

- State Share of Instruction increases by 0.6% in each fiscal year. Challenges are reduced from their FY 2001 levels.
- Tuition/fee caps are eliminated.
- Selected student financial aid programs continue growth.
- New initiative: Appalachian New Economy Partnership
- Studies required: Regents' subsidy allocation formulas; Ohio Plan funding

## Ohio Board of Regents

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### ROLE

The Ohio Board of Regents (BOR, or Regents) coordinates higher education in Ohio. Its primary missions are to distribute funds to state-assisted higher education institutions and to promote Ohioans' access to higher education for career preparation and advancement, economic and social mobility, and personal intellectual development. The regents are ultimately responsible for ensuring that the state's higher education enterprise has the resources, direction, and incentives to efficiently and effectively create, disseminate, and apply knowledge.

The BOR is governed by a nine-member board appointed to nine-year terms by the Governor with the advice and consent of the Senate. Two additional (non-voting) members of the board are the chairmen of the education committees of the Senate and House of Representatives. Day-to-day administration of Regents is the responsibility of a chancellor, who is appointed by the board and is the BOR's chief administrative officer.

Regents is responsible for 62 state-assisted colleges and universities throughout Ohio: 13 universities, 24 university regional campuses, two separate medical colleges, 15 community colleges, and eight technical colleges. For these institutions, the regents have statutory authority to coordinate, recommend, advise, and direct state higher education policy.

Regents' annual budget amounts to some \$2.6 billion (FY 2002) currently appropriated across some 79 line items, 66 of which are funded by the state's General Revenue Fund (GRF). The line items are organized into 11 program series, which are groupings of similarly oriented appropriations. The great majority of Regents' budget is taken up by just one of these program series, Core Institutional Support (Program Series 1); its appropriation for FY 2002 is \$1.80 billion. In turn, the great majority of this program series' total appropriation is taken up by just one line item, the State Share of Instruction (formerly called the Instructional Subsidy), which provides general operating support to all state-assisted colleges and universities; its appropriation for FY 2002 is \$1.66 billion.

Agency in Brief					
Number of Employees	Total Appropriations-All Funds		Total GRF Appropriations		Appropriation Bill(s)
	2002	2003	2002	2003	
83	\$2,575.0 million	\$2,597.0 million	\$2,565.1 million	\$2,589.2 million	Am. Sub. H.B. 94

Besides the State Share of Instruction, additional funding under Program Series 1 is provided to campuses by means of several special mission-oriented, performance-based “Challenge” line items, including the Jobs, Access, Success, Research, and Productivity Improvement Challenges, and Computer Science Graduate Education (formerly called Priorities in Graduate Education).

## OVERVIEW

### *APPROPRIATIONS OVERALL*

The Board of Regents’ budget for the FY 2002-FY 2003 biennium is one of little change, with total appropriation increases of less than two percent for FY 2002 and less than one percent for FY 2003. However, several new initiatives are included.

As can be seen from the table above, Regents is funded at \$5.17 billion over the FY 2002-FY 2003 biennium, for a 4.2 percent (\$207.6 million) increase over the \$4.96 billion of the previous biennium. However, the agency’s total annual appropriation increases are just 1.93 percent and 0.86 percent for FYs 2002 and 2003, respectively. (These percentage increases compare to the executive’s estimated Consumer Price Index inflation rates of 2.5 percent and 2.8 percent for these two fiscal years.)

The General Revenue Fund (GRF) appropriations increase by 1.86 percent and 0.94 percent, respectively, for a biennial increase of \$203.5 million, or 4.1 percent. The GRF total appropriation again constitutes 99.7 percent of the 79-line budget’s total appropriation.

### *SIGNIFICANT APPROPRIATION ITEMS*

***State Share of Instruction:*** Almost 65 percent of the budget is taken up by just one line item, the State Share of Instruction (SSI), which is the main source of direct aid to the state-assisted colleges and universities. The SSI increases by just 1.85 percent and 0.58 percent in FY 2002 and FY 2003, respectively, to \$1.66 billion in FY 2002 and \$1.67 billion in FY 2003. The SSI total biennial appropriation of \$3.33 billion represents an increase of 3.0 percent, or \$97.5 million, which is 47 percent of the BOR’s total budget increase. The appropriated SSI funds are allocated by formula among the individual institutions; however, under the budget’s annual hold-harmless provision, each campus is guaranteed that its SSI allocation for each year of the biennium will not be less than the amount received in the previous year.

***Challenges:*** After seeing triple-digit increases in the previous biennium, the Challenge programs’ appropriation increases are limited for the new biennium, although they are still significant. The combined biennial appropriations of the five main Challenges (the Jobs, Access, Success and Research Challenges, and Computer Science Graduate Education) increase by 20.7 percent, from \$236.9 million in the previous biennium to \$285.9 million in the new one. This \$49.0 million increase comprises almost 24 percent of the \$207.6 million biennial increase for BOR. Challenge line items amounted to 4.8 percent of total BOR spending in the last biennium; the new budget devotes 5.5 percent of the total to these items.

***Tuitions and fees:*** The budget eliminates the tuition/fee caps, which had limited the institutions’ abilities to increase in-state undergraduate tuitions and fees. The caps had been set at six percent per year for university main campuses (four percent per single vote of a board of trustees) and three percent per year for two-year and university branch campuses. Note that the budget frees the campuses to raise their own tuitions and fees at the same time that it holds the campuses’ annual increases in the state’s main subsidy (the SSI) to less than one percent per year.

**Student financial aid:** Most of the student financial aid programs, including the Ohio Instructional Grants and Student Choice programs, are either flat-funded or given small increases for the new biennium. The major exceptions are the Ohio Instructional Grants, with increases of 15 percent and 14 percent in the two fiscal years; the War Orphans Scholarships, with increases of 25 percent and 3 percent; and the Ohio National Guard Scholarship Program, with increases of 50 percent and zero percent. The appropriation changes generally reflect increases in the grant amounts, improved forecasting methods and/or changes in the anticipated numbers of participating students.

**Agricultural, medical, Central State University:** Spending on each of the two major agricultural programs is increased by 1.0 percent in FY 2002, then held at that level for FY 2003. For both line items combined the biennial increase is 2.9 percent, to \$132.9 million. Medical school subsidies also remain relatively flat for the biennium, with most items receiving 1.0 percent increases in FY 2002 and then being held almost flat at \$75.5 million for FY 2003; there are minor increases and decreases among the 14 line items, although Human Services Project (discussed under Program Series 3, below) receives a significant increase. The combined biennial increase is 3.2 percent, to \$150.9 million. The Central State Supplement remains essentially flat for each year at its FY 2001 level of \$12 million.

**Debt service:** Beginning with the new biennium, the state's contributions to the higher education institutions' capital construction projects will be financed by general obligation bonds instead of the special obligation (revenue) bonds that have been issued to the present time, since the general obligation instruments are expected to achieve lower interest rates. The special obligation bond issues have, therefore, been discontinued. To service the new type of debt, a new line item is created, 235-909, Higher Education General Obligation Debt Service, to complement the existing special obligation debt service line item, 235-401, Lease-Rental Payments. The latter's appropriations will decline over time, reaching zero in FY 2014, when the last of the special obligation bonds will be retired. For these two line items combined the total debt service appropriation increases by 1.1 percent to \$688.4 million for the biennium.

### ***NEW INITIATIVES AND APPROPRIATION ITEMS***

The budget establishes the following new initiatives and appropriation items for the biennium:

**Appalachian New Economy Partnership:** This new program, 235-428, Appalachian New Economy Partnership, receives \$1.0 million and \$1.5 million in FYs 2002 and 2003, respectively, to begin a multi-campus and multi-agency coordinated effort under the leadership of Ohio University to link Appalachia to the new economy. The program will support private/public technology partnerships in the 29 Appalachia counties.

**Job Preparation Initiative:** This new program, 235-613, Job Preparation Initiative, is designed to build the capacity of Ohio's two-year campuses to provide training and assessment services to public-assistance recipients to improve their employability.

**Gear-up Grant:** This new appropriation item, 235-611, Gear-up Grant, supports the national Gear-up program, a federal program that promotes college awareness in order to attract more students to college and to enhance the transition to higher education. The program encourages young people to stay in school, take challenging courses, and go on to college.

**Perkins Grant:** This new appropriation item, 235-612, Carl D. Perkins Grant/Plan Administration, supports the administration of the federal program established by the Carl D. Perkins Act, which provides the direction and funding to support the improvement of vocational, career, and technical education. In Ohio, this item supports the Tech Prep program, which is oriented toward vocational education.

**Debt service:** The budget establishes appropriation item 235-909, Higher Education General Obligation Debt Service, to provide funds to service this new category of debt, general obligation bonds, which replaces the revenue bonds that had been used to finance Regents' and the institutions' capital expenditures. (See the previous section.)

**Ohio Plan Study Committee:** The executive version of the budget had proposed the Ohio Plan (235-426), with funding of \$10 million and \$30 million in FYs 2002 and 2003, respectively, to promote economic growth through public/private research, development, and commercialization initiatives in the fields of biotechnology, nanotechnology and information technology. The enacted budget excludes funding for the plan but establishes the Ohio Plan Study Committee, a joint executive/legislative group that is to determine appropriate ways to fund what it calls the Ohio Plan for Technology and Development. Administrative support for the committee is to be provided by the BOR. The committee will report to the Governor and the General Assembly by December 31, 2001.

**Instructional Subsidy and Challenge Review Committee:** The budget establishes this joint executive/legislative/institutional committee to perform "a comprehensive review of the allocation formula for the State Share of Instruction appropriation item as well as all of the 'Challenge' appropriation items contained in the Board of Regents' budget." The committee will report to the General Assembly not later than December 31, 2001.

**Science and Technology Collaboration:** The budget bill calls for the BOR to collaborate with the Department of Development, the Biomedical Research and Technology Transfer Commission, and the Technology Action Board in the management of twelve specified appropriation items concerned with research, development and technology, as well as other technology-related appropriations and programs in Development and Regents. The purpose of this joint effort is "to ensure implementation of a coherent state strategy with respect to science and technology." The twelve appropriation items will be reviewed annually by the Technology Action Board with respect to their development of "complementary relationships within a combined state science and technology investment portfolio and its overall contribution to the state's science and technology strategy." The annual review will be a comprehensive review of the entire state science and technology program portfolio rather than a review of individual programs.

### ***ELIMINATED APPROPRIATION ITEMS***

The new budget discontinues appropriations for several items that were funded in the previous budget and/or for which disbursements were made in the two previous fiscal years:

- 235-416, Performance Challenge (Program Series 1): The appropriation supported the implementation of the two-year Campus Service Expectations program, which was intended to improve access for every Ohio citizen by ensuring that two-year campuses provided a minimum array of needed educational services. This program was eliminated in FY 2001 in favor of providing more funding to 235-415, Jobs Challenge.
- 235-421, Higher Education Efficiency Challenge (Program Series 7): The appropriation supported a competitive grant program administered by the Board of Regents for institutions that submitted winning plans for improving their operational efficiencies.
- 235-451, Eminent Scholars (Program Series 1): The appropriation supported matching endowment grants to campuses for the purpose of attracting and sustaining scholar-leaders of national or international prominence who would assist the state in improving its economic development, strengthening its system of K-12 education, and improving public health and safety.

- 235-518, Capitol Scholarship Programs (Program Series 4): (However, temporary language is added to permit the Chancellor of the Board of Regents to provide up to 125 scholarships of \$2,000 each to Ohio students by transferring any funds from any appropriation within the budget of the Board of Regents that the chancellor determines to be unused and available, not to exceed \$250,000 in any fiscal year.) The appropriation supported scholarships for Ohio full-time higher education students to attend internships in Washington, D.C. The internships are sponsored by the Washington Center of Internships and Academic Seminars.
- 235-523, Center for Labor Research (Program Series 6): This appropriation supported the Center for Labor Research at the Ohio State University. The center focuses on labor education through research and educational programs.
- 235-590, Twelfth-grade Proficiency Stipend (Program Series 4): This appropriation supported the program to pay \$500 for the benefit of each 12<sup>th</sup>-grade student who passed all five parts of the 12<sup>th</sup>-grade proficiency test and then went on to higher education. The last stipend under this program will be paid in FY 2001.

## ***STAFFING***

Staffing at the Board of Regents included a total of 80 persons near the end of FY 2001. It is expected to reach a level of 83 during FY 2003.

## **BUDGET ISSUES**

### ***CORE INSTITUTIONAL SUPPORT (PROGRAM SERIES 1)***

For the FY 2002-FY 2003 biennium this program series' total appropriation increases by \$146.5 million, or 4.2 percent over that of the previous biennium, to \$3.61 billion. The annual increases for the two fiscal years are 1.29 percent and 0.54 percent, respectively. For the biennium, Program Series 1 comprises 69.9 percent of the total BOR budget and 70.5 percent of the agency's biennial budget increase.

This program series is the state's primary financial support to higher education in Ohio. Its programs comprise several line items that provide operating subsidies to Ohio's state-assisted higher education institutions, thereby giving basic state support for instruction and general activities on the campuses. The series' component line items are the State Share of Instruction (formerly called the Instructional Subsidy), with more than 92 percent of the series' budget, and the Challenge programs. The latter line items support several activities not funded through the State Share of Instruction; their appropriations are allocated to the campuses by formulas different from that used for the SSI allocation.

#### **Budgeted line items**

235-415 Jobs Challenge	235-454 Research Challenge
235-418 Access Challenge	235-501 State Share of Instruction
235-420 Success Challenge	235-554 Computer Science Graduate Education (formerly called Priorities in Graduate Education)

#### **Eliminated line items**

In this program series, fundings for appropriation items 235-416, Performance Challenge; 235-421, Higher Education Efficiency Challenge; and 235-451, Eminent Scholars, were eliminated from the FY 2002-FY 2003 biennial budget vs. the previous budget.

