
POLICY MATTERS OHIO

CLEVELAND: 3631 PERKINS AVENUE SUITE 4C - EAST • CLEVELAND, OHIO, 44114 • TEL: 216/361-9801 • FAX: 216/361-9810
COLUMBUS: 300 EAST BROAD STREET, SUITE 490 • COLUMBUS, OHIO, 43215 • TEL: 614/ 221-4505 • FAX: 614/ 224-8132
[HTTP://WWW.POLICYMATTERSOHIO.ORG](http://www.policymattersohio.org)

BUDGET BRIEF

Higher education in the 2012-13 Proposed Budget

Wendy Patton

03/31/2011

Introduction

The Executive Budget proposed for the 2012-13 biennium in Ohio would cut the total budget for the Ohio Board of Regents by \$413 million dollars or 8.1 percent over the biennium, compared with spending in the prior two-year budget period. On a year-to-year basis, there is a cut of \$269.2 million in 2012 compared to 2011, followed by an increase of \$85.1 million in 2013. The Executive Budget does not replace stimulus dollars invested by the prior administration in the state share of instruction (SSI), the funding stream that supports classroom instruction. Therefore, the budget proposal for the upcoming biennium contains a cut to SSI of \$490 million, or 12.3 percent, compared to the previous biennium. On a year-to-year basis, this is a cut of \$262.8 million to SSI in 2012 compared to 2011, a 13.15 percent cut, and an increase of \$15.7 million in 2013 compared to 2012, a 0.9 percent increase.

At the same time, a 3.5 percent tuition cap is imposed for both 2012 and 2013. Financial aid for low-income students is cut by 5 percent. Funding for debt service and facilities rises by \$59 million or 13.9% compared to the prior biennium. The governor has implied that elimination of collective bargaining, lower benefits, changes in construction protocol and a movement toward privatization through a proposed 'charter university' status would allow colleges and universities to compensate for the cut in state aid while honoring a tuition cap. The Ohio Board of Regents is being asked to shift from a focus on the classroom, access and affordability to a renewed interest in capital development and new privatization options.

Overview of the proposed budget for higher education

The proposed FY 2012-13 budget for the Ohio Board of Regents contains a decrease of 10.5 percent in 2012 and 3.7 percent in 2013 on an all-funds basis (Table 1). This analysis includes the American Recovery and Reinvestment Act dollars that were used for fiscal stabilization in the previous budget. These dollars were flexible and were appropriated to prevent shortfalls in the Board of Regents budget by the 128th General Assembly. The loss of this subsidy is a loss of operating support to universities and colleges (Table 2).

Table 1: Biennial funding for Ohio Board of Regents (millions of dollars)

State fund	FY2010-11	FY2012-13	Difference	Change
State GRF	\$4,405,865	\$4,529,771	\$123,906	2.8%
Federal recovery act funds	\$589,825	\$-	\$(589,825)	-100.0%
GSF	\$9,029	\$43,168	\$34,139	378.1%
Federal special revenue	\$74,296	\$70,096	\$(4,200)	-5.7%
State special revenue	\$4,075	\$24,829	\$20,754	509.3%
Third Frontier	\$13,877	\$16,000	\$2,123	15.3%
Totals	\$5,096,967	\$4,683,864	\$(413,103)	-8.1%

Source: Policy Matters Ohio, based on Executive Budget Proposal for Ohio, 2012-13

Table 1 illustrates that within the proposed executive budget, General Revenue Funding (GRF) for higher education increases by 2.8% or \$123 million. The largest component is from robust growth of 13.9 percent within the 'Facilities and Debt Service' group, which increases over the biennium by \$59.91 million dollars. The biennial increase in the General Services appropriation is due to the creation of a new statewide cooperative education and internship program. The State Special Revenue fund grows by about \$20 million because of the merger of the Tuition Trust Authority into the Board of Regents, as per the 128th General Assembly.

Table 2: Detail from GRF: State Share of Instruction (millions of dollars)

Budget Fund	FY2010-11	FY2012-13	\$ change	% change
<i>State Share of Instruction (SSI)</i>	\$3,387,343	\$3,486,755	\$77,622	2.3%
<i>Federal Recovery Act funds in the SSI</i>	589,825	\$-	\$(589,825)	100.0%
TOTAL	\$3,977,168	\$3,486,755	\$(490,413)	12.3%

Source: Policy Matters Ohio, based on Executive Budget Proposal for Ohio, 2012-13

