$496,043	\$496,043
% change	--	0.0%	0.0%

This appropriation item supports the offices of geriatric medicine within the public medical colleges in Ohio. The maintenance of these offices is mandated by the state in section 3333.111 of the Revised Code. The Geriatric Medicine Program helps ensure that all Ohio medical students receive specific education and training within their medical school curricula concerning the care of older adults. To that end, the offices are responsible for including geriatric medicine-related subject matter in existing courses, arranging the courses in sequence, and establishing courses in geriatric medicine wherever appropriate. The program's goal is to improve healthcare and create a better quality of life for Ohio's senior population.

C5:8: Long-Term Care Research (ALI 235558)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235558, Long-Term Care Research	\$309,035	\$309,035	\$309,035
% change	--	0.0%	0.0%

This appropriation item supports basic and applied research and graduate studies at Miami University's Scripps Gerontology Center. The center provides expertise, education, and research concerning issues of state and federal policy about long-term care. The program's goal is to identify cost-effective alternatives for long-term healthcare at reasonable levels of quality.

Medical education post-graduation residency reports

The executive budget continues to require the institutions of higher education receiving the funds described above in support of their medical schools to report to the Chancellor the residency status of graduates that were supported by moneys from their respective items one year and five years after graduating.

C5:9: Nursing Loan Program (ALI 235606)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
6820 ALI 235606, Nursing Loan Program	\$879,518	\$889,611	\$891,320
% change	--	1.1%	0.2%

This appropriation item supports the Nurse Education Assistance Loan Program (NEALP), which provides financial assistance to Ohio students enrolled in at least half-time study in approved Ohio nurse education programs, including post-licensure nursing instructor programs. The purpose of NEALP is to encourage individuals to become students and instructors in the nursing profession – where Ohio suffers a shortage – and to provide affordable college access to nurses and nursing students.

Funds in this line item are used to provide loans of approximately \$1,600 per year to students intending to serve as registered nurses and of at least \$5,000 per year to nurses intending to become nurse instructors. Awards for students studying nursing are made on the basis of need for up to four years of study. After they have obtained the appropriate licensure and are employed in the field of nursing, students will be eligible to have 100% of their outstanding loans cancelled in increments of 20% over five years of service. For students studying to be nursing instructors, awards are made on a first-come, first-served basis for up to two years of study. Students that obtain their graduate degree and are employed as nursing instructors are eligible to have 100% of their outstanding loan balance cancelled in increments of 25% over four years of service. Approximately 500 students receive NEALP awards each year.

The funding for this item is provided by surcharges on the license renewal fees paid by registered nurses and licensed practical nurses.

C5:10: Human Service Project (ALI 235608)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
3H20 ALI 235608, Human Services Project	\$250,000	\$375,000	\$375,000
% change	--	50.0%	0.0%

This federally funded program supports the Medicaid Technical Assistance Policy Program (MEDTAPP). The program's goal is to obtain research findings to assist the administration's development of policies for improving the quality and cost effectiveness of healthcare delivered to the state's Medicaid population. Each year, the Ohio Department of Medicaid (ODM) estimates the number of research projects to be funded; the federal funds are then used to support those projects conducted by campus academics. MEDTAPP funding is made possible through federal pass-through dollars from ODM to DHE through an interagency agreement. The funds are distributed to the Ohio medical colleges and other universities through a competitive proposal process managed by ODM.

The executive budget recommends flat funding with the FY 2019 appropriation. According to DHE, actual spending can vary widely from year to year. Spending for FY 2019 is anticipated to be well below the appropriation.

Category 6: Basic and Applied Research

This category of appropriations provides research programs and institutions with the means to create new technologies and help the economic vitality of the state.

C6:1: Ohio Supercomputer Center (ALI 235510)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235510, Ohio Supercomputer Center	\$4,388,513	\$4,388,513	\$4,388,513
% change	--	0.0%	0.0%

This appropriation item supports the operations of the Ohio Supercomputer Center (OSC), located at the Ohio State University. OSC, established in 1987, provides faculty, students, and researchers at Ohio's public and private colleges and universities access to a statewide high-performance computing resource. OSC is also available to researchers in private industry on a cost-recovery basis. OSC users can access high-performance computing (HPC), including OSC's modeling and simulation services and support. HPC provides the most effective technological tools currently available for solving a range of engineering and scientific problems and enabling advanced research by Ohio's academic and business communities. In 2017, OSC served 2,202 clients across 23 universities and 48 companies. In addition, seven Ohio universities conducted 33 courses using OSC resources as part of their core curricula.