## **State Share of Instruction, annual hold harmless provision, and tuition caps**

### ***State Share of Instruction appropriation***

The State Share of Instruction (SSI) appropriations are \$1.659 billion and \$1.669 billion for FY 2002 and FY 2003, respectively, for annual increases of 1.85 percent and 0.58 percent, and a biennial increase of \$97.5 million, or 3.02 percent. The executive budget contained higher appropriations for the two years, \$1.68 billion and \$1.72 billion, respectively, for annual increases of 3.2 percent and 2.0 percent; but these were reduced to the indicated levels before enactment.

At the enacted levels of funding, this single line item again accounts for approximately 92.1 percent of the Program Series 1 biennial appropriation (down from 93.2 percent in the previous biennium) and 64.3 percent of the Board of Regents' total budget. Further, with an increase of \$97.5 million, this item takes the biggest share (47 percent) of Regents' total biennial budget increase of \$207.6 million.

The State Share of Instruction (SSI) supports all of Ohio's public-assisted higher education institutions in their efforts to reduce the tuitions and fees charged to students. It is intended to partially offset the cost of a college education for Ohio residents attending Ohio's state-assisted institutions. These institutions give due consideration to the instructional subsidy amounts allocated to them when determining the tuition levels they will charge; they look to the subsidies to enable them to restrain tuition increases in order to ensure their students' financial access to higher education.

### ***Allocations of the State Share of Instruction***

The allocations of the State Share of Instruction appropriations to the individual institutions for each year of the new biennium are provided by the table, State Share of Instruction by Institution, at the end of this section. It should be noted that the SSI allocation formula will be the subject of a study to be performed by a special committee created by this budget. The committee is described later in this section.

***Description of the formula:*** The allocations of SSI funds are determined by a formula that encompasses enrollment, campus space and activities, and certain institutional costs and other factors. The formula is maintained and implemented by the board, which updates it periodically in consultation with the colleges and universities in order to better support statewide higher education goals.

The formula divides the SSI allocation into two main expenditure areas: (1) the "aggregate expenditure" area, containing two expenditure categories, one for instruction/support services and one for student services; and (2) the "plant operation and maintenance" (POM) area, also with two expenditure categories, one for campus building spaces and one for student activities. All categories except the one for building spaces allocate portions of the SSI appropriation based on student enrollments (FTE's); the space category uses square-footages of campus buildings.

To allocate the instruction/support services portion of the appropriation across each campus's range of student curriculums, the formula uses a group of fourteen non-doctoral program expenditure (curriculum) models. The budget sets a dollar subsidy amount per student enrollment FTE for each model, specific to each category. Simply stated, multiplying a model's dollar amount by the campus's FTE for that model gives the model's total expenditure; the total expenditures for the fourteen models are added to give the campus's total formula expenditure for that category. This approach, albeit with different dollar amounts for the fourteen models, is used for the other two enrollment-based allocation categories, student services and student activities.

For the space category, instead of the fourteen program expenditure models, the formula uses seven types of campus space (classrooms, laboratories, offices, etc.). The budget sets a dollar subsidy amount per square foot for each type of floor space. Then a campus's square footage for each type is multiplied by that type's dollar amount. The totals for the seven types of space are added to give the campus's total subsidy for the space category.

After calculating a campus's total for each of the four expenditure categories, the formula then combines these four amounts into an aggregate expenditure amount. From this aggregate amount it then subtracts the amount of revenues, in the form of student tuitions and fees, that the campus will be assumed to collect during the academic year. The resultant amount is the campus's shortfall of revenues from expenditures; this shortfall amount is the amount to be subsidized by payments from the State Share of Instruction appropriation.

In general, the instruction/support services category allocates about 80 percent of the total SSI appropriation. Thus, the allocation of the SSI subsidy is heavily weighted toward enrollment.

***The FY 2002-FY 2003 biennium:*** For the new biennium the allocation formula for the instruction/support services category increases the dollar amount per FTE in each fiscal year for each of the 14 non-doctoral program expenditure models. These amounts are increased from the FY 2001 amounts by 4.4 percent for the Technical II model to 19.1 percent for General Studies I. The three General Studies models receive the largest increases, followed by the three Masters and Professional models.

The formula also revises the student services category by allowing a different dollar amount for each of the 14 program expenditure models. Previously the formula for this component used a common dollar amount for all 14 models. While the dollar amounts do vary by model in FY 2002, they again are the same for FY 2003. The increase from the FY 2001 common amount of \$594 to the FY 2003 level of \$747 is 25.8 percent.

For the POM student activity-based subsidy, the budget increases, for each fiscal year, the dollar subsidy amount for each of the 14 non-doctoral program expenditure models. The increases among these models range from 3.2 percent to 29.1 percent for FY 2002 and from 3.2 percent to 16.9 percent for FY 2003. In general, the largest increases are given to the Masters and Professional II and III models; the smallest increases are given to the Baccalaureate I and III and the two Medical models. As before, the budget includes a hold-harmless provision in the calculation of the POM subsidy for each campus. The provision calls for the POM subsidy to be the greater of the space-based subsidy category and the activity-based subsidy category.

For the space category, the formula's dollar amount per square foot for each of the seven types of space shows little or no change from FY 2001 to FY 2002; however, each type of space is given a 4.2 percent increase for FY 2003.

***The MPD I model:*** For the new biennium the allocation formula creates a new program expenditure model, called the Blended MPD I model, to include the education and business masters-degree curriculums. These curriculums had been included in both masters and doctoral models. The new model, to be subsidized at a lower-than-doctoral level of allocation, is intended to keep these two curriculums' subsidies appropriate to their scholastic statuses and costs. It will also preserve funds for the true doctoral programs. As a transition, for the first two years the dollar subsidy amount for this new model will be a blend of the masters and doctoral dollar amounts. The addition of this new model increases the number of non-doctoral program expenditure models to 14.

***The doctoral subsidy:*** The method of subsidizing doctoral programs continues to change. The previous biennium's budget started the change by setting aside approximately ten percent of the SSI appropriation for the two doctoral program models. For the allocation of the ten percent amount (called the doctoral reserve), the BOR used a different method of averaging the universities' Doctoral I and Doctoral II FTE's, as recommended by the Graduate Funding Commission. This reserve method partially uncouples doctoral funding from the most recent doctoral enrollments

Besides creating the doctoral reserve, the previous budget created a "reallocation" of the reserve by setting aside a small part of it (two percent in FY 2001) to fund special investments in doctoral programs through a competitive process, again as recommended by the Graduate Funding Commission.

For the new biennium, as planned, the budget revises downward the percentage of the State Share of Instruction that is to be reserved for subsidizing doctoral students' education. The reserve's proportion is reduced from 10.75 percent in FY 2001 to 10.34 percent in both FY 2002 and FY 2003. The allocation of this doctoral reserve among the universities is again made according to the new method, as applied to the universities' Doctoral I and Doctoral II FTE's.

Further, the reallocation percentage is set at zero percent for FY 2002 and two percent for FY 2003. However, the new budget prohibits any such reallocation in a fiscal year in which the total SSI appropriation fails to increase by at least 3.0 percent over the previous year's appropriation. Since the budget's SSI appropriation increases by less than 3.0 percent in each year, the reallocation will not take place in either fiscal year of the biennium.

### ***Enrollment data***

In both years of the biennium, the formula will use the new all-terms enrollment data from the campuses, rather than the annualized (summer plus autumn) FTE's that had been used before the transition during the FY 1998-FY 1999 biennium. A campus will see its subsidy increase under the all-terms counts if its attrition rate is lower than the statewide average; on the other hand, its subsidy will decline if its attrition rate is higher than the statewide average.

### ***Annual hold harmless provision***

As a check on any adverse consequences to a campus that might arise from the SSI allocation formula, the budget again provides an exception to that formula's results. This is the annual hold harmless provision (formerly called the annual guaranteed funding increase) in temporary law. It guarantees each campus a subsidy for each of FY 2002 and FY 2003 that is "not less than 100 percent" of the previous year's subsidy.

However, the annual hold harmless provision will not be applied to a combined State Share of Instruction-plus-Challenges (Jobs, Access, Success, Research, and Computer Science Graduate Education) base amount as it was in the previous biennium. In the new biennium the 100 percent hold harmless guarantee will be applied only to the SSI. The previous base amount that included the Challenges had been used only for one biennium.

### ***Tuition and fee caps***

After many years in which the state imposed limitations, or caps, on the institutions' increases of in-state undergraduate tuitions and fees, the new biennium's budget eliminates all such caps.



The state has intended the State Share of Instruction to support all of Ohio's public-assisted higher education institutions in their efforts to reduce the tuitions and fees charged to students. It is intended to partially offset the cost of a college education for Ohio residents attending Ohio's state-assisted institutions. To that end, in previous years temporary law in BOR's budgets has limited the amounts by which the institutions may increase in-state undergraduate tuitions and fees; these limits have been reviewed and occasionally revised for each new biennium. Specifically, in the previous budget the limit in each academic year for two-year and university branch campuses was set at 3.0 percent. The cap for universities was 6.0 percent, as well as a 4.0 percent limit in a single vote of the board of trustees.

## **The Challenges**

The Challenges as a whole are reduced 4.8 percent to \$142.9 million for FY 2002, followed by just a 0.07 percent increase to \$143.0 million for FY 2003. The biennial total of \$285.9 million represents an increase of \$49.0 million (20.7 percent) over the previous biennium; this percentage increase is greater than the annuals because the relatively low amount for FY 2000 (\$86.9 million) contributes to a large increment to the new biennium.

Despite this curtailment of recent year-to-year increases in the Challenges, Regents continues in its plan to have these appropriation items take up about ten percent of the total core institutional support amount (Program Series 1) provided to the campuses. For the new biennium the Challenges' portion is 7.9 percent of this total, up from 6.8 percent in the previous biennium. However, this increase is a result primarily of the very small increase in the State Share of Instruction's appropriation in each of the biennium's two years, so that the Challenges' dollar increases, as well as their combined share of Program Series 1, appear larger than they might have.

The requirements that the Challenges place on the campuses are not intended to be restrictive but to provide rewards for meeting certain specific performance goals. Increasing the Challenges' appropriations toward the 10.0 percent objective will produce a total core institutional support that is based less on enrollment and more on campus performance.

### ***Jobs Challenge***

The appropriations are \$10.1 million for FY 2002 and \$10.2 million for FY 2003, for annual changes of -8.0 percent and +1.0 percent, respectively. The biennial increase amounts to \$0.58 million, or 2.9 percent.

The Jobs Challenge is a program to recognize, reward, and improve noncredit job-related training provided by state-assisted colleges and universities. It is intended to help improve Ohio's economic competitiveness by building a more skilled workforce. The funds are allocated to each campus in proportion to its share of qualified non-credit job-related training expenditures. Added temporary law clarifies the General Assembly's intention that it is the "workforce development incentive component of the Jobs Challenge program" that is to reward the campuses' non-credit job-related training efforts.

Beginning in FY 2000, the subsidies have been available only to two-year campuses; university main campuses have been ineligible.

The several previous earmarks under this appropriation item have been revised for the new biennium: (1) \$2,114,673 and \$1,981,841 in FYs 2002 and 2003, respectively, will be distributed as performance grants to EnterpriseOhio Network campuses based on each campus's "documented performance" according to BOR criteria; (2) \$3,130,087 and \$2,875,953 in FYs 2002 and 2003 will go to the Targeted

Industries Training Grant Program “to attract, develop, and retain business and industry strategically important to the state’s economy;” (3) In FY 2002 and FY 2003, \$2,991,513 and \$3,629,797 will be allocated to the Non-credit Incentives Grant Program “to reward two-year campuses for increasing the amount of non-credit skill upgrading services provided to Ohio employers and employees;” (4) Incentive funds of \$1,863,726 and \$1,712,409 in FYs 2002 and 2003 will be provided in support of local EnterpriseOhio Network Campus/Adult Workforce Education Center Partnerships.

### *Access Challenge*

The appropriations are \$62.3 million in each fiscal year, for a 4.8 percent reduction from the \$65.4 million of FY 2001. These reduced amounts follow a significant expansion of this subsidy program during the previous biennium. Because of a much lower amount for FY 2000, the biennial increase is significant, amounting to \$24.0 million or 23.9 percent. The biennial appropriation is 2.4 percent of the Regents’ total budget and 3.4 percent of the Program Series 1 budget.

This line item is used to support the “access” campuses in their efforts to provide low-cost access to higher education for Ohio’s residents. It is intended to help more Ohioans enroll in college by making tuition more affordable at these campuses. For the purposes of this Challenge, the access campuses include all state or state-assisted community colleges; technical colleges; regional campuses of state-assisted universities; distinct community-technical colleges located at the Universities of Cincinnati and Akron and at Youngstown State University; and Shawnee, Central and Cleveland State Universities.

For the FY 2002-FY 2003 biennium, this appropriation item’s allocation formula is again changed (and simplified), although it is still based on enrollments. The budget language calls for the subsidies to be distributed by the Board of Regents “to eligible access campuses on the basis of each campus’s share of fiscal year 1999 all-terms subsidy eligible General Studies FTEs.” Specific to the formula, the previous enrollment adjustment for Cleveland State University is revised.

The new budget removes the previous budget’s restraints on tuition increases for access campuses; this coincides with the elimination of all tuition and fee increase limitations for the new biennium.

### *Success Challenge*

The appropriations are \$47.0 million for each fiscal year, for a 3.4 percent reduction from the \$48.7 million of FY 2001. These reduced amounts follow a significant expansion of this subsidy program during the previous biennium. Because of a much lower amount for FY 2000, the biennial increase is significant, amounting to \$25.4 million or 36.9 percent. The biennial appropriation is 1.8 percent of the Regents’ total budget and 2.6 percent of the Program Series 1 budget.

This line item is used to support universities’ efforts to promote degree completion by at-risk students enrolled at state-assisted university main campuses. It is intended to help students whose chances of succeeding are reduced by the effects of their cultural, geographic, socioeconomic, or academic backgrounds.