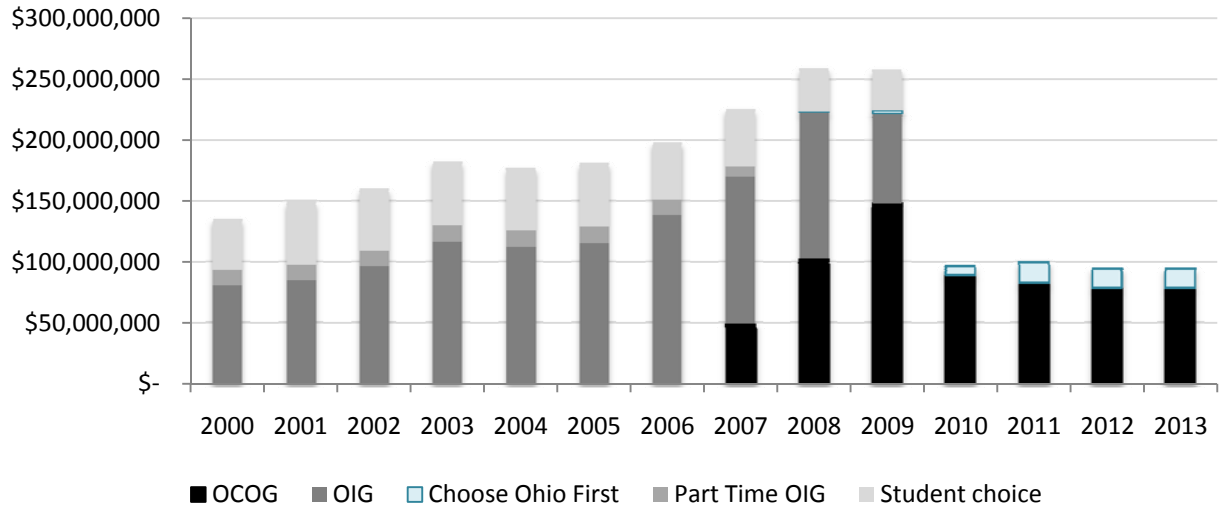
Although there is growth of some program areas within the Board of Regents Budget, failure to replace federal stimulus in the state share of instruction leads to a great shortfall in that program area (Table 2). Combined with a proposed tuition cap of 3.5 percent, this may encourage universities to seek a privatized 'charter' status, which could be permitted to avoid tuition caps.¹ Ohio has seen tuition spikes prior to freezes implemented during the Strickland Administration.² This would create additional barriers for students from low-income families to obtain a college degree.

The Blue Book states an objective of increasing access to college by providing financial aid through the Ohio College Opportunity Grant, but the line item for that program takes a 5% cut in 2012 and remains flat-funded in 2013. This follows a downward trend in financial aid for low-income students within Ohio's higher education system in the last biennial budget (Figure 1).

¹ Virginia introduced charter university status in 2005; Virginia Commonwealth University raised tuition by 24 percent in the current year. Sarah Kaminsky, Ohio Chapter of the American Association of University Professors, "Charter Universities would be bad for students, taxpayers," The Columbus Dispatch, March 12, 2011.

² At four-year public universities inflation-adjusted tuition increased by an average of 37.5 percent between 2000 and 2004; at two-year public campuses, the increase was an average 26.2 percent. From Policy Matters Ohio, *Below the Curve*, May 2006