During the past several years, the center has expanded to provide training, scientific computing, and network research services to national HPC and networking groups, enhancing the services offered to Ohio users while building a national reputation. The two most recent capital appropriations acts provided over \$12 million in funding for new supercomputing and storage systems that significantly increase computing power and storage capacity. OSC is a member of OH-Tech, Ohio's statewide higher education technology consortium, along with eStudent Services, OhioLINK, and the Ohio Academic Resources Network (OARnet).

C6:2: Air Force Institute of Technology (ALI 235508)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235508, Air Force Institute of Technology	\$1,566,723	\$1,566,723	\$1,566,723
% change	--	0.0%	0.0%

This appropriation item supports graduate-level research projects at the Air Force Institute of Technology (AFIT) at Wright-Patterson Air Force Base and scholarships for graduate-level engineering students participating in the Defense Associated Graduate Student Innovators (DAGSI) Program, formerly known as the Dayton Area Graduate Studies Institute. AFIT, the first

joint research program between the state of Ohio and the U.S. Air Force, provides graduate-level education in logistics and engineering for Air Force personnel. DAGSI is an engineering graduate consortium including AFIT, the University of Dayton, Wright State University, the Ohio State University, and the University of Cincinnati. According to DHE, 71% of DAGSI graduates are working in Ohio.

C6:3: Federal Research Network (ALI 235654)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
5JCO ALI 235654, Federal Research Network	\$3,450,000	\$3,450,000	\$3,450,000
% change	--	0.0%	0.0%

This appropriation item funds a collaboration between the Ohio State University, federal installations in Ohio, public and private, nonprofit institutions of higher education, and the private sector to align the state's research assets with emerging missions and job growth opportunities emanating from federal installations, strengthen related workforce development and technology commercialization programs, and better position the state's university system to directly impact new job creation in Ohio. A portion of this appropriation will be used to support the growth of small business federal contractors in the state and to expand the participation of Ohio businesses in the federal Small Business Innovation Research Program and related federal programs.

According to DHE, cash in the Economic Development Programs Fund (Fund 5JCO) is expected to be fully expended by the end of the FY 2020. Therefore, the executive proposal directs \$6.9 million of FY 2019 GRF surplus revenue, if available, to Fund 5JCO to fully support the appropriations of the Federal Research Network in FY 2020 and FY 2021.

C6:4: Research Incentive Third Frontier (ALIs 235634 and 235639)

Earmark	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
Water quality improvement	\$2,000,000	\$2,000,000	\$2,000,000
Spinal cord research	\$0	\$1,500,000	\$1,500,000
Infant mortality reduction	\$1,000,000	\$1,000,000	\$1,000,000
Opiate addiction	\$1,000,000	\$1,000,000	\$1,000,000
Cyber-security initiatives	\$750,000	\$750,000	\$750,000
I-Corps@Ohio program	\$500,000	\$300,000	\$300,000
Ohio Innovative Exchange Program	\$0	\$200,000	\$200,000
Remainder – Collaborative research proposals	\$2,750,000	\$1,250,000	\$1,250,000
Fund 7011 ALI 235634 and Fund 7014 ALI 235639 total:	\$8,000,000	\$8,000,000	\$8,000,000
% change	--	0.0%	0.0%

These appropriation items fund the Research Incentive Third Frontier Program, which aims to enhance the basic research capabilities and promote new research strengths at Ohio's 13 public universities, one stand-alone public medical college, and two private universities (Case Western Reserve University and the University of Dayton) in order to strengthen academic research that contributes to economic growth. The program rewards institutions' successes in attracting external research funds by fractionally matching those external funds obtained during the previous year. Each institution must submit to DHE a plan that explains its allocation of the matching funds for (1) academic and state purposes, (2) strengthening research programs, and (3) increasing external funding. The plan must also include an evaluation process to determine and report the results of the increased state support. Further, an institution's plan must also demonstrate significant investments in Third Frontier activities funded at that institution.

Overall, the executive budget recommends appropriations of \$6.5 million in each fiscal year from Fund 7011 line item 235634, Research Incentive Third Frontier, and \$1.5 million in each fiscal year from Fund 7014 line item 235639, Research Incentive Third Frontier – Tax, to support a variety of earmarks and the above-mentioned collaborative research proposals. The executive budget continues to earmark portions of the combined \$8.0 million in each fiscal year for research on water quality, infant mortality, opiate addiction, and cyber-security initiatives at the levels in the current biennium. It also continues to earmark a portion in each fiscal year, albeit at a lower amount than the current biennium, for the I-Corps@Ohio Program, an initiative of DHE modeled after the National Science Foundation's I-Corps Program to assist faculty and graduate students from Ohio universities and colleges to validate the market potential of their technologies and assist with launching start-up companies. The executive budget adds earmarks for spinal cord research and the Ohio Innovation Exchange Program (OIEx), a project that provides a statewide research expertise portal and data-sharing model that highlights Ohio's biomedical and engineering faculty. OIEx's goal is aimed at enhancing inter-institutional collaborations, resource sharing, and improvement of industry collaboration, product development, and technology commercialization. The remainder of the line item, \$1.25 million in each fiscal year, will be used to fund collaborative research proposals at Ohio's research universities.