As in the previous biennium, two-thirds of the appropriations will be allocated to the campuses “in proportion to each campus’s share of the total statewide bachelor’s degrees granted by university main campuses to “at-risk” students.” Such students are undergraduates who have received Ohio Instructional Grants during the past ten years. The other one-third of the appropriations will be allocated to the campuses “in proportion to each campus’s share of the total bachelor’s degrees granted by university main campuses to undergraduate students who completed their bachelor’s degrees in a “timely manner” in the

previous fiscal year.” The term “timely manner” is defined as the time normally taken by a full-time degree-seeking undergraduate to complete his degree, generally four years. Finally, each campus must submit to the Board of Regents a plan for the use of its Success Challenge funds, although the plans will not require board approval. The board is required to disseminate copies of the plans to all state-supported institutions.

### ***Research Challenge***

The appropriations are \$20.0 million for each fiscal year, for a 6.7 percent reduction from the \$21.4 million of FY 2001. The biennial total of \$40.0 million amounts to a decline of \$0.97 million, or 2.4 percent, from the previous biennium. The biennial appropriation is 0.77 percent of the Regents’ total budget and 1.1 percent of the Program Series 1 budget.

These appropriations are used “to enhance the basic research capabilities” of institutions of higher education, “in order to strengthen academic research for pursuing Ohio’s economic redevelopment goals.” The funds can be used to increase research in two main ways: (1) they can improve the universities’ abilities to attract external (i.e., sponsored) research dollars (accordingly, the funds also enhance the ability of independent research institutions to increase sponsored research); and (2) they can be used as seed money for basic and applied research, thereby fostering the development of new research strengths of critical importance to Ohio's economic growth.

The allocation of the funds is administered by the Board of Regents, which utilizes a method of matching, on a fractional basis, external funds attracted in the previous year by institutions for basic research.

### ***Computer Science Graduate Education (formerly called Priorities in Graduate Education)***

The appropriations are \$3.48 million for each of the FYs 2002 and 2003, for a decline of 1.0 percent from the \$3.52 million of FY 2001. The biennial total of \$6.96 million amounts to a decline of \$18,000, or 0.26 percent, from the previous biennium. The biennial appropriation is 0.13 percent of the Regents’ total budget and 0.19 percent of the Program Series 1 budget.

This line item supports improvements in graduate programs in computer science at state-supported universities. The funds assist graduate schools’ efforts to recruit faculty and staff, promote research and collaboration, purchase equipment, and make other investments in areas of doctoral education in the computer sciences, in which Ohio is under-invested.

The Board of Regents had intended to add life sciences (especially biomedical sciences) as a graduate program receiving this subsidy, which currently supports only the computer science programs. However, the life sciences provision was not included in the enacted budget. Accordingly, the descriptor of the appropriation item has been changed from Priorities in Graduate Education to Computer Science Graduate Education.

### ***Instructional Subsidy and Challenge Review Committee***

The budget, in section 192 of Am. Sub. H.B. 94, establishes this joint executive, legislative, and institutional committee to perform “a comprehensive review of the allocation formula for the State Share of Instruction appropriation item as well as all of the ‘Challenge’ appropriation items contained in the Board of Regents’ budget.” The committee will have eleven members: the chancellor, two representatives from the two-year colleges, two from the universities, and three members from each of the House and Senate. The committee will report to the General Assembly not later than December 31, 2001.

<b>State Share of Instruction, as Allocated to the Institutions</b>			
<b>Institution</b>	<b>FY 2001 Final SSI</b>	<b>FY 2002 Projected SSI</b>	<b>FY 2003 Projected SSI</b>
<b>Universities</b>			
AKRON	\$92,310,328	\$92,550,069	\$92,550,069
BOWLING GREEN	\$80,099,973	\$82,393,209	\$82,973,912
CENTRAL STATE	\$6,378,183	\$6,735,836	\$6,735,836
CINCINNATI	\$159,946,175	\$159,943,108	\$159,943,108
CLEVELAND ST.	\$69,418,068	\$71,145,980	\$71,145,980
KENT STATE	\$90,139,477	\$91,172,076	\$92,375,252
MCOT	\$26,374,632	\$26,374,632	\$26,374,632
MIAMI	\$65,980,864	\$66,351,040	\$66,351,040
NEOUCOM	\$12,159,801	\$12,312,174	\$12,441,289
OHIO STATE	\$319,066,879	\$322,848,337	\$322,848,337
OHIO	\$111,811,015	\$113,599,448	\$113,772,977
SHAWNEE ST.	\$10,971,683	\$10,971,683	\$10,971,683
TOLEDO	\$88,751,712	\$88,751,712	\$88,751,712
WRIGHT STATE	\$74,922,344	\$76,826,558	\$76,975,149
YOUNGSTOWN ST.	\$45,792,577	\$46,978,946	\$46,978,946
<b>Subtotal</b>	<b>\$1,254,123,710</b>	<b>\$1,268,954,808</b>	<b>\$1,271,189,922</b>
<b>Branches</b>			
AKRON-WAYNE	\$3,225,700	\$3,338,149	\$3,325,557
BGSU-FIRELANDS	\$3,528,160	\$3,535,961	\$3,535,961
KENT-ASHTABULA	\$2,761,536	\$2,808,651	\$2,808,651
KENT-EAST LIVERPOOL	\$2,113,826	\$2,133,870	\$2,133,870
KENT-GEAUGA	\$1,036,895	\$1,267,106	\$1,391,313
KENT-SALEM	\$2,206,095	\$2,278,618	\$2,305,310
KENT-STARK	\$5,967,368	\$6,491,391	\$6,863,257
KENT-TRUMBULL	\$4,710,781	\$5,492,409	\$6,368,737
KENT-TUSCARAWAS	\$4,045,682	\$4,075,973	\$4,143,439
MIAMI-HAMILTON	\$5,918,561	\$6,143,543	\$6,143,543
MIAMI-MIDDLETOWN	\$6,693,540	\$7,196,116	\$7,196,116
OSU-LIMA	\$3,928,116	\$4,144,487	\$4,176,185
OSU-MANSFIELD	\$4,180,176	\$4,403,313	\$4,403,313
OSU-MARION	\$3,441,787	\$3,555,276	\$3,555,276
OSU-NEWARK	\$4,922,401	\$5,461,745	\$5,478,373
OU-CHILLICOTHE	\$4,193,763	\$4,196,399	\$4,196,399
OU-EASTERN	\$3,214,472	\$3,571,695	\$3,758,105
OU-LANCASTER	\$4,213,039	\$4,262,605	\$4,262,605
OU-SOUTHERN	\$4,075,286	\$4,665,422	\$4,815,481
OU-ZANESVILLE	\$3,605,417	\$4,235,560	\$4,748,710
UC-CLERMONT	\$4,089,613	\$4,142,176	\$4,204,272
UC-WALTERS	\$7,457,327	\$7,685,094	\$7,717,169
WRIGHT-LAKE	\$1,956,702	\$2,240,695	\$2,240,695
<b>Subtotal</b>	<b>\$91,486,243</b>	<b>\$97,326,254</b>	<b>\$99,772,338</b>
<b>Community Colleges</b>			
CINCINNATI STATE	\$18,397,949	\$18,397,949	\$18,397,949
CLARK STATE	\$6,183,728	\$6,183,728	\$6,183,728
COLUMBUS STATE	\$34,837,584	\$37,214,746	\$37,678,946
CUYAHOGA	\$38,734,058	\$39,935,115	\$40,095,356
EDISON STATE	\$4,836,345	\$5,185,796	\$5,248,561
JEFFERSON	\$3,275,756	\$3,413,860	\$3,413,860
LAKELAND	\$13,589,377	\$13,589,377	\$13,589,377
LORAIN COUNTY	\$14,432,030	\$14,519,836	\$14,869,491
NORTHWEST STATE	\$4,690,894	\$4,747,677	\$5,044,653
OWENS STATE	\$31,176,106	\$32,141,662	\$34,360,106
RIO GRANDE	\$3,782,554	\$3,782,554	\$3,782,554
SINCLAIR	\$36,677,965	\$37,150,821	\$38,300,114
SOUTHERN STATE	\$3,597,998	\$3,631,559	\$3,870,167

<b>State Share of Instruction, as Allocated to the Institutions</b>			
<b>Institution</b>	<b>FY 2001 Final SSI</b>	<b>FY 2002 Projected SSI</b>	<b>FY 2003 Projected SSI</b>
TERRA STATE	\$5,934,561	\$6,032,163	\$6,032,163
WASHINGTON STATE	\$4,378,738	\$4,313,439	\$4,248,140
<b>Subtotal</b>	<b>\$224,525,641</b>	<b>\$230,240,282</b>	<b>\$235,115,165</b>
<b>Technical Colleges</b>			
AGRICULTURAL	\$4,817,306	\$4,817,306	\$4,817,306
BELMONT TECH	\$4,525,890	\$4,525,890	\$4,525,890
CENTRAL OHIO	\$3,852,299	\$3,860,330	\$3,860,330
HOCKING	\$16,815,937	\$16,815,937	\$16,815,937
LIMA TECH	\$6,740,662	\$6,740,662	\$6,740,662
MARION TECH	\$3,280,244	\$3,280,244	\$3,280,244
MUSKINGUM	\$5,047,989	\$5,084,488	\$5,084,488
NORTH CENTRAL	\$6,808,087	\$7,031,061	\$7,044,833
STARK TECH	\$10,334,465	\$10,334,465	\$10,364,466
<b>Subtotal</b>	<b>\$62,222,877</b>	<b>\$62,490,383</b>	<b>\$62,534,156</b>
<b>System total</b>	<b>\$1,632,358,471</b>	<b>\$1,659,011,727</b>	<b>\$1,668,611,581</b>
<b>System percent change</b>		<b>1.63%</b>	<b>0.58%</b>

### ***OTHER INSTITUTIONAL SUPPORT (PROGRAM SERIES 2)***

The total appropriation for this series is \$15.3 million for each fiscal year, for a decline of 2.9 percent from the FY 2001 level. The biennial appropriation remains at approximately the same level, declining by 0.02 percent from \$30.64 million to \$30.63 million.

This program series consists of three line items that supplement the core institutional support provided to colleges and universities, in order to increase student access to higher education. Two of the line items provide supplemental funds to Ohio's two smallest universities. The third subsidy, Student Support Services, helps institutions provide services to disabled students.

#### **Budgeted line items**

235-502 Student Support Services  
235-514 Central State Supplement

235-520 Shawnee State Supplement

#### **Central State Supplement**

The appropriation for each fiscal year is \$12.0 million, for an increase of 0.97 percent over FY 2001.

The new budget eliminates the two earmarks included in the previous budget for the Institute for Urban Education at Central State.

This appropriation item's purpose is to give an additional subsidy to this access university to help it provide African-Americans affordable access to higher education. The subsidy allows Central State to offer tuition rates below the levels assumed in the State Share of Instruction and allows the university to provide students significant amounts of financial aid.

***Central State fiscal standards are continued (Section 94.14 of Am. Sub. H.B. 94)***

The new budget retains the FY 2000-FY 2001 budget's temporary law that effectively removed the university from the "state of fiscal exigency" that had been continued by the FY 1998-FY 1999 budget (H.B. 215 of the 122<sup>nd</sup> General Assembly). As a condition of the removal, the budget, in section 94.14, continues to require the university to adhere to a set of "fiscal standards", as follows:

1. Maintenance of a balanced budget and filing quarterly reports
2. Timely and accurate assessment of current and projected cash flows
3. Timely reconciliation of all university cash and general ledger accounts
4. Submission of timely financial statements to the Auditor of State
5. Completion of an audit within six months following the end of a fiscal year.

Further, the language requires the Office of Budget and Management to clarify the above fiscal standards for the university as necessary and to take actions to ensure adherence. Such actions may include the use of a financial consultant to assist the university in financial systems development. Finally, OBM's fiscal oversight shall continue until such time as the university meets the same criteria as those in the Ohio Administrative Code for the termination of a fiscal watch, at which time the university shall be relieved of this section's requirements.

***Shawnee State Supplement***

The appropriation for each fiscal year is \$2.3 million, for a 19 percent decline from the FY 2001 level of \$2.8 million.

This supplement was established to provide an additional subsidy to this access university to help it make the transition from two-year community college to four-year university and to help it provide Appalachian students affordable access to higher education. The subsidy enables Shawnee State to maintain its undergraduate fees at levels lower than statewide averages, to employ new faculty to develop and teach in new degree programs that meet the needs of Appalachians, and to encourage participation in higher education by residents of Appalachia. The subsidy is intended to be phased down as increases in the university's enrollment enable it to become more nearly self-sufficient.

***MEDICAL SUPPORT (PROGRAM SERIES 3)***

The 14 medical support line items' total appropriations increase very little for the new biennium, as all but four of the line items receive just 1.0 percent increases for FY 2002 and .04 percent increases for FY 2003. The total amounts for this series are \$75.4 million for FY 2002 and \$75.5 million for FY 2003, for annual increases of 2.0 percent and 0.20 percent, respectively. For the biennium the total appropriation increases by \$4.7 million, or 3.2 percent, to \$150.9 million. Some relief from the restricted budgeting is provided for certain line items: increases of 2.0 percent in FY 2003 are provided for items 235-474, AHEC Program Support; 235-525, Geriatric Medicine; and 235-526, Primary Care Residencies, to help overcome the limited (1.0 percent) first-year increases. And 235-608, Human Services Project, receives a substantial boost in FY 2002.

The Medical Support program series consists of several state subsidies that support several universities' medical education functions that take place outside the classroom and laboratory. Subsidies are provided for clinical teaching in health care settings, in order to (a) support internships and residencies in specific

fields of practice that are of importance to Ohioans and (b) improve access both for medical students and for residents in need of health care.