Figure 1: Trends in Financial Aid for Low Income Students

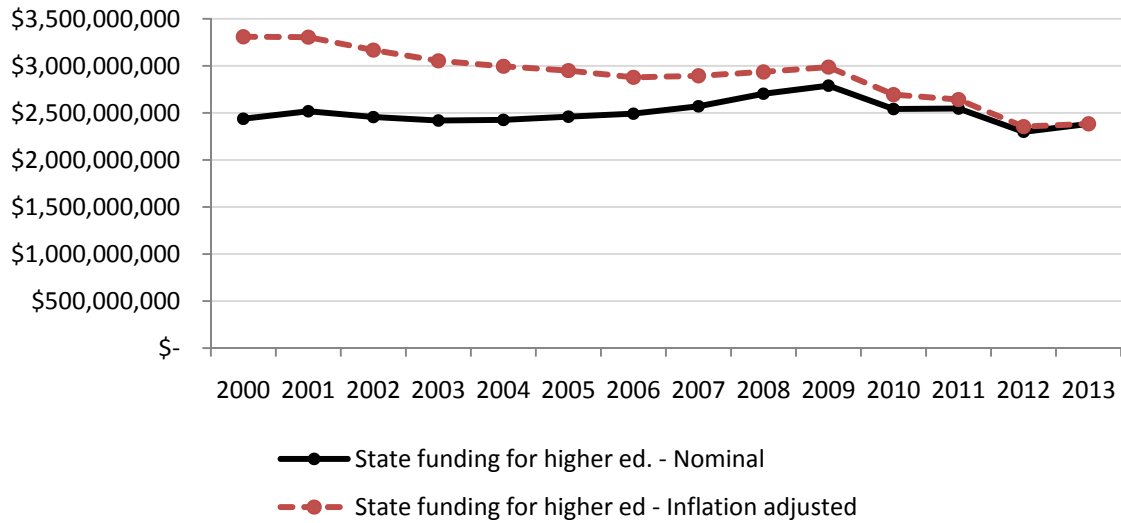


Source: Policy Matters Ohio, based on data from the 2012-13 Executive Budget Proposal for Ohio and on Legislative Service Commission’s Line Item in Detail for prior General Assemblies.

Higher education funding: The 13-year trend

Altogether, funding for higher education has had some upward spikes, but would end up essentially flat-funded in nominal dollars from 2000 to 2013 under the proposals for the upcoming biennium. Figure 2 illustrates how inflation has eroded funding over time.

Figure 1: Total funding for Ohio Board of Regents, 2000-2013

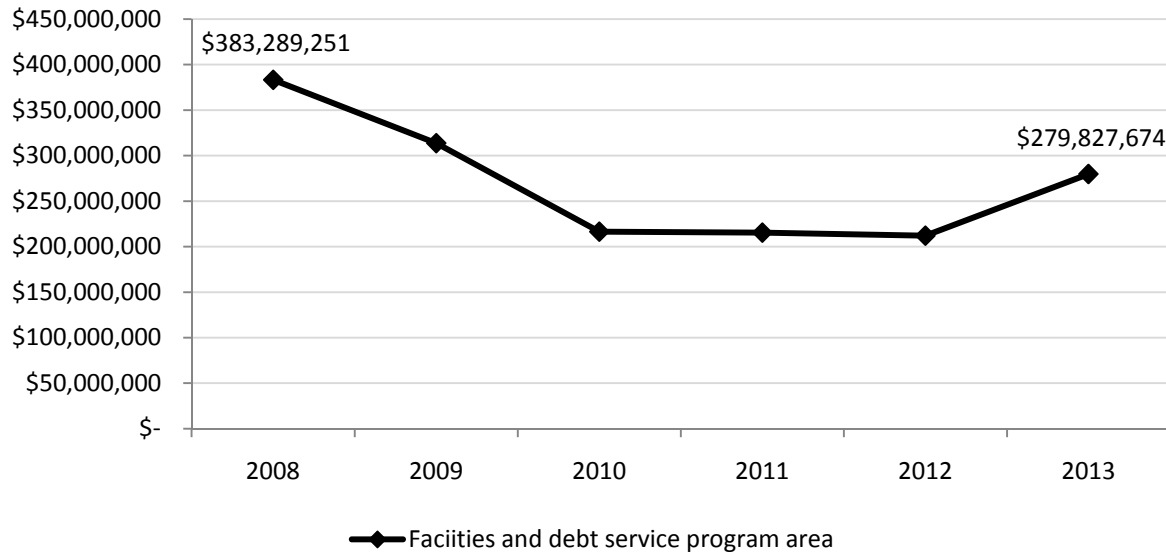


Source: Policy Matters Ohio, based on data from the 2012-13 Executive Budget Proposal for Ohio and on Legislative Service Commission’s Line Item in Detail for prior General Assemblies. Inflation of 1 percent annually is used for FYs 2011, 2012 and 2013.

New options proposed in the Executive Budget

The budget cuts funding for higher education substantially. Other policy changes are designed to cut costs in higher education. These include curtailing collective bargaining, reducing employers' share of pension payments and changing construction rules. Universities face maintenance of aging facilities and a renewed focus on capital development. In the past five years, the capital component of the budget dropped sharply, but it rises robustly in 2013 (Figure 3).

Figure 3: Changes in the facilities and debt service budget in Higher Education, 2008-2013 (nominal dollars)



Source: Policy Matters Ohio, based on data from the 2012-13 Executive Budget Proposal for Ohio and on Legislative Service Commission's Line Item in Detail for prior General Assemblies.

The proposed budget for the Ohio Board of Regents reflects the approach of the Kasich Administration to the shortfall in revenues for the state budget. The fiscal crisis of the state is passed down to the local level – in this case, to the campus - with the counsel that elimination of collective bargaining, changes in pension payments and privatization may compensate for the shortfall. We also see aid to low-income students reduced while year-over-year tuition hikes of 3.5 percent are allowed over the biennium.