Category 7: Higher Education Collaboration

This category of appropriations serves the educational needs of Ohio's citizens through enhanced collaborations among institutions of higher education.

C7:1: OhioLINK (ALI 235507)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235507, OhioLINK	\$6,024,682	\$6,024,682	\$6,024,682
	% change	--	0.0%

This appropriation item supports the operations of OhioLINK, a statewide cooperative electronic library and information retrieval system. Created by the higher education community in 1989 to address a lack of adequate information resources available for research and teaching, OhioLINK enables access to the shared library collections of Ohio's public and private colleges and universities and the State Library of Ohio, with approximately 45 million library materials statewide. OhioLINK's goal is to provide easy access to information and rapid delivery of library materials throughout the state. OhioLINK offers the following electronic services: a library catalog, research databases, a multi-publisher electronic journal center, a digital resource commons, a growing collection of e-books, an electronic theses and dissertations center, and a music center. Other services include a digital asset management and preservation solution and integration with the Digital Public Library of America. OhioLINK staff has also negotiated approximately \$44 million worth of digital content on behalf of member libraries and partners in the Libraries Connect Ohio partnership. In FY 2018, OhioLINK negotiated price agreements for textbooks from major commercial publishers that it estimates may reduce student textbook costs by \$50 million each year.

Approximately 70% of operating funding is used to support core statewide electronic content licenses, including electronic journals and research databases, delivery courier services, or IT costs. Through the cooperative purchase and use of these electronic information resources, OhioLINK achieves significant economies of scale. Overall, OhioLINK reports serving approximately 533,000 individuals through its 118 member libraries in FY 2016. OhioLINK is a member of OH-Tech, Ohio's statewide higher education technology consortium, along with eStudent Services, OSC, and OARnet.

C7:2: Technology Maintenance and Operations (ALI 235417)

Earmark	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
Ohio Reach	\$0	\$150,000	\$150,000
Hocking College workforce training instruction programs	\$0	\$1,250,000	\$0
Remainder – eStudent Services, HEI system, information technology solutions	\$4,318,442	\$3,589,937	\$3,608,802
GRF ALI 235417 total:	\$4,318,442	\$4,989,937	\$3,758,802
% change	--	15.5%	-24.7%

Generally, this line item is used to support the development and implementation of information technology solutions designed to improve DHE's performance and capacity, which the executive budget specifically allows to be provided by OH-Tech, Ohio's statewide higher education technology consortium. More specifically, the purpose of the item is to provide Shared Infrastructure (SI) services to DHE. SI provides application and server infrastructure, endpoint management, program management, and local area network (LAN) services to support DHE business services. DHE indicates that the executive recommendations, for the most part, provide sufficient funding to support planned information technology projects in the upcoming biennium. The inclusion of the Ohio Reach earmark may delay some projects into the next biennium.

eStudent Services

The executive budget requires a portion of line item 235417 in each fiscal year be used for the eStudent Services Program, formerly called the Ohio Learning Network (OLN), a state-of-the-art statewide collaborative electronic education system. eStudent Services is a member of OH-Tech, along with OARnet, OhioLINK, and the Ohio Supercomputer Center (OSC). The eStudent Services network is implemented through three major programs:

- **Affordable Learning Ohio** supports higher education students through several initiatives led by OhioLINK to reduce the costs of textbooks and course materials. Initiatives include securing price agreements with commercial publishers, supporting inclusive access programs, creating and adopting the use of Open Educational Resources, supporting a statewide eTutoring program, and working with librarians to assist students and faculty to identify potential course materials available through libraries statewide;
- **eTutoring** collaborates with 35 institutions of higher education to provide interactive online tutoring with tutors trained in numerous academic areas, including math, sciences, and writing; and
- **OhioLearns** provides an online resource for public and private institutions to display and promote distance learning content, including full academic programs.

Higher Education Information (HEI) system

The executive budget also continues to require a portion of line item 235417 in each fiscal year be used for the Higher Education Information (HEI) system. This system holds public and private institutional data in the areas of facilities, faculty-staff, academic programs, enrollment, financials, and financial aid. These funds are to be used to implement a high priority data warehouse, advanced analytics, and visualization integration services. According to DHE, the bulk of the upgrades for the HEI system took place in the current biennium. Funding for the upgrades and maintenance of the HEI system was appropriated in H.B. 529 of the 132nd General Assembly, the current capital budget act.