### **Budgeted line items**

235-474 AHEC Program Support	235-538 MCO Clinical Teaching
235-515 CWRU School of Medicine	235-539 WSU Clinical Teaching
235-519 Family Practice	235-540 OHU Clinical Teaching
235-525 Geriatric Medicine	235-541 NEO Clinical Teaching
235-526 Primary Care Residencies	235-543 OCPM Clinical Subsidy
235-536 OSU Clinical Teaching	235-572 OSU Clinic Support
235-537 UCN Clinical Teaching	235-608 Human Services Project

### **Human Services Project**

Appropriations for this federally funded item have been significantly increased, rising from \$393,374 in FY 2000 and \$752,578 in FY 2001 to \$1.5 million in each fiscal year of the new biennium. Thus, the increase for FY 2002 is 99 percent. The biennial increase is \$1.85 million, or 162 percent. The funds are obtained by Regents through transfers from the Department of Job and Family Services (JFS), which obtains the federal grants. This appropriation item supports research by Regents and the universities toward the development of appropriate JFS projects. (JFS has no research division and does not want to use outside consultants.) The increase in the appropriation was prompted by the need for more research to develop projects to utilize the full amount of federal program funds obtained by JFS.

### ***FINANCIAL AID (PROGRAM SERIES 4)***

The total appropriations for this program series fare better than those for most of the other series in the Regents' budget. The annual increases for FY 2002 and FY 2003 are 11.2 percent and 7.8 percent, respectively, to \$198.2 million and \$213.6 million. The biennial increase is \$74.4 million, or 22.1 percent, from \$337.3 million to \$411.8 million.

This program series provides financial assistance to college students. The series consists of 13 programs providing assistance based on a variety of criteria ranging from economic need to academic achievement. The two largest line items in this program series, the Ohio Instructional Grants and the Student Choice Grants, comprise more than 80 percent of the series' total funding. The financial aid programs are administered by the State Grants and Scholarships Division of the Board of Regents.

### **Budgeted line items**

235-414 State Grants and Scholarships Administration	235-599 Ohio National Guard Scholarship Program
235-503 Ohio Instructional Grants	235-604 Physician Loan Repayment
235-504 War Orphans' Scholarships	235-605 State Student Incentive Grants
235-530 Academic Scholarships	235-606 Nursing Loan Program
235-531 Student Choice Grants	235-610 NHSC Ohio Loan Repayment
235-534 Student Workforce Development Grants	
235-549 Part-time Student Instructional Grants	
235-553 Dayton Area Graduate Studies Institute	

## **Eliminated line items**

Appropriation item 235-590, Twelfth-grade Proficiency Stipend, which was established for the FY 2000-FY 2001 budget, is eliminated in the new budget. Appropriation item 235-518, Capitol Scholarship Programs, is also eliminated; however, temporary language is added to permit the Chancellor of the Board of Regents to provide up to 125 scholarships of \$2,000 each to Ohio students by utilizing any funds from any appropriation within the budget of the Board of Regents that the chancellor determines to be available, not to exceed \$250,000 in any fiscal year.

## **Ohio Instructional Grants**

The Ohio Instructional Grants program, the largest student-aid item in the Regents' budget, has been increased by a sizable \$43.8 million (26 percent) for the biennium. The appropriations are \$98.0 million for FY 2002 and \$111.5 million for FY 2003, for annual increases of 15.2 percent and 13.8 percent, respectively. The FY 2001 total disbursements came to \$85.1 million, including the spending of \$4.9 million of funds encumbered at the end of year 2000.

The biennial appropriation was increased both to meet the forecasted estimate of eligible students and to provide for increased income thresholds and increased grant amounts. In permanent law (section 3333.12 (C) of the Revised Code), the maximum gross family incomes below which students are eligible for grants have been increased: from \$37,000 to \$39,000 for financially dependent students and from \$34,500 to \$35,300 for independent students. Further, the grant amounts are increased for given income levels and numbers of dependents. The smallest grant amounts are higher than under the previous grant schedule and are available to students with higher gross incomes and smaller family sizes (numbers of dependents). The highest grant amount increases from \$4,872 to \$5,466 for an academic year. In keeping with prior practice, temporary law in section 94.07 supersedes the permanent law language in order to provide lower threshold amounts and lower grant amounts for the first year of the biennium, as a means of providing a step up to the permanent (i.e., second-year) levels.

The budget adds temporary language to the effect that any unencumbered balance in this appropriation item at the end of FY 2002 will be reappropriated to the Student Workforce Development Grants appropriation item for FY 2003.

The Ohio Instructional Grants program, enacted in 1969, provides a financial grant for higher education to any full-time Ohio student who is an Ohio resident and whose family income does not exceed \$39,000 in each fiscal year of the 2002-2003 biennium. The grant amounts vary depending upon whether or not the student is financially independent; other factors include the family's income, the number of dependent children in the family, and the type of institution the student is attending (public, private, or proprietary).

## **War Orphans' Scholarships**

The appropriations are \$4.7 million for FY 2002 and \$4.8 million for FY 2003, for annual increases of 25 percent and 3.0 percent, respectively. The biennial increase is \$2.1 million, or 29 percent. The FY 2001 total disbursements came to \$3.7 million, including the spending of \$16,000 of funds encumbered at the end of year 2000.

The increased appropriations will accommodate an anticipated higher number of eligible students. This number is expected to increase in part because of language in the previous budget, which changed permanent law (section 5910.032 of the Revised Code) to create an additional eligibility definition: The program now includes, under certain conditions, a resident child of a POW or MIA parent who was not an



Ohio resident. (This change makes the residency requirement consistent with the requirement regarding children of deceased or disabled veterans.) Also affecting eligibility estimates is budget language in Am. Sub. H.B. 117 of the 121st General Assembly, which extended benefits to the children of Desert Storm veterans.

The program provides reimbursement to state-assisted institutions when they waive undergraduate instructional and general fees for the children of deceased or disabled veterans of wartime military service in the U.S. armed forces. Payments are also provided on behalf of eligible students attending independent non-profit or proprietary institutions in amounts equal to the average amounts received by recipients attending state-assisted institutions during the previous academic year.

### **Academic Scholarships**

Permanent law (section 3333.22 of the Revised Code) is changed to state that the amount of each scholarship will be “not less than two thousand dollars” rather than specifically two thousand dollars as in the previous budget. Further, revised temporary law takes advantage of the new permanent law by providing a scholarship amount of \$2,100 per student for FY 2002 and \$2,205 for FY 2003. Funding for this appropriation item remains the same as for FY 2001, at \$8.0 million for each fiscal year.

### **Student Choice Grants**

This is the second-largest student-aid program in Regents’ budget, after Ohio Instructional Grants. The annual appropriations increase by 1.3 percent and 2.0 percent to \$52.4 million in FY 2002 and \$53.5 million in FY 2003. The biennial increase is \$11.9 million, or 12.7 percent. The FY 2001 total disbursements came to \$51.8 million, including the spending of \$0.5 million of funds encumbered at the end of FY 2000. Note that the \$51.3 million of appropriated FY 2001 funds exceeded that year’s budgeted appropriation of \$49.15 million; to eliminate the impending shortfall, the appropriation was augmented during the year by the transfer of \$2.25 million in encumbered but unused funds from another appropriation item. These additional funds were needed to support a higher-than-expected number of grants.

This line item provides uniform tuition grant awards to Ohio residents attending eligible Ohio independent non-profit institutions of higher education. Only full-time undergraduate students enrolled in bachelor’s degree programs are eligible for these grants.

### **Student Workforce Development Grants**

The appropriations are \$1.2 million for each fiscal year of the biennium, for an increase of 5.3 percent from the FY 2001 actual expenditure of \$1.14 million. The biennial increase is \$1.26 million, or 110.7 percent, since there was no appropriation for FY 2000. The \$1.14 million disbursement in FY 2001 is only about half of that fiscal year’s appropriation of \$2.15 million, as Regents has been working to gain experience in forecasting eligibilities for this recently established program.

Further to the appropriation, the budget adds temporary language to the effect that any unencumbered balance in appropriation item 235-503, Ohio Instructional Grants, at the end of FY 2002 will be reappropriated to this appropriation item for FY 2003. This language is in the section for OIG (section 94.07).

The Student Workforce Development Grants program was created in the FY 2000-FY 2001 budget to provide financial support to eligible students attending Ohio proprietary schools. The grants, which will

be approximately \$200, are to be paid directly to the school where the student is enrolled. The permanent law establishing the Student Workforce Development Grants program is to be found in section 3333.29 of the Revised Code.

### **Part-time Student Instructional Grants**

The appropriations increase by 5.0 percent in each fiscal year, to \$13.3 million in FY 2002 and \$14.0 million in FY 2003. The biennial increase is \$2.3 million, or 9.2 percent. The FY 2001 disbursements came to \$12.7 million, or 100.0 percent of the appropriation for that fiscal year.

This program provides need-based financial assistance to part-time undergraduate students who are Ohio residents and are enrolled in degree-granting programs. In FY 1994, only students enrolled at state-assisted colleges and universities were eligible to receive these grants. Beginning in FY 1995, the grants were made available to students attending public and private institutions and degree-granting proprietary schools.

### **Ohio National Guard Scholarship Program**

The appropriation is \$12.05 million for each fiscal year of the biennium. This level is 12 percent less than the FY 2001 appropriation of \$13.6 million; however, it is 49.8 percent greater than that year's actual disbursement of \$8.04 million (including \$1.15 million of prior-year encumbrances). The biennial increase (using the FY 2001 disbursement) is \$10.5 million, or 77 percent, to \$24.1 million.

This line item was created by the FY 2000-FY 2001 biennial budget (Am. Sub. H.B. 282 of the 123rd General Assembly). It enabled the Board of Regents to become the fiscal manager of the program, formerly called the Ohio National Guard Tuition Grant program. This program grants higher education scholarships to members of the Ohio National Guard. The line item is funded by the object class 50 appropriations that were formerly used to fund the same program under line item 745-406, Tuition Grant Program, in the budget of the Adjutant General's Office. Am. Sub. H.B. 282 also added temporary law that requires the Board of Regents to disburse the line item's funds "at the direction of the Adjutant General".

In the previous budget the reimbursement rate was increased significantly, from 60 percent to 100 percent. Students are no longer required to apply for and accept all Ohio Instructional Grants, Student Choice Grants, and Pell grants in order to become eligible, nor will their scholarships be reduced by the amounts of such other assistance. Enrollment limits (i.e., numbers of scholarships) are established although the Controlling Board is permitted to approve additional scholarships. The Chancellor and the Adjutant General may determine the amounts of individual scholarships based on the amounts of other state financial aid a student receives. The Controlling Board may not transfer appropriated funds to this program.

This scholarship program is important for the state financing effort of the Adjutant General and for the recruitment and retention of National Guard members. The amounts for this program exceed the total GRF funding in the budget of the Adjutant General's agency.

## ***PUBLIC SERVICE – STATEWIDE (PROGRAM SERIES 5)***

The total appropriations for this program series are the same for each fiscal year at \$74.6 million, for an increase of 0.8 percent from the FY 2001 level. The biennial increase is \$2.1 million, or 1.4 percent, to \$149.1 million.

This program series consists of several programs that support public service activities performed at the state's higher education institutions. These services address a variety of agricultural, rural, and urban issues and are offered either statewide or regionally. Ninety percent of the series' appropriations are taken up by two line items, the Cooperative Extension Service and the Ohio Agricultural Research and Development Center, both operated by the Ohio State University.

### **Budgeted line items**

235-511 Cooperative Extension Service	235-583 Urban University Programs
235-524 Police and Fire Protection	235-587 Rural University Projects
235-535 Agricultural Research and Development Center	

### **Cooperative Extension Service**

Funding for this appropriation item is \$27.7 million for each fiscal year of the biennium, for an increase of 1.0 percent over the FY 2001 actual amount. The biennial appropriation increase is \$1.3 million, or 2.5 percent, to \$55.4 million.

Several earmarks under this appropriation item are held at their FY 2001 levels. One of these earmarks provides funds to support the Ohio Watersheds Initiative.

This line item funds educational programs for homemakers, farmers, community leaders and young people. Educational programs are offered in the areas of agriculture, home economics, family living, and community and natural resources development. The program, operated by the Ohio State University under its land-grant mandate, provides services to every county in the state and is intended to help people improve their lives through an educational process using scientific knowledge focused on identified issues and needs.

### **Ohio Agricultural Research & Development Center (OARDC)**

Funding for this appropriation item is \$38.7 million for each fiscal year of the biennium, for an increase of 1.0 percent over the FY 2001 actual amount. The biennial appropriation increase is \$2.4 million, or 3.3 percent, to \$77.5 million.

Several earmarks under this appropriation item are also held at their FY 2001 levels. One of these earmarks, new in the previous budget, provides funds to support the development of agricultural crops and products not currently in widespread production in Ohio, in order to "increase the income and viability of family farmers".

This appropriation item supports the Ohio Agricultural Research and Development Center, which conducts basic and applied research through the Ohio State University's colleges of Food, Agricultural, and Environmental Sciences; Human Ecology; Biological Sciences; and Veterinary Medicine. Research areas include plant and animal agriculture, engineering, social sciences, food science, natural resources, environmental sciences, community and human development, and human nutrition. The population

served includes farmers, other producers, food processors, environmentalists, landfill managers, and researchers.

### **Urban University Programs**

The appropriation is reduced by 1.0 percent from the FY 2001 level of \$6.57 million to \$6.50 million in each of FY 2002 and FY 2003. The biennial appropriation is reduced by \$1.8 million, or 12 percent, to \$13.0 million.

This appropriation item is comprised solely of ten earmarks. The budget deletes and adds several earmarks and reduces their fundings proportionately to allow for the total appropriation decline from FY 2001. The two largest, and continuing, earmarks are \$2.2 million in each fiscal year for the Maxine Goodman Levin College of Urban Affairs at Cleveland State University; and \$2.2 million in each fiscal year to be distributed among three programs: the Northeast Ohio Research Consortium, the Urban Linkages Program, and the Urban Research Technical Assistance Grant Program. The latter distribution will be determined by the chairman of the Urban University Program.