Hocking College workforce training instruction programs

The executive budget earmarks up to \$1,250,000 in FY 2020 to be distributed to Hocking College to support the development and implementation of instructional programming in Fairfield County. The programming must focus efforts on creating and implementing a short-term certificate and apprentice pathway program, providing access to training programs for developmentally disabled clients, and supporting workforce training in the areas of advanced manufacturing and robotics. Hocking College must spend the earmarked funds by June 30, 2020.

Ohio Reach

The executive budget earmarks \$150,000 in each fiscal year to support Ohio Reach to provide mentoring and support services to former foster youth attending college.

C7:3: Ohio Academic Resources Network (ALI 235556)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235556, Ohio Academic Resources Network	\$3,077,343	\$3,077,343	\$3,077,343
% change	--	0.0%	0.0%

This program supports the operations of the Ohio Academic Resources Network (OARnet), which provides high-speed networking services to Ohio's higher education institutions, K-12 school districts, state and local governments, public broadcasting stations, and academic medical centers. OARnet provides Internet access to millions of Ohioans, including students, researchers, and the general public. The program, established in 1987, provides high-quality, fiber-optic, backbone Internet services to help link Ohio's academics to global information resources, distance learning, and state library networks such as OhioLINK. Today, there are more than 2,240 miles of fiber cable operating at 100, and sometimes 200, Gigabits per second.

Program funds are provided to Ohio's state-assisted campuses for improving research, distance learning, education and economic development programs, and maintaining and enhancing network connections, including base operations and expansions for enhanced connectivity, functionality, and services. OARnet directly connects 91 higher education institutions, providing high-speed network services to users. In addition, 22 information technology centers and seven large urban sites serving all of the state's K-12 districts, 12 local governments, 200 state agency sites, 11 hospitals, and nine public broadcasting stations are also directly connected to OARnet in partnership with the Broadcast Educational Media Commission and the Department of Education. In addition there are two connections to Internet2, the nationwide research and education network, and several connections to various national research laboratories, including Wright-Patterson Air Force Base, the Glenn Research Center, and the Pittsburgh Supercomputing Center.

OARnet will continue to lead the implementation of the state's upgrade to a 100G network system, intended to increase Ohio's computing capabilities and draw cutting edge research and business to the state and to meet the future demands of the K-12 community for online assessments and blended learning. The executive budget recommends flat funding for this appropriation item in FY 2020 and FY 2021, allowing long-term fiber cable replacement and short-term maintenance and upgrades to support the current and increasing capacity and capability of the network. Also, OARnet will be able to continue to support the "OneNetwork" project, which will eventually add nearly 2,300 state of Ohio government end-sites to the network and perform the necessary bandwidth capacity upgrades supported by the most recent capital budget. The executive budget also indicates that, to the extent that network capacity is available, OARnet must supply bandwidth to eligible economic development programs. OARnet is a member of OH-Tech, Ohio's statewide higher education technology consortium, along with eStudent Services, OhioLINK, and OSC.

C7:4: Articulation and Transfer (ALI 235406)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235406, Articulation and Transfer	\$1,818,557	\$1,844,372	\$1,851,773
% change	--	1.4%	0.4%

This appropriation item supports DHE's long-time efforts to achieve an effective statewide articulation and transfer system that addresses issues arising from the increasing student mobility throughout Ohio's higher education system, in particular those issues arising from the transfers of students and their course credits among state-assisted colleges and universities. The program also supports military and apprenticeship pathways and the articulation of credit from high schools, high school career-technical programs, and Ohio Technical Centers to public institutions of higher education. Each academic year, DHE estimates that as many as 40,000 students transfer between Ohio's institutions. The system facilitates transfers by establishing and implementing uniform course equivalencies and transfer policies, by creating a seamless transfer module so that course credits earned by students at one institution may be applicable or transferable to other institutions in Ohio, and by ensuring the equitable treatment of all students. DHE has been expediting the transfer process through the Articulation and Transfer Clearinghouse, which provides a central hub that transmits electronic transcripts and course alignment information in real time from one institution to another. The system's goals are to improve access to higher education and to promote students' college success. According to DHE, approximately 89,000 transcripts are processed through the Clearinghouse each year. At the proposed funding levels, DHE expects to maintain current service and activity levels. Additionally, the proposed funding levels may also permit DHE to expand its services related to the Ohio Guaranteed Transfer Pathways initiative, a mathematics pathway initiative, and the creation of Military Transfer Assurance Guides. All state articulation issues are overseen by the Articulation and Transfer Advisory Council, with members from Ohio's public colleges and universities and five officials from state and private organizations in both K-12 and postsecondary education.

C7:5: Library Depositories (ALI 235555)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235555, Library Depositories	\$1,397,132	\$1,396,592	\$1,396,592
% change	--	0.0%	0.0%

This appropriation item supports a collaborative effort among Ohio's public universities to provide high-density storage for rarely used and duplicative library materials, thereby providing an economical alternative to additional traditional library space that would be needed to store such materials. The item provides funding for the storage operations at five regional depositories. The goal is to provide highly efficient storage and delivery services for the public universities' expanded print collection and make them available to students, faculty, and researchers at all OhioLINK institutions.

The five regional depositories are located at the campuses of Miami University, the Northeast Ohio Medical University, Ohio University, the Ohio State University, and at the Northwestern Ohio Book Depository, which serves Bowling Green State University and the University of Toledo and its medical campus. The depositories are built and expanded in modular form, with each module typically holding approximately one million items. By the end of FY 2018, the five depositories held more than 8.6 million items, representing over 19% of the total number of items in the OhioLINK electronic library system. On average, the depositories are filled to 86% of capacity. The executive budget continues to permit OhioLINK to administer the program at the direction of the Chancellor. According to DHE, the current state allocation from line item 235555 supports approximately 73% of the libraries' total operating costs, with approximately \$500,000 each year in operating support provided by the participating libraries and a supplemental direct fund transfer of \$200,000 from OhioLINK supporting the remaining 27%.

C7:6: Midwest Higher Education Compact (ALI 235408)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235408, Midwest Higher Education Compact	\$111,550	\$115,000	\$115,000
% change	--	3.1%	0.0%

This line item supports Ohio's membership dues to the Midwest Higher Education Compact's (MHEC) commission for the next two fiscal years. The Midwest Compact is a nonprofit regional organization established in 1991 by an agreement among member states to advance higher education services and opportunities in the Midwest region. The Compact is charged with promoting interstate cooperation and resource sharing in higher education through cost savings programs, student access (including reduced tuition), and policy research.

The 12 member states of MHEC as of 2016 are Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin. The Compact's members meet twice each year to establish goals and priorities, review programs, and approve the operating budget.

Category 8: Planning and Coordination

This category of appropriations provides DHE and state-assisted institutions of higher education with operational and administrative support to perform efficiently and effectively.

C8:1: Operating Expenses (ALI 235321)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235321, Operating Expenses	\$5,642,617	\$5,825,252	\$5,762,414
% change	--	3.2%	-1.1%

This appropriation item equips DHE with essential resources, mainly personnel, to enable the agency to pursue its mandated mission to serve Ohio's colleges and universities and to provide higher education policy and budget advice to the Governor and to the General Assembly. This item supports the agency's personal services, maintenance, and equipment. In addition to these services, H.B. 64 of the 131st General Assembly incorporated the operations and maintenance of the HEI system and the administration of the Research Incentive Program into this line item beginning in FY 2016. According to DHE, the appropriation increase in FY 2020 is sufficient to accommodate planned salary increases, filling two existing vacancies, and other increasing operating costs. The subsequent decrease in FY 2021 may be absorbed through natural attrition. DHE duties and responsibilities are likely to expand over the biennium through the oversight of programs such as the proposed financial assistance program for students in industry-recognized credential programs, which is slated to receive \$15.0 million in each fiscal year under the budget of the Development Services Agency.

C8:2: Campus Safety and Training (ALI 235492)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235492, Campus Safety and Training	\$751,197	\$750,000	\$750,000
% change	--	-0.2%	0.0%

This appropriation item provides support for the "Changing Campus Culture" Program aimed at ending sexual violence on Ohio's college campuses. The program is guided by a five-point plan created in October 2015 to prevent and respond to sexual violence:

- use data to guide action;
- empower staff, faculty, campus law enforcement, and students to prevent and respond to sexual violence through evidence-based training;
- communicate a culture of shared respect and responsibility;
- develop a comprehensive response policy; and
- adopt a survivor-centered response.

According to the latest survey data from 81 responding campuses, 96% of campuses have collected climate survey data on sexual violence, 100% are implementing evidence-based training programs for sexual violence prevention, 98% are implementing evidence-based training programs to respond to sexual violence, 89% have implemented an awareness campaign on sexual violence, responses to sexual violence, or both, and 94% have implemented two or more survivor-centered strategies. The program aims to get 100% of Ohio's campuses to adhere to each of the prescribed five recommendations.

In the upcoming biennium, the line item will be used to continue developing model best practices in line with emerging trends, research, and evidence-based trainings. According to DHE, the recommended appropriation levels align the appropriation with anticipated activities over the upcoming biennium.

C8:3: Program Approval and Reauthorization (ALI 235614)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
2200 ALI 235614, Program Approval and Reauthorization	\$669,998	\$800,485	\$744,562
% change	--	19.5%	-7.0%

This appropriation item enables DHE to directly contract with and reimburse consultants who review and evaluate higher education institutions' degree program proposals, conduct institutional authorization and reauthorization reviews, and perform institutional oversight reviews for private, proprietary, and out-of-state institutions, pursuant to Chapter 1713 of the Revised Code. DHE's purpose in having programs and proposed programs reviewed by objective outside experts is to provide appropriate institutional oversight in order to ensure that Ohio's degree programs are of the highest educational quality.