The line item provides funds for research and outreach activities on urban issues at the eight urban universities in Ohio. The funds support programs of applied research, training, technical assistance, and database development at these universities, as well as programs that develop public policy and public administration initiatives related to the specific needs and issues of Ohio's urban communities. The program serves state, county and municipal governments, regional and not-for-profit agencies, neighborhood groups, and business organizations.

### **Rural University Projects**

The appropriation is reduced by 1.0 percent from the FY 2001 level of \$1.39 million to \$1.38 million in each of FY 2002 and FY 2003. The biennial appropriation is increased by \$63,000, or 2.4 percent, to \$2.75 million.

This appropriation item is comprised solely of five earmarks. This budget keeps the same earmarks as in the previous budget but reduces their fundings proportionately to allow for the total appropriation decline from FY 2001.

The line item provides funds for research and outreach activities to help local and state elected and appointed officials improve rural program performance, undertake research projects, increase human resource capacity, and form cooperative partnerships to create an environment that supports private and public sector development. Funds also support programs that develop public policy and public administration initiatives related to the specific needs and issues of Ohio's rural communities. The program targets smaller communities, which often lack staff and financial resources for research, training, and development.

### ***PUBLIC SERVICE – INSTITUTIONAL (PROGRAM SERIES 6)***

For FY 2002 the total appropriation for this program series rises by 10.5 percent to \$4.9 million vs. \$4.5 million in FY 2001, although it is followed by a 1.9 percent decline to \$4.8 million in FY 2003. For the biennium the increase is \$0.8 million, or 9.0 percent, to \$9.8 million. The series as a whole gains this biennial increase despite the fact that all but two of its 11 small appropriation items suffer 1.0 percent reductions in the first year, followed by flat funding in the second. (This includes the series' largest item,

235-547, School of International Business, funded at \$1.7 million per year.) The two items that provide the series' biennial increase, Hazardous Materials Program and OSU Highway/Transportation Research, are discussed below.

This program series supports, in whole or in part, a wide variety of specific public research and service projects operated at or by Ohio's state-assisted colleges and universities. These programs have a focus and impact somewhat narrower than Program Series 5 (Public Service-Statewide). The goals vary widely, but the Board of Regents indicates that all of these programs serve important purposes that contribute to public policy development, public service, and the state and regional economies. Program activities are monitored primarily from periodic reports submitted by the program managers.

### **Budgeted line items**

235-402 Sea Grants	235-561 BGSU Canadian Studies Center
235-509 Displaced Homemakers	235-585 Ohio University Innovation Center
235-513 OU Voinovich Center	235-595 International Center for Water Resources Development
235-521 OSU Glenn Institute	235-596 Hazardous Materials Program
235-547 School of International Business	235-607 OSU Highway/Transportation Research
235-558 Long-term Care Research	

### **Eliminated line item**

Appropriation item 235-523, Center for Labor Research, is eliminated in the new budget.

### **School of International Business**

The appropriation is \$1.7 million for each of the FYs 2002 and 2003, for a 1.0 percent reduction from FY 2001. The biennial reduction is 1.5 percent, or \$0.05 million, to \$3.4 million.

The appropriations are allocated entirely among three continuing earmarked programs. The bulk of the funds supports the School of International Business of the state universities of northeast Ohio, with the funds going to the University of Akron. The other two earmarks, new in the previous budget, provide support for the University of Toledo College of Business and the Ohio State University BioMEMS program. (The latter earmark previously supported the OSU MUCIA program.)

### **Hazardous Materials Program**

After several years at approximately the \$250,000 level, this appropriation item jumps 59 percent to \$390,096 for each fiscal year of the new biennium. The increase is actually in the amount of \$150,000, which was added to this appropriation item in order to support a new earmark, the Center for the Interdisciplinary Study of Education and Leadership in Public Service at Cleveland State University. The funds are "targeted toward increasing the role of special populations in public service and not-for-profit organizations".

The Hazardous Materials Program itself is also located at Cleveland State University. This GRF line item partially supports training programs developed by the university's Center for Hazardous Materials Education. It provides training programs for firemen, other emergency personnel, and relevant personnel in business and industry, regarding the treatment, storage, disposal, and clean-up of hazardous materials.

## **Ohio State University Highway/Transportation Research**

After several years at the \$500,000 level, this self-funded appropriation item jumps 71 percent to \$855,021 in FY 2002, although it then declines by 11 percent to \$760,000 in FY 2003. The university considers the \$355,021 increase for FY 2002 to be, in part, a technical change, as it includes approximately \$199,000 that should have been appropriated in the previous biennium to keep the appropriation commensurate with the fund's proceeds for those two fiscal years. The \$199,000 was added to the approximately \$656,000 of the expected fund proceeds for FY 2002 to create the total \$855,021 appropriation for that fiscal year. The appropriation of \$760,000 for FY 2003 reflects just the expected fund proceeds for that fiscal year.

The appropriation item is supported by a State Special Revenue Fund rotary fund, which, in turn, is supported by an external endowment. The appropriation levels are intended to reflect the amount of proceeds expected from the endowment in each fiscal year. The program supports transportation research within the Ohio State University's College of Engineering. The sole user of the funds is the Center for Automotive Research (CAR). Its mission is to foster interdisciplinary research and education directed toward automotive applications.

## ***STATEWIDE INITIATIVES (PROGRAM SERIES 7)***

Following a FY 2001 total expenditure of \$18.1 million, the appropriations fall to \$16.8 million for FY 2002 and \$14.9 million for FY 2003, for annual reductions of 7.3 percent (\$1.3 million) and 11 percent (\$1.9 million), respectively. The biennial appropriation is reduced by \$3.4 million, or 10 percent, to \$31.6 million.

Four of the series' ten appropriation items incur reductions of just 2.0 percent or less in FY 2002 and are held flat for FY 2003; these include the series' two biggest appropriation items, 235-510, Ohio Supercomputer Center, and 235-527, Ohio Aerospace Institute. Major exceptions to this trend include 235-508, Air Force Institute of Technology; 235-611, Gear-up Grant; and 235-631, Federal Grants, which are discussed below.

This program series supports, in whole or in part, specific statewide programs, projects and entities throughout the higher education community. The series has a statewide impact primarily in instructional, research, and operational areas.

### **Budgeted line items**

235-455 Productivity Improvement Challenge	235-602 HEFC Administration
235-477 Access Improvement Projects	235-611 Gear-up Grant [New]
235-508 Air Force Institute of Technology	235-612 Carl D. Perkins Grant/ Plan Administration [New]
235-510 Ohio Supercomputer Center	
235-527 Ohio Aerospace Institute	235-631 Federal Grants
235-588 Ohio Resource Center for Mathematics, Science, and Reading	

### **Eliminated line item**

Line item 235-421, Higher Education Efficiency Challenge, is eliminated; its last expenditure was \$1.5 million in FY 2000.

### **Productivity Improvement Challenge**

Compared to the actual amount of \$1.65 million in FY 2001, the FY 2002 appropriation of \$1.69 million constitutes an increase of 2.4 percent; another 2 percent is added for FY 2003 to bring that year's amount to \$1.73 million.

In a nomenclature change from the previous budget, the uncodified language specifies that the nominal recipient of the Productivity Improvement Challenge appropriations will be the EnterpriseOhio Network itself instead of the network's Business and Industry Training Centers. Both designations include the same organizations, whose centers are located at Ohio's two-year campuses. Further, rather than the funds' being used just for capacity-building projects and activities developed through the network, the language states that the funds will be used to support multi-campus collaboration and best-practice dissemination, as well as the capacity-building projects.

### **Access Improvement Projects**

This appropriation item is funded at \$1.1 million for both fiscal years. This level is 1.7 percent below the FY 2001 level. The biennial increase is \$64,239, or 3.0 percent, to \$2.2 million.

In a language revision, the budget revises the membership of the board of directors of one of this appropriation item's earmarked projects. Kent State University's member of the board of the Appalachian Center for Higher Education at Shawnee State University will be chosen by the KSU president from among the deans of three branch campuses, Salem, East Liverpool, and Tuscarawas, rather than from between the deans of just the first two of those campuses, as in the previous budget.

New language also adds two earmarks. Funding is provided for the University of Rio Grande Site Improvement Planning project and the Access Appalachia Project.

### **Air Force Institute of Technology**

The appropriation for FY 2002, at \$2.0 million, falls 43 percent below the \$3.5 million for FY 2001. The \$2.0 million amount is repeated for FY 2003. The biennial appropriation of \$4.0 million is 43 percent below the 7.0 million of the previous biennium. The reduction of this appropriation provided funds for other priorities.

This item supports Ohio-based institutions' participation in collaborative research projects at the Air Force Research Laboratories at Wright-Patterson Air Force Base. These laboratories also operate the Air Force Institute of Technology (AFIT), which provides graduate-level educations in logistics and engineering for Air Force personnel. The reduction in the appropriation vs. the previous biennium will reduce the degree of participation of Ohio-based researchers in the laboratories.

### **Ohio Resource Center for Mathematics, Science, and Reading**

The appropriation is \$0.98 million for each of the FYs 2002 and 2003, for a 2.0 percent reduction from the FY 2001 level of \$1.0 million. The biennium, however, sees an increase of 31 percent or \$0.46 million, to \$1.96 million.

This appropriation item supports a resource center for the three subjects for the purpose of "identifying best educational practices in primary and secondary schools and establishing methods for communicating them to colleges of education and school districts." This appropriation item was created by the previous

budget, which also called for an executive-branch group to conduct a competitive search for a location for the center. As a result of the search the Ohio State University was designated as the location.

### **HEFC Administration**

The appropriations for FY 2002 and FY 2003 are \$13,080 and \$13,900, respectively. These amounts constitute increases, both from the previous budget's appropriations of \$12,000 in each of FY 2000 and FY 2001 and from the actual disbursements of \$3,060 and \$2,712 in those fiscal years.

This appropriation item enables the Board of Regents to defray the operating expenses related to its administrative support of the activities of the Higher Educational Facility Commission. The Director of Budget and Management is authorized in uncodified law to transfer funds during each fiscal year from the HEFC agency's fund 461 to Regents' fund 4E8 for this purpose. Normally this language also includes the amounts of the Regents' appropriations for this item as the limits on the transferred amounts; the new budget, however, still contains previous temporary language that limits the amount transferable from fund 461 to \$12,000 in each fiscal year, rather than raising it to the levels of the new appropriations (\$13,080 and \$13,900). Should the spending actually rise above \$12,000 during either of the two fiscal years, the limit for that year might require adjustment up to the appropriation level.

### **Gear-up Grant**

This line item receives a 62 percent increase for FY 2002, to \$1.59 million, followed by a 6.25 percent increase for the following fiscal year, to \$1.69 million. The biennial increase is \$1.6 million, or 94 percent, to \$3.3 million.

The item was created in FY 2000 (although too late to be included in the FY 2000-FY 2001 budget) and supports the national Gear-up program, a federal program that promotes college awareness in order to attract more students to college and to enhance the transition to higher education. The program encourages young people to stay in school, take challenging courses, and go on to college. Ohio's Gear-up program promotes the identification, piloting, expansion and replication of exemplary college access practices and programs in low-income rural and urban communities.

### **Federal Grants**

Federal Grants appropriations show a marked decline from the \$2.49 million of FY 2001. The amounts are \$2.06 million for FY 2002 (a reduction of 17 percent) and nothing for FY 2003. The decline for the biennium is \$2.7 million, or 57 percent. As indicated by Regents, the reduced budget arises from the unpredictability of the availability of federal grant moneys in the second year of the biennium.

### ***STATEWIDE COORDINATION (PROGRAM SERIES 8)***

The series' appropriations are \$10.23 million for FY 2002 and \$10.27 million for FY 2003, for annual changes of -3.2 percent and +0.35 percent, respectively. The biennial increase is \$0.52 million, or 2.6 percent, to \$20.5 million.

Significantly affected programs include this series' second- and third-largest line items, 235-404, College Readiness Initiatives, and 235-403, Math/Science Teaching Improvement, which are discussed below.



This program series contains several programs administered centrally by the Regents. The programs also support the coordinating activities of the Regents and organize the activities of the state's higher education enterprise.

### **Budgeted line items**

235-321 Operating Expenses	235-409 Information System
235-403 Math/Science Teaching Improvement	235-603 Publications
235-404 College Readiness Initiatives	235-609 Tech Prep
235-406 Articulation and Transfer	235-613 Job Preparation Initiative [New]
235-408 Midwest Higher Education Compact	

### **Operating Expenses**

The appropriation for the series' largest item, 235-321, Operating Expenses (for the Regents' agency expenses), is held at \$3.14 million for both fiscal years; this represents a decline of just over 1 percent from the \$3.17 million of FY 2001.

This line item supports the Board of Regents' operations by providing funds for personal services, maintenance, and equipment. It also supports the Regents' central administration and coordination of various projects, programs, and entities that have statewide impacts, primarily on institutional operations.

### **Mathematics/Science Teaching Improvement**

Math/Science Teaching Improvement, a new item in the previous budget, receives appropriation increases of 17 percent and 1.8 percent, to \$1.98 million and \$2.02 million in FY 2002 and FY 2003, respectively. The biennial increase is 3.6 percent, or \$0.14 million, to \$4.0 million.

The appropriation is to be used by the Board of Regents "to support programs designed to raise the quality of mathematics and science teaching in primary/secondary education." Most of the appropriated funds support Project Discovery, which develops and evaluates professional development programs. However, two earmarks are included: \$250,000 for the Mathematics and Science Center in Lake County, and \$100,000 for the Ohio Mathematics and Science Coalition, in each fiscal year.

### **College Readiness Initiatives**

College Readiness Initiatives was also a new item in the previous budget and is the series' second-largest appropriation item after Operating Expenses. It is funded at \$2.50 million in each fiscal year, for a reduction of 18 percent from the \$2.99 million of FY 2001. The biennial appropriation declines by \$0.1 million, or 2.1 percent, to \$5.0 million.

This line item supports early assessment testing in English, mathematics, and science for high school students to improve collaboration between primary/secondary education and higher education. The program is intended "to improve the ability of high school students to enroll and succeed in higher education".

The line item will continue to support and administer the Early English Composition Assessment Program (EECAP), a program formerly supported by line item 235-506, Postsecondary Readiness Testing (Program Series 7). In addition, the line item will support the implementation of the State Higher

Education Remediation Advisory Commission report and the creation of “a statewide outreach effort to promote the availability, need, and affordability of a college education”.

### **Information System**

The Information System is funded at \$1.36 million in each of the FYs 2002 and 2003; this amount is 3.5 percent above the FY 2001 level of \$1.32 million. The biennial amount of \$2.72 million is only about 0.3 percent less than the previous biennium’s appropriation. This appropriation item supports Regents’ new internal information system, which has become operational after having been under development for several years, and for which development is continuing. In two temporary law changes from the previous budget, Regents is now required to “operate” the system rather than “revise” it; and the name of the system is changed from the Uniform Information System to the Higher Education Information System (section 94.10).

### **Job Preparation Initiative**

This new General Services Fund Group (GSF) line item, 235-613, Job Preparation Initiative, uses federal funds to support workforce training and development. The appropriation for each fiscal year is \$144,383; a start-up amount, \$74,000, was spent in FY 2001. The program is designed to build the capacity of Ohio’s two-year campuses to provide training and assessment services to public-assistance recipients to improve their employability.

### ***INFRASTRUCTURE INVESTMENTS (PROGRAM SERIES 9)***

This series’ appropriations are \$31.6 million for FY 2002 and \$31.7 million for FY 2003, for annual increases of 9.0 percent and 0.35 percent, respectively. The biennial increase is \$7.8 million, or 14 percent.

Only one of the series’ five appropriation items, 235-417, Ohio Learning Network, incurs a decrease in appropriation from its FY 2001 level. The other four receive various increases, the only significant one being that for item 235-552, Capital Component.

This program series provides infrastructure resources to higher education, with an emphasis on information and information technology. Some of the programs are campus-specific, while others support statewide assets.

#### **Budgeted line items**

235-417 Ohio Learning Network (formerly called Technology)	235-555 Library Depositories
235-507 OhioLINK	235-556 Ohio Academic Resources Network (OARNet)
235-552 Capital Component	

### **Ohio Learning Network**

Ohio Learning Network is funded at \$3.9 million in each of the FYs 2002 and 2003, for a 25 percent reduction from the \$5.2 million of FY 2001. The biennial reduction is \$0.45 million, or 5.4 percent.

This line item was called Technology in the FY 2000-FY 2001 budget, in which it superseded a FY 1998-FY 1999 budget item called Technology Challenge, which carried the same line item number. The item's new purpose is to support the continued implementation and enhancement of the Ohio Learning Network (formerly called TECLink), a state-of-the-art statewide electronic collaborative information system designed to promote students' degree completion, employees' workforce training, and professional development through the use of advanced telecommunications and distance education initiatives.

### Capital Component

The appropriation is \$14.5 million in each of FY 2002 and FY 2003, for a significant increase of 34 percent over the FY 2001 level of \$10.8 million. The biennial increase is \$7.4 million, or 34 percent, to \$29.1 million.

A table entitled Capital Component Allocations for FY 2002 and FY 2003 is provided at the end of this section. It provides the allocations of the two fiscal years' appropriations to the individual universities and colleges.

The sizable increase in the Capital Component appropriation level for the new biennium is a result of two factors: (1) the addition of the funds from the most recent capital budget cycle to the formula for this new Capital Component program; and (2) the decisions of campuses to further mitigate their budgeted capital spending (column B in the table) vs. the formula amount of capital funds available to them (column A); this increased difference, to be paid to the campuses as rewards from this Capital Component appropriation item, will be "banked" by the campuses pending their use for anticipated future projects.

First budgeted by Am. Sub. H.B. 215 of the 122<sup>nd</sup> General Assembly for the FY 1998-FY 1999 biennium, the Capital Component item funds an important component of Regents' new capital funding policy, established in 1997. The new policy is intended to reform capital funding for higher education by rationalizing and decentralizing funding decisions to the higher education institutions. The program's design adds flexibility to the capital funding process and includes incentives for the campuses to use capital funding efficiently. To that end, this appropriation item provides the campuses with the debt service equivalent, for 15 years, of capital appropriations "earned" but not requested in recent capital bills by the campuses. Many campuses have already allocated or obligated these funds for locally financed capital projects.

Therefore, the Capital Component's appropriation must equal the total difference in funds between the Board of Regents' forecasted amount for capital funding and the amount based on the campuses' capital appropriation levels in the current capital bill. This appropriation amount is determined by the Office of Budget and Management; the total formulated amount of debt service is normally equal to ten percent of the current capital bill's total appropriation for the Board of Regents. Most of the required appropriation is known by the time the budget is prepared, since those borrowings have been contracted. For the anticipated capital projects needing bond issues during the biennium, OBM determines the expected debt service amounts using estimates of relevant interest rates and estimates of the remaining capital debt to be undertaken during the two fiscal years. Thus, given the nature of capital budgeting, the Capital Component amount can be expected to fluctuate from year to year.

For their parts, the campuses earn their debt service appropriations based on a formula that establishes annual debt service amounts that the campuses are deemed to pay for their qualifying capital projects. The formula allocates half of the money on the basis of a calculated measure of educational activity (credit instruction weighted by sponsored research and noncredit job training) and half on the basis of the age of the facilities needing repair or replacement. Campuses are then charged for the debt service costs

associated with qualifying capital appropriations that they receive in the capital bill. The individual campus allocations for the biennium are provided in the table.

If a campus's actual debt service charges exceed its capital allocation (debt service "earnings") under the formula, this negative difference is deducted from its instructional subsidy support. On the other hand, if a campus's actual debt service charges are less than its capital allocation earnings, this positive difference is provided to the institution, which may use it for any capital-related purpose.

<b>Capital Component Allocations for FY 2002 and FY 2003</b>						
(Same distribution each year)						
Institution	A	B	C (=A-B)	D	E (=C+D) [+]	F (=C+D) [-]
	Formulated debt service based on available capital	Expected actual debt service on H.B. 640 appropriations	Difference	Prior years' difference (cumulative net) carried forward	Total current difference (net positives only)	Total current difference (net negatives only)
Notes:	(1)	(2)	(3)	(4)	(5)	(6)
<b>Universities</b>						
AKRON	\$1,879,850	\$1,795,266	\$84,584	\$1,948,259	\$2,032,843	
BOWLING GREEN	\$1,500,993	\$1,437,163	\$63,830	\$277,544	\$341,374	
CENTRAL STATE	\$235,690	\$235,690	\$0	\$61,974	\$61,974	
CINCINNATI	\$3,641,099	\$3,486,261	\$154,838	\$277,926	\$432,764	
CLEVELAND STATE	\$1,636,387	\$1,566,799	\$69,588	\$292,808	\$362,396	
KENT STATE	\$1,872,658	\$1,793,023	\$79,635	\$247,542	\$327,177	
MCOT	\$482,580	\$462,058	\$20,522	\$0	\$20,522	
MIAMI	\$1,766,048	\$1,690,947	\$75,101	\$230,106	\$305,207	
NEOUCOM	\$163,940	\$128,397	\$35,543	(\$167,607)		(\$132,064)
OHIO STATE	\$7,541,006	\$7,220,324	\$320,682	\$838,902	\$1,159,584	
OHIO UNIVERSITY	\$2,267,108	\$2,170,636	\$96,472	\$310,708	\$407,180	
SHAWNEE STATE	\$198,135	\$186,707	\$11,428	\$67,864	\$79,292	
TOLEDO	\$1,973,895	\$1,890,219	\$83,676	\$266,692	\$350,368	
WRIGHT STATE	\$1,178,643	\$1,128,521	\$50,122	\$426,516	\$476,638	
YOUNGSTOWN STATE	\$943,828	\$882,676	\$61,152	\$139,657	\$200,809	
<b>Subtotal</b>	<b>\$27,281,860</b>	<b>\$26,074,687</b>	<b>\$1,207,173</b>	<b>\$5,218,891</b>	<b>\$6,558,128</b>	<b>(\$132,064)</b>
<b>Branch campuses</b>						
ASHTABULA	\$94,885	\$90,850	\$4,035	\$124,655	\$128,690	
BELMONT	\$106,839	\$102,296	\$4,543	\$32,818	\$37,361	
CHILLICOTHE	\$113,033	\$108,226	\$4,807	\$53,350	\$58,157	
CLERMONT	\$89,460	\$68,646	\$20,814	\$96,273	\$117,087	
EAST LIVERPOOL	\$63,245	\$60,556	\$2,689	\$56,640	\$59,329	
FIRELANDS	\$106,418	\$101,893	\$4,525	\$0	\$4,525	
GEAUGA	\$28,963	\$27,731	\$1,232	\$49,561	\$50,793	
HAMILTON	\$113,820	\$109,281	\$4,539	\$11,100	\$15,639	
IRONTON	\$61,495	\$61,495	\$0	\$115,496	\$115,496	
LAKE	\$50,208	\$0	\$50,208	\$76,873	\$127,081	
LANCASTER	\$114,940	\$110,052	\$4,888	\$48,392	\$53,280	
LIMA (7)	\$124,775	\$0	\$124,775	\$0	\$178,055	
MANSFIELD	\$132,563	\$0	\$132,563	\$132,373	\$264,936	
MARION	\$77,823	\$136,405	(\$58,582)	\$65,112	\$6,530	
MIDDLETOWN	\$173,950	\$33,512	\$140,438	\$18,414	\$158,852	
NEWARK	\$113,610	\$0	\$113,610	\$230,895	\$344,505	
SALEM	\$63,578	\$60,945	\$2,633	\$91,685	\$94,318	
STARK	\$178,308	\$170,726	\$7,582	\$41,842	\$49,424	
TRUMBULL	\$112,875	\$0	\$112,875	(\$132,014)		(\$19,139)
TUSCARAWAS	\$113,015	\$290,942	(\$177,927)	\$190,849	\$12,922	
WALTERS	\$171,990	\$164,676	\$7,314	(\$89,643)		(\$82,329)
WAYNE	\$81,498	\$119,684	(\$38,186)	\$25,594		(\$12,592)

<b>Capital Component Allocations for FY 2002 and FY 2003</b>						
(Same distribution each year)						
Institution	A	B	C (=A-B)	D	E (=C+D) [+]	F (=C+D) [-]
	Formulated debt service based on available capital	Expected actual debt service on H.B. 640 appropriations	Difference	Prior years' difference (cumulative net) carried forward	Total current difference (net positives only)	Total current difference (net negatives only)
Notes:	(1)	(2)	(3)	(4)	(5)	(6)
ZANESVILLE	\$113,383	\$108,561	\$4,822	\$35,446	\$40,268	
<b>Subtotal</b>	<b>\$2,400,674</b>	<b>\$1,926,477</b>	<b>\$474,197</b>	<b>\$1,275,711</b>	<b>\$1,917,248</b>	<b>(\$114,060)</b>
<b>Community Colleges</b>						
CINCINNATI STATE	\$466,865	\$418,073	\$48,792	\$578,782	\$627,574	
CLARK STATE	\$163,818	\$0	\$163,818	\$279,108	\$442,926	
COLUMBUS STATE	\$565,495	\$541,447	\$24,048	\$449,944	\$473,992	
CUYAHOGA	\$1,026,183	\$982,544	\$43,639	\$1,481	\$45,120	
EDISON STATE	\$98,928	\$0	\$98,928	\$209,026	\$307,954	
JEFFERSON	\$88,900	\$0	\$88,900	\$114,512	\$203,412	
LAKELAND	\$317,818	\$317,818	\$0	\$39,732	\$39,732	
LORAIN	\$226,818	\$0	\$226,818	\$416,489	\$643,307	
NORTHWEST STATE	\$61,373	\$0	\$61,373	\$124,373	\$185,746	
OWENS STATE	\$492,520	\$451,347	\$41,173	(\$41,173)	\$0	
RIO GRANDE	\$101,098	\$57,449	\$43,649	\$10,547	\$54,196	
SINCLAIR	\$765,678	\$0	\$765,678	\$787,424	\$1,553,102	
SOUTHERN STATE	\$59,023	\$0	\$59,023	(\$46,660)	\$12,363	
TERRA STATE	\$107,975	\$0	\$107,975	\$148,287	\$256,262	
WASHINGTON ST	\$63,228	\$0	\$63,228	(\$128,527)		(\$65,299)
<b>Subtotal</b>	<b>\$4,605,720</b>	<b>\$2,768,678</b>	<b>\$1,837,042</b>	<b>\$2,943,345</b>	<b>\$4,845,686</b>	<b>(\$65,299)</b>
<b>Technical Colleges</b>						
AGRICULTURAL	\$114,048	\$0	\$114,048	\$35,735	\$149,783	
BELMONT	\$74,095	\$0	\$74,095	\$188,775	\$262,870	
CENTRAL OHIO	\$80,255	\$0	\$80,255	\$146,398	\$226,653	
HOCKING	\$243,110	\$243,110	\$0	\$103,665	\$103,665	
LIMA	\$124,110	\$0	\$124,110	\$44,869	\$168,979	
MARION	\$64,365	\$0	\$64,365	\$76,424	\$140,789	
MUSKINGUM AREA	\$95,060	\$91,042	\$4,018	\$0	\$4,018	
NORTH CENTRAL	\$136,903	\$186,636	(\$49,733)	\$141,790	\$92,057	
STARK	\$180,705	\$180,705	\$0	\$67,763	\$67,763	
<b>Subtotal</b>	<b>\$1,112,651</b>	<b>\$701,493</b>	<b>\$411,158</b>	<b>\$805,419</b>	<b>\$1,216,577</b>	<b>\$0</b>
<b>System total</b>	<b>\$35,400,905</b>	<b>\$31,471,335</b>	<b>\$3,929,570</b>	<b>\$10,243,366</b>	<b>\$14,537,639</b>	<b>(\$311,423)</b>

## Notes:

- (1) Column A is the formulated debt service amount; it is 10 percent of the state-provided capital available to the campuses, as determined by OBM. This debt service amount is assumed to be required each year for 15 years, to cover both interest and principal repayment. It is allocated among the campuses by a Regents formula, based on aged space (50 percent) and enrollment activity (50 percent).
- (2) Column B is the expected debt service on the CAP line item appropriations provided to the campuses in the most recent capital bill, in this case H.B. 640.
- (3) Column C is the difference (positive or negative) between columns A and B. It is the amount by which a campus's formulated debt service (column A) exceeds or lags its anticipated debt service (column B). A positive amount indicates that a campus will incur less debt service than formulated; a negative amount indicates that a campus's debt service will exceed the formulated amount.
- (4) Column D is the cumulative amount of column C differences carried forward from prior years' capital budgets. It is the net of those years' individual positive and negative differences.
- (5) Column E contains all the net positive totals of columns C and D, giving the total differences between the column A amounts and the column B amounts for the current- and prior-years' capital budgets. Since these differences are positive, each campus will receive an award of its indicated amount from the Capital Component appropriations in ALI 235-552 of H.B. 94. These funds may be used for capital projects of the campus's choice.