The appropriation is supported by remittances from those institutions requesting reviews, evaluations, authorizations, and reauthorizations and participation in the State Authorization Reciprocity Agreement; the institutions are responsible for all costs associated with the authorization process. The remittances are paid into Fund 2200 of the Dedicated Purpose Fund Group, which funds the program's appropriations.

The costs incurred through approval and reauthorization are driven by the number of authorization requests that DHE receives from public, private, proprietary, and out-of-state institutions; the number of reauthorization requests received from currently authorized institutions; and the number of institutional oversight reviews performed by DHE. Each institutional request for authorization or reauthorization must be accommodated by DHE, which must also provide appropriate oversight reviews each year. The total number of reviews per year can vary depending on the institutions' circumstances. DHE is responsible for authorizing approximately 140 independent nonprofit institutions, for-profit career colleges and schools, and all degree-granting programs. According to DHE, the increase in appropriation for item 235614 in FY 2020 is due to the one-time cost of implementing a database system for tracking program approvals. In FY 2021, appropriation will be used, in part, for ongoing maintenance of the system.

C8:4: State and Non-Federal Grants and Award (ALI 235650)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
5FR0 ALI 235650, State and Non-Federal Grants and Award	\$1,402,150	\$1,402,150	\$1,402,150
% change	--	0.0%	0.0%

This line item is used to spend the proceeds of various temporary nonfederal grants. In recent years, programs funded from grants expended from this item include:

- Ohio Mathematics Bridges to Success Initiative (OMBS). A portion of the funds in this line item are used to spend the proceeds of a grant from the Leona M. and Harry B. Helmsley Charitable Trust for OMBS, which pilots the alignment of corequisite mathematics remediation with redesigned mathematics courses and degree pathways at six to eight campuses;
- Lumina Foundation grants. This program (1) sets and monitors progress toward statewide postsecondary attainment goals and (2) addresses barriers to postsecondary access, participation, and completion among military service members, veterans, and their families by convening stakeholders at meetings, workshops, and training events;
- Knowledge Development for Scaling Guided Pathways (SGP). This project provides applied research and strategic technical assistance support to the continuing efforts of Ohio’s community colleges and their partners to create “guided pathways” for students to postsecondary credentials and careers in fields of economic importance to the state;
- Strong Start to Finish. This program allows DHE, the Ohio Association of Community Colleges (OACC), and the Inter-University Council of Ohio (IUC) to partner with 18 community colleges and 12 universities to significantly increase the number of students completing college-level mathematics and English courses as part of a guided pathway within their first academic year. The goal of the three-year grant is to increase the percentage of students completing college-level mathematics and English courses in their first year of study to 50% by 2021.

C8:5: Conferences/Special Purposes (ALI 235675)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
5D40 ALI 235675, Conferences/Special Purposes	\$992,924	\$1,000,000	\$1,000,000
% change	--	0.7%	0.0%

This appropriation item receives registration fees paid by those persons participating in conferences and training related to educational technology as well as gifts and bequests for specific purposes. Moneys are used to pay for the costs associated with multiple statewide conferences, including the state’s annual Educational Technology Conference, and for the purposes specified by gifts and bequests.

C8:6: Sales and Services (ALI 235603)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
4560 ALI 235603, Sales and Services	\$71,000	\$199,250	\$199,250
% change	--	180.6%	0.0%

This appropriation item is funded from fees deposited into Fund 4560 of the Dedicated Purpose Fund Group and covers the costs of the production of official publications and the

delivery of services associated with DHE's Higher Education Information (HEI) system, as well as miscellaneous meeting expenses. The executive recommendation flat funds this item with the FY 2019 appropriation. Spending from this line item varies considerably from year to year. DHE anticipates FY 2019 spending from this item to be well below the appropriation.

Category 9: Ohio Tuition Trust Authority

This category of appropriations provides support for the operations and activities of the Ohio Tuition Trust Authority (OTTA) and Ohio's 529 college savings program oversight. OTTA was created in 1989 to provide a tax advantaged investment option for Ohio families to save for their children's college education. The Chancellor has governing power over OTTA's operations. The Ohio Tuition Trust Advisory Board acts as an advisory board to the Chancellor. The Advisory Board is made up of 11 members, including one appointed by the Governor that must have experience in the field of banking, investment banking, insurance, or law. All of OTTA's operations are funded through fee revenue generated through its programs – no expenditures are made from the GRF.

OTTA is responsible for Ohio's 529 college savings program, the College Advantage Savings Plan. A 529 college savings program is a state-operated investment plan named after the section of the federal Internal Revenue Code that specifies the various tax advantages of participating in the program. These tax advantages include tax-free growth while the value of the account accumulates, and withdrawals that are exempt from both federal and state income taxes if the distributions are used to pay for qualified higher education expenses. The qualified expenses include tuition, room and board, and any other fees or costs that are required for enrollment or attendance at the college or university. Funds invested in the plan may be used at any college in the country. Under federal tax law changes made in the Tax Cuts and Jobs Act (TCJA), H.R. 1 of the 115th Congress, 529 account owners are also permitted to use distributions from 529 plans to pay K-12 tuition and other education expenses up to \$10,000 per student, per year, for enrollment at public or private elementary and secondary schools. S.B. 22 of the 132nd General Assembly matched the expanded definition of eligible expenditures for 529 plans enacted by the TCJA. Taxpayers may claim a deduction on their state return for contributions made for previously ineligible education expenses.

C9:1: Variable Savings Plan (ALI 235663)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
5P30 ALI 235663, Variable Savings Plan	\$7,164,482	\$7,743,050	\$7,915,343
% change	--	8.1%	2.2%

Appropriation item 235663 supports the investment options that are currently open to new enrollments and contributions. The Variable Savings Plan includes four investment managers (BlackRock, Vanguard, Fifth Third Bank, and Dimensional Fund Advisors). The Variable Savings Plan serves approximately 618,000 beneficiaries with more than \$11.39 billion in total assets as of June 30, 2018. According to DHE, the overall proposed appropriation increases for

item 235663 in the next biennium will support planned salary increases, the hiring of two additional staff, and increased operating and data security costs.

BlackRock advisor-sold options

BlackRock Investment Management is OTTA's largest investment manager in terms of assets. BlackRock now offers more than 25 investment options, with 318,000 accounts and assets of \$5.41 billion as of June 30, 2018. OTTA receives two basis points (0.02%) on all advisor-sold assets under management and indicates that BlackRock's options are performing on par with expectations. In the FY 2020-FY 2021 biennium, OTTA has a goal to increase contributions in the advisor plan by 1%.

Direct options

In addition to advisor-sold options, OTTA has 24 options that investors can buy directly. Currently managed by three different investment managers (Vanguard, Fifth Third Bank, and Dimensional Fund Advisors), the direct options cover a range of investment options to meet a variety of investment needs. Like advisor plans, OTTA's administrative costs are funded through fees charged to customer accounts. OTTA receives 0.02% of a participant's assets invested in options offered through Vanguard and Dimensional Fund Advisors. OTTA receives 0.02% on all Fifth Third Bank assets under management, though this amount is paid to OTTA by Fifth Third Bank pursuant to a revenue sharing agreement. As of June 30, 2018, these programs had approximately 300,000 accounts combined with assets totaling \$5.98 billion. In the FY 2020-FY 2021 biennium, OTTA has a goal to increase contributions in the direct options plan by 10%.

C9:2: Guaranteed Savings Plan (ALI 235664)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
6450 ALI 235664, Guaranteed Savings Plan	\$943,893	\$956,973	\$1,001,626
% change	--	1.4%	4.7%

The oldest savings plan operated by OTTA, the Guaranteed Savings Plan, offered units which can be reimbursed for a portion of tuition, but no longer accepts new enrollments or contributions. Funding for this program comes from the reserve fund within the program, which contains fees that were assessed on each sale (approximately \$5 per contract) when the program was open for new enrollments and contributions.

Appropriation item 235664 pays for the administrative costs of operating the Guaranteed Savings Plan, which was established in October 1989. The proposed increase in appropriation for the program will be used to accommodate planned operating cost increases. The Guaranteed Savings Plan has been suspended for new enrollees since October 8, 2003, and suspended for new contributions to existing accounts since January 1, 2004. The Guaranteed Savings Plan suspension is due to an actuarial deficit, initially caused largely by the combination of the downturn in the economy and the stock market, and the large increases in tuitions at Ohio's public colleges and universities after the removal of tuition caps in FY 2002 and FY 2003.

Since new enrollments and contributions to the program have been suspended, the main activities of the program have been processing withdrawals, answering questions from program participants, and making program participants aware of investment options available under the Variable Savings Plan. The other priority of the program is to effectively manage the existing assets in the program to maximize the investment return while minimizing risk. Program staff will continue to provide the declining number of account holders with required communications, quarterly and annual statements, and tax forms. As of June 30, 2018, the Guaranteed Savings Plan had about 22,000 accounts and \$183 million in assets. OTTA reports that redemptions in FY 2018 were \$47.5 million, with expected redemptions of \$37.2 million in FY 2019, \$37.4 million in FY 2020, and \$35.5 million in FY 2021.