- (6) Column F contains all the net negative totals of columns C and D, giving the total differences between the column A amounts and the column B amounts for the current- and prior-years' capital budgets. Since these differences are negative, each campus will be penalized by having its indicated amount deducted from its State Share of Instruction (operating subsidy) allocation.
- (7) The carry forward amount (in column D) reflects a correction for the Lima campuses.

### ***BREAKTHROUGH INVESTMENTS (PROGRAM SERIES 10)***

This is a new program series, established by this budget. In the FY 2002-FY 2003 budget it contains one appropriation item, the new Appalachian New Economy initiative, and has a total budget of \$1.0 million in FY 2002 and \$1.5 million in FY 2003.

This program series is intended to support various initiatives involving state government, higher education, and business and industry. It will employ a strategy of targeted spending, called breakthrough investments, to help the state move forward in several areas considered crucial to its near- and long-term economic prosperity.

Regents considers this approach as providing an opportunity for higher education to use its resources to promote economic development. In so doing, the higher education community itself should also benefit. In particular, more Ohio residents might be attracted to higher education, a move that would serve to reduce a perceived bachelors-degree deficit among the state's population.

The breakthrough investments will usually involve collaborations among the higher education institutions, business and industrial firms and groups, and state agencies such as the Board of Regents and the Department of Development.

Regents had requested several new programs, including the Ohio Plan, to begin this series but only one, the Appalachian New Economy Partnership, was included in the enacted budget.

#### **Budgeted line items**

235-428 Appalachian New Economy Partnership [New]

(This is the only appropriation item in this new program series.)

#### **Appalachian New Economy Partnership**

This is the series' only appropriation item; it is a new one, budgeted at \$1.0 million in FY 2002 and \$1.5 million in FY 2003. It was established to promote economic development in Appalachia through integrated investments designed to improve and target information technology and knowledge infrastructure. Led by Ohio University, the program supports existing and new private-public technology partnerships among Ohio's public and private campuses, private industry, local government, and school districts within the 29-county Appalachia region.

#### **Ohio Plan Study Committee**

Although the executive (As Introduced) version of the budget contained \$40 million in biennial funding for the Ohio Plan, the enacted bill excludes this appropriation. However, the budget does establish, in section 94.11, the Ohio Plan Study Committee, which is required "to determine appropriate ways to fund the Ohio Plan for Technology and Development." The committee will be a joint executive, legislative, and campus group and will report its recommendations by December 31, 2001.

As proposed by the Board of Regents, the Ohio Plan is intended to promote collaborative efforts among state government, higher education, and business and industry that will lead to the development of New Economy applications of science and technology and, ultimately, new business start-ups in the state and increased economic prosperity for the citizens of Ohio. As proposed, appropriated funds would support research, development and commercialization in the fields of biotechnology, information technology, and nanotechnology.

### ***DEBT SERVICE PAYMENTS (PROGRAM SERIES 11)***

The total appropriations are \$345.1 million for FY 2002 and \$343.3 million for FY 2003, for annual changes of +6.3 percent and -0.5 percent, respectively. The biennial appropriation, at \$688.4 million, exceeds the \$681.0 million of the previous biennium by \$7.4 million, or 1.1 percent.

This program series provides funds to service the capital debt obligations incurred by the state on behalf of the Board of Regents and the higher education institutions. The series' two line items provide the funds necessary to make all required special obligation (lease rental) and general obligation debt service payments due from the Board of Regents.

Prior to 2001 (and prior to the enactment of the current capital budget, Am. Sub. H.B. 640 of the 123<sup>rd</sup> General Assembly), bonds issued for higher education facilities were revenue bonds (i.e., special obligation, lease-rental debt instruments). The 1999 passage of State Issue 1, however, had provided for the issuance of general obligation (GO) bonds under Article VIII Section 2n of the Ohio Constitution for all education-related facilities, including higher education. Since GO bonds generally require lower interest rates than special obligation debt, for FY 2002 and thereafter the state will issue GO bonds for capital budgeting purposes.

Beginning in FY 2002, then, the Regents' budget will contain two debt service line items, 235-401, Lease-Rental Payments, which will continue to service the special obligation debt that was previously issued; and 235-909, Higher Education General Obligation Debt Service, to service the new GO debt. As the special obligation debt is paid down (since no more special obligation bonds will be issued), the appropriation for 235-401 will decline, reaching zero in 2014 after the last of these bonds is retired. During this same period the appropriation for 235-909 will increase as new GO debt is issued and serviced.

The temporary (uncodified) law language for this new debt arrangement is in section 94.06 of the budget (Am. Sub. H.B. 94 of the 124th General Assembly).

The debt service payments (interest and principal) on special obligation bonds are made by the Board of Regents to the OPFC under section 3333.13 of the Revised Code, which governs the payment of rentals under lease agreements for higher education facilities. In revisions unrelated to the switch to GO bonds, the budget makes two language changes in this section to reflect current practices. First, the Treasurer of State is eliminated as a payee, leaving just OPFC, since the TOS serves as the OPFC's agent. Second, the budget leaves only the Board of Regents eligible to obtain appropriations to support lease payments to the Ohio Public Facilities Commission. Under the previous language, both the Board of Regents and the institutions of higher education were allowed to obtain such appropriations; however, all the debt service payments are now made by Regents.

**Budgeted line items**

- 235-401 Lease-Rental Payments (formerly called Rental Payments to the Ohio Public Facilities Commission [OPFC])  
235-909 Higher Education General Obligation Debt Service [New]

**Lease-Rental Payments (formerly called Rental Payments to the OPFC)**

The appropriations decline by 9.1 percent and 8.9 percent for FY 2002 and FY 2003, to \$295.1 million and \$268.9 million, respectively. The biennial appropriation declines by \$117.0 million, or 17 percent, to \$564.0.

This GRF item's decreasing appropriation reflects the discontinuance of special obligation bonds to fund capital improvements as general obligation bonds begin to be issued for that purpose. Thus, in 2014, the appropriation amount for this line item will decline to zero. This same period will see a rise in the appropriation amount for the general obligation debt service item, 235-909, Higher Education General Obligation Debt Service, which will service the new general obligation debt.

This appropriation item provides funds to service and retire the debt on special obligation (revenue) bonds that, until recently, were sold to finance capital improvements for higher education. Although the capital bills include appropriation line items for specific projects by institution, the bonds were issued for higher education projects as a group. The bonds for capital construction projects were generally issued for terms of from fifteen to twenty years. Short-term bonds (five to seven years) were usually issued for equipment purchases.

Since no more special obligation debt will be issued on Regents' behalf, the amount of the appropriation for this item is determined by the terms of the existing contracted bonds and, therefore, is known certain for each fiscal year even before the budget is prepared.

To make its payments on special obligation bonds, Regents transfers debt service funds to the Treasurer of State as agent for the Ohio Public Facilities Commission. The payments may include principal and/or interest.

**Higher Education General Obligation Debt Service**

This new GRF line item, 235-909, Higher Education General Obligation Debt Service, is budgeted at \$50.1 million and \$74.3 million for FY 2002 and FY 2003, respectively, for a biennial amount of \$124.4 million. Since the issuance of general obligation (GO) debt began only recently, no GO debt service was owed by Regents before FY 2002; hence there was no need for this line item before this budget.

This line item provides the funds to make debt service payments on GO bonds issued by the state on behalf of higher education institutions to finance their capital projects. The authority to issue such bonds was established by enactment of Am. S.B. 206 of the 123<sup>rd</sup> General Assembly in December 1999 following the November passage of State Issue 1, an Ohio constitutional amendment that allowed the issuance of general obligation bonds under Article VIII, Section 2n, for all education-related facilities, including higher education.

Since the GO bonds are backed by the full faith and credit of the state, they are expected to command somewhat lower interest rates than the revenue bonds that had heretofore been issued, thereby reducing



the state's debt service burden. The first capital projects affected by this change to GO bonds for higher education are those included in Am. Sub. H.B. 640, the capital budget bill of the 123rd General Assembly.

The appropriation amount for this debt service line item is determined by the Office of Budget and Management. Some of the required amount (i.e., the debt service on those borrowings that have already been contracted) is certain by the time the budget is prepared. For the anticipated capital projects that will need bond issues during the biennium, the Office of Budget and Management determines the expected debt service amounts using estimates of relevant interest rates and estimates of the remaining capital debt to be undertaken during the two fiscal years.

For FY 2001 the appropriations for this debt service line item were included in the budget of the Commissioners of the Sinking Fund, located at the offices of the Treasurer of State. For FY 2002 and subsequent years, however, the appropriation has been transferred to the Board of Regents' budget to more accurately reflect the state funding on a programmatic basis. The same has been done with respect to other agencies.

To make its payments on general obligation bonds, Regents sends an intra-state transfer voucher (ISTV) to the Commissioners of the Sinking Fund. The payments may include principal and/or interest.

## **OTHER POLICY ISSUES**

### ***OTHER PERMANENT LAW CHANGES***

#### **Section 3305.061 [Higher education retirement plans]:**

This new section provides an upper limit to the percentage of employees' compensation that an institution of higher education must pay the state retirement system if the institution's employees opt to participate in an alternative retirement plan (ARP). The percentage may not exceed the percentage that the state retirement system charges employers of members of the state system who opt to participate in the state system's own ARP.

Existing permanent law requires an institution of higher education that maintains an alternative retirement plan (ARP) to pay the state retirement system (to which the institution's ARP participants would otherwise belong) an amount equal to a percentage of those participants' compensation.

This payment is intended to mitigate the negative financial impact on the state retirement system caused by those employees' opting to participate in the institution's ARP.

#### **Section 3333.02 [Interactive video teleconferencing of Board of Regents meetings]:**

Adds language to permit the Board of Regents to form a quorum and take votes at meetings conducted by interactive video teleconference as long as it provides for attendance by the public at any teleconference location.

#### **Section 3333.03 [Board of Regents: Chancellor's authority to appoint employees/staff]:**

Revised language authorizes the chancellor to appoint and fix the compensation of the employees and staff of the board without seeking approval of the board. Previously, the Board of Regents fixed the

compensation of all employees of the board and all appointments made by the chancellor were subject to Board approval.

### **Section 3333.043 [Student community service]:**

Section 3333.043 calls on the board of trustees of each institution to "...encourage and promote participation of students in community service..."

Revised language changes the name of the organization that assists the Board of Regents and others in making information about higher-education community service programs available to institutions of higher education. The previously named state community service advisory committee will henceforth be called the Ohio community service council. The change brings the name into conformity with the name used in section 121.40 of the Revised Code, which establishes the council.

### **Sections 3333.12 and 94.07 [Ohio Instructional Grants]:**

The six tables of maximum grants are revised to provide increases in the grant amounts, as explained below.

This section provides a program of higher education grants to students with families below certain thresholds of gross income. The language defines two types of eligible students: financially dependent and financially independent. It also defines three types of higher educational institutions: private, proprietary, and state-assisted. The six combinations of these categories produce six tables of maximum grant amounts: two tables ("dependent" and "independent") for each type of institution. Each table provides the maximum grant amounts for a range of gross income levels against a range of numbers of family dependents. In uncodified law in the bill (section 94.07), a similar set of tables overrides these permanent law tables in order to provide for lower maximum grant amounts in the first fiscal year of the biennium. Thus, these permanent law tables apply only to the biennium's second year. The two sets of tables, in effect, create a two-step increase in the maximum grant amounts over the two fiscal years.

### **Section 3333.13 [Debt service; transfers to the Ohio Public Facilities Commission]:**

The act revises the section's language to reflect current practices. First, only the Board of Regents will be eligible to obtain appropriations to support lease payments to the Ohio Public Facilities Commission. Prior to the act, both the Board of Regents and institutions of higher education were allowed to obtain such appropriations; however, currently all debt service payments for the campuses are made for them by the Board of Regents. Second, only the Ohio Public Facilities Commission will be eligible to receive payments from the Board of Regents for special obligation bond debt service. Previously, both the Ohio Public Facilities Commission and the Treasurer of State were allowed to receive such payments; however, the TOS actually serves as the OPFC's agent.