Category 10: Facilities and Debt Service

This category of appropriations provides funds for the servicing of debt obligations incurred by the state and for the administration of capital-related activities.

C10:1: Higher Education GO Debt Service (ALI 235909)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235909, Higher Education General Obligation Debt Service	\$295,783,018	\$323,545,500	\$348,550,200
	% change	--	9.4%
			7.7%

This item provides the funds necessary to make debt service payments during the FY 2020-FY 2021 biennium on general obligation (GO) bonds issued to build and renovate facilities at state-supported colleges and universities throughout the state. In November 1999, Ohio voters approved a constitutional amendment authorizing the state to issue GO bonds for funding higher education's capital projects. GO bonds are backed by the full faith and credit of the state and thus can be issued at lower interest rates than other types of bonds. Since FY 2000, only general obligation bonds have been issued for state-supported higher education capital projects. As of February 1, 2019, the state's outstanding debt on higher education general obligation bonds stood at approximately \$2.18 billion.

C10:2: Capital Component (ALI 235552)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
GRF ALI 235552, Capital Component	\$3,630,087	\$1,584,491	\$1,584,491
	% change	--	-56.4%
			0.0%

This item provides funding for campuses that requested and received capital appropriations lower than their formula-allocated capital appropriation amount in the capital formula used prior to FY 2012. The budget restricts the funds distributed through this line item to capital-related purposes. This appropriation item was established in FY 1998 to implement an incentive-based capital funding policy. Under this policy, DHE used a formula to recommend

capital funding based on the amount and age of space, the number of student enrollments, and the total capital appropriations available. Funding for the Capital Component Program is equal to the difference between DHE's recommended capital funding amount under the prior formula and actual capital appropriations received. In FY 2012, DHE established a new method of making campus capital allocations based on statewide priorities and cooperative strategy among the institutions. Funding for the program continues, however, for outstanding debt issued for capital appropriations prior to FY 2012.

The SSI formula reduces a campus's SSI subsidy if the campus requested and received capital appropriations greater than its formula-determined amount. The reduction amount equals the difference between a campus's formula-determined debt service amount in the prior capital formula and the debt service amount actually received by the campus. For all applicable campuses, these reduced subsidies are deducted from GRF appropriation item 235501, State Share of Instruction, and transferred to the Capital Component appropriation item.

The executive budget's proposed decrease of more than \$2.0 million in FY 2020 and flat funding in FY 2021 is due to the ongoing phase-down of the funding necessary to meet the state's commitments with the policy in place prior to FY 2012. Eleven institutions are likely to have their SSI allocations reduced by a total of \$2.0 million by the end of FY 2019. Those SSI reductions are transferred to this appropriation item. These institutions have requested and received capital appropriations above their formula-allocated amounts. The transferred funds and the original appropriations are distributed to the remaining eligible institutions.

C10:3: Higher Educational Facility Commission Administration (ALI 235602)

Fund/ALI	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
4E80 ALI 235602, Higher Educational Facility Commission Administration	\$50,437	\$53,239	\$60,000
	% change	--	5.6%
			12.7%

This item supports DHE's administration of the Higher Educational Facility Commission (HEFC), an agency of the state that provides for the issuance of tax-exempt revenue bonds for Ohio's independent nonprofit private colleges and universities and nonprofit hospitals and healthcare systems. DHE staff support includes accounting and recordkeeping, scheduling and coordinating HEFC meetings and project applications, and preparing HEFC's annual report.

HEFC is an agency of the state of Ohio; therefore, interest on bonds issued by HEFC is exempt from federal and state taxes. This allows HEFC to provide capital loans to Ohio's independent nonprofit colleges, universities, and hospitals at lower costs than they could obtain on their own. Each eligible entity pays an application fee of \$500 plus 0.01% of the amount issued, with a minimum of \$3,000 and a maximum of \$25,000 for each bond issuance. The fee is deposited in the HEFC Operating Expense Fund (Fund 4610) and used to fund the operations of HEFC. While the bonds issued by HEFC are held by the state, the university or hospital for which the bonds are issued makes all of the principal and interest payments. The

state disclaims any liability in the case of default. When HEFC approves a capital loan for an eligible university or hospital, it enters into an agreement with that borrower under which the borrower leases the HEFC-assisted facility from HEFC and pays rent in amounts needed to retire the bonds.

HEFC does not have a separate staff or permanent offices, it relies on bond counsel (who is paid by the universities and hospitals for which bonds are issued) and the support of DHE for its operations. The executive budget authorizes the transfer of up to \$50,000 in both FY 2020 and FY 2021 from Fund 4610 to the HEFC Administration Fund (Fund 4E80) used by DHE, in order to enable DHE to perform HEFC's administrative duties.