Added language specifies that a vice-chancellor of the Board of Regents may certify to the Director of Budget and Management the amounts needed to make lease payments to the Public Facilities Commission. Previously, only the chancellor was allowed to make such a certification, which is required at the beginning of each fiscal year.

### **Sections 3333.21 and 3333.22 [Academic Scholarship Program]:**

In a revision, the specified amount of each scholarship award is changed from exactly \$2,000 to "not less than" \$2,000.

**Section 3345.05 [Investment by state university or college boards of trustees]:**

(The entire section, including both the existing language and the language added by the bill, was vetoed by the Governor; see the description under Governor's Vetoes, below.)

**Section 3345.19 [Enrollment limitations]:**

Revises upward the enrollment limitations imposed upon five university main campuses, as follows:

- Bowling Green State University: from 16,000 to 17,000
- Kent State University: from 21,000 to 22,000
- Miami University: from 16,000 to 17,000
- Ohio University: from 21,000 to 22,000
- Ohio State University: from 41,000 to 42,000

Eliminates the requirement that a university receive prior approvals from the Board of Regents for contracts for the construction of new residence hall facilities.

**Section 3745.22 [Environmental Education Fund scholarships]:**

Expands eligibility for Environmental Education Fund scholarships to include students attending private non-profit colleges and universities. Previously, the scholarships were available to students of only state-assisted colleges and universities.

***OTHER TEMPORARY LAW CHANGES*****Section 94.12 [Science and technology collaboration]:**

Adds new language calling for the Board of Regents to collaborate with the Department of Development, the Biomedical Research and Technology Transfer Commission, and the Technology Action Board concerning twelve technology-related programs and appropriation items in order to "ensure implementation of a coherent state strategy with respect to science and technology".

Each designated program and appropriation item is to be reviewed annually by the Technology Action Board with respect to its "development of complementary relationships within a combined state science and technology investment portfolio" and its "overall contribution to the state's science and technology strategy." However, this annual review is also to be a comprehensive review of the entire state science and technology program portfolio rather than just a review of individual programs.

Similar language is inserted in the budget of the Department of Development.

**Section 94.13 [Ohio State University Veterinary Clinic]:**


Adds new language "notwithstanding" any Revised Code language to the contrary and stating that "the Ohio State University may negotiate, enter into, and locally administer a contract which combines the design and construction elements of the project into a single contract for the College of Veterinary Medicine Large Animal Clinic in Union County, Ohio." This project for the clinic will cost approximately \$1.2 million and will be funded by university funds.

## ***GOVERNOR'S VETOES***

### **Section 3345.05 [State universities – general powers; disposition of fees]:**

In existing language, this section required all registration fees, other fees, subsidy receipts, and other incomes received by each state-supported university and college to be held and administered by the board of trustees of that university or college, subject to the provisions of any resolutions, trust agreements, indentures, leases, etc.

The budget bill, as passed by the General Assembly, added language to clarify the authority of public university boards of trustees to invest cash balances. This new language stated that no board of trustees may make investments of the above funds “unless a foundation has been or is established for the institution” and that foundation enters into an agreement specified by further added language. The investments must be made “pursuant to an investment policy developed in consultation with the auditor of state and approved by the board in public session.” At a minimum, the policy would require a board-approved cash budget; an agreement between the board and the foundation under which the foundation would establish a reserve fund; investments to be made only in investment-grade securities; and the establishment of an investments committee to review and recommend changes to the investment policy.

The Governor vetoed the entire section, including both the existing language and the added language, with a message stating that, “...due to time constraints, the language [to clarify the boards’ authority] does not achieve this goal. A veto of this section would allow additional time to address this issue further and to prepare an effective amendment to this section of the Ohio Revised Code. The universities that sought this clarification have requested this veto.” 

**FY 2002 - 2003 Final Appropriation Amounts**

**All Fund Groups**

<b>Line Item Detail by Agency</b>			<b>FY 1999:</b>	<b>FY 2000:</b>	<b>FY 2001:</b>	<b>FY 2002 Appropriations:</b>	<b>% Change 2001 to 2002:</b>	<b>FY 2003 Appropriations:</b>	<b>% Change 2002 to 2003:</b>
<b>Report For: Main Operating Appropriations Bill</b>			<b>Version: Enacted</b>						
<b>BOR Regents, Ohio Board of</b>									
GRF	235-100	Personal Service	\$ 2,130,601	\$ 65,104		\$ 0	N/A	\$ 0	N/A
GRF	235-200	Maintenance	\$ 337,113	\$ 60,161		\$ 0	N/A	\$ 0	N/A
GRF	235-300	Equipment	\$ 76,740	\$ 46,923		\$ 0	N/A	\$ 0	N/A
GRF	235-321	Operating Expenses	\$ 0	\$ 2,523,230	\$3,170,589	\$ 3,137,394	-1.05%	\$ 3,137,394	0.00%
GRF	235-401	Lease-Rental Payments	\$ 362,193,362	\$ 356,446,109	\$324,547,665	\$ 295,058,500	-9.09%	\$ 268,910,500	-8.86%
GRF	235-402	Sea Grants	\$ 299,940	\$ 299,940	\$296,941	\$ 299,940	1.01%	\$ 299,940	0.00%
GRF	235-403	Math/Science Teaching Improvement	\$ 0	\$ 2,164,503	\$1,698,543	\$ 1,984,000	16.81%	\$ 2,018,680	1.75%
GRF	235-404	College Readiness Initiatives	\$ 0	\$ 2,118,078	\$2,990,196	\$ 2,500,000	-16.39%	\$ 2,500,000	0.00%
GRF	235-406	Articulation & Transfer	\$ 817,414	\$ 922,227	\$1,028,856	\$ 800,000	-22.24%	\$ 800,000	0.00%
GRF	235-408	Midwest Higher Education Compact	\$ 58,000	\$ 75,000	\$75,000	\$ 75,000	0.00%	\$ 75,000	0.00%
GRF	235-409	Information System	\$ 2,145,583	\$ 1,415,081	\$1,316,090	\$ 1,362,023	3.49%	\$ 1,362,023	0.00%
GRF	235-412	Higher Education Funding Commission	\$ 0	\$ 0		\$ 0	N/A	\$ 0	N/A
GRF	235-413	Central State Strategic Plan	\$ 0	---		---	N/A	---	N/A
GRF	235-414	State Grants & Scholarship Administrat	\$ 1,050,092	\$ 1,216,487	\$1,198,533	\$ 1,373,420	14.59%	\$ 1,373,420	0.00%
GRF	235-415	Jobs Challenge	\$ 2,500,000	\$ 8,743,864	\$10,979,694	\$ 10,100,000	-8.01%	\$ 10,200,000	0.99%
GRF	235-416	Performance Challenge	\$ 2,000,000	\$ 1,158,000		\$ 0	N/A	\$ 0	N/A
GRF	235-417	Technology	\$ 3,609,847	\$ 3,087,118	\$5,199,516	\$ 3,920,000	-24.61%	\$ 3,920,000	0.00%
GRF	235-418	Access Challenge	\$ 16,000,000	\$ 35,095,710	\$65,424,012	\$ 62,268,000	-4.82%	\$ 62,268,000	0.00%
GRF	235-420	Success Challenge	\$ 4,000,000	\$ 20,014,420	\$48,715,054	\$ 47,041,000	-3.44%	\$ 47,041,000	0.00%
GRF	235-421	Higher Education Efficiency Challenge	\$ 500,000	\$ 1,500,000		\$ 0	N/A	\$ 0	N/A
GRF	235-428	Appalachian New Economy Partnershi	---	---		\$ 1,000,000	N/A	\$ 1,500,000	50.00%
GRF	235-451	Eminent Scholars	\$ 0	\$ 0	\$5,200,000	\$ 0	-100.00%	\$ 0	N/A
GRF	235-454	Research Challenge	\$ 14,693,157	\$ 19,542,800	\$21,424,652	\$ 20,000,000	-6.65%	\$ 20,000,000	0.00%
GRF	235-455	Productivity Improvement Challenge	\$ 1,598,476	\$ 1,686,221	\$1,654,466	\$ 1,694,947	2.45%	\$ 1,728,845	2.00%
GRF	235-474	AHEC Program Support	\$ 2,019,968	\$ 2,094,566	\$2,073,619	\$ 2,093,727	0.97%	\$ 2,135,601	2.00%
GRF	235-477	Access Improvement Projects	\$ 1,056,790	\$ 1,046,640	\$1,130,314	\$ 1,110,879	-1.72%	\$ 1,110,879	0.00%
GRF	235-481	Discovery Project Match	\$ 2,484,320	\$ 5,680		\$ 0	N/A	\$ 0	N/A
GRF	235-501	State Share of Instruction	\$ 1,540,057,442	\$ 1,601,259,162	\$1,628,848,899	\$ 1,659,011,727	1.85%	\$ 1,668,611,581	0.58%
GRF	235-502	Student Support Services	\$ 1,009,833	\$ 1,033,059	\$1,047,274	\$ 1,000,000	-4.51%	\$ 1,000,000	0.00%

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# All Fund Groups

Line Item Detail by Agency			FY 1999:	FY 2000:	FY 2001:	FY 2002 Appropriations:	% Change 2001 to 2002:	FY 2003 Appropriations:	% Change 2002 to 2003:
<b>BOR Regents, Ohio Board of</b>									
GRF	235-503	Ohio Instructional Grants	\$ 82,114,638	\$ 80,614,459	\$85,084,973	\$ 98,000,000	15.18%	\$ 111,500,000	13.78%
GRF	235-504	War Orphans Scholarships	\$ 3,551,658	\$ 3,594,302	\$3,724,626	\$ 4,652,548	24.91%	\$ 4,792,124	3.00%
GRF	235-506	Postsecondary Readiness Testing	\$ 782,131	\$ 0		\$ 0	N/A	\$ 0	N/A
GRF	235-507	OhioLINK	\$ 6,290,947	\$ 6,947,761	\$7,592,044	\$ 7,668,731	1.01%	\$ 7,668,731	0.00%
GRF	235-508	AFIT	\$ 3,895,000	\$ 3,500,000	\$3,500,000	\$ 2,000,000	-42.86%	\$ 2,000,000	0.00%
GRF	235-509	Displaced Homemakers	\$ 244,996	\$ 244,994	\$242,544	\$ 240,096	-1.01%	\$ 240,096	0.00%
GRF	235-510	Ohio Supercomputer Center	\$ 3,801,701	\$ 4,834,416	\$4,882,896	\$ 4,833,574	-1.01%	\$ 4,833,574	0.00%
GRF	235-511	Cooperative Extension Service	\$ 23,815,548	\$ 26,643,306	\$27,431,440	\$ 27,708,525	1.01%	\$ 27,708,525	0.00%
GRF	235-512	Performance Funding	\$ 0	\$ 0		\$ 0	N/A	\$ 0	N/A
GRF	235-513	OU Voinovich Center	\$ 0	\$ 375,000	\$371,250	\$ 367,500	-1.01%	\$ 367,500	0.00%
GRF	235-514	Central State Supplement	\$ 9,544,956	\$ 10,865,982	\$11,928,683	\$ 12,044,956	0.97%	\$ 12,044,956	0.00%
GRF	235-515	CWRU School of Medicine	\$ 4,087,564	\$ 4,181,578	\$4,239,117	\$ 4,280,224	0.97%	\$ 4,281,936	0.04%
GRF	235-517	Clark State Outreach Program	\$ 0	---		---	N/A	---	N/A
GRF	235-518	Capital Scholarship Programs	\$ 198,000	\$ 250,000	\$220,000	\$ 0	-100.00%	\$ 0	N/A
GRF	235-519	Family Practice	\$ 5,932,959	\$ 6,229,607	\$6,475,676	\$ 6,538,471	0.97%	\$ 6,541,087	0.04%
GRF	235-520	Shawnee State Supplement	\$ 3,183,711	\$ 2,969,965	\$2,795,760	\$ 2,272,000	-18.73%	\$ 2,272,000	0.00%
GRF	235-521	OSU Glenn Institute	\$ 0	\$ 375,000	\$371,250	\$ 367,500	-1.01%	\$ 367,500	0.00%
GRF	235-523	Center for Labor Research	\$ 0	\$ 95,000	\$94,050	\$ 0	-100.00%	\$ 0	N/A
GRF	235-524	Police and Fire Protection	\$ 244,996	\$ 244,996	\$242,546	\$ 240,096	-1.01%	\$ 240,096	0.00%
GRF	235-525	Geriatric Medicine	\$ 1,038,259	\$ 1,062,139	\$1,076,754	\$ 1,087,195	0.97%	\$ 1,108,939	2.00%
GRF	235-526	Primary Care Residencies	\$ 2,872,957	\$ 3,016,605	\$3,135,761	\$ 3,166,168	0.97%	\$ 3,229,491	2.00%
GRF	235-527	Ohio Aerospace Institute	\$ 2,321,577	\$ 2,374,973	\$2,407,653	\$ 2,383,334	-1.01%	\$ 2,383,334	0.00%
GRF	235-530	Academic Scholarships	\$ 8,000,000	\$ 8,000,000	\$8,000,000	\$ 8,000,000	0.00%	\$ 8,000,000	0.00%
GRF	235-531	Student Choice Grants	\$ 41,504,967	\$ 42,231,670	\$51,771,049	\$ 52,428,000	1.27%	\$ 53,476,560	2.00%
GRF	235-533	Doctoral Reduction Incentives	\$ 0	---		---	N/A	---	N/A
GRF	235-534	Student Workforce Development	---	\$ 0	\$1,139,073	\$ 1,200,000	5.35%	\$ 1,200,000	0.00%
GRF	235-535	Agricultural Research and Developmen	\$ 32,867,947	\$ 36,673,910	\$38,343,575	\$ 38,730,884	1.01%	\$ 38,730,884	0.00%
GRF	235-536	OSU Clinical Teaching	\$ 15,270,155	\$ 15,621,369	\$15,836,318	\$ 15,989,883	0.97%	\$ 15,996,281	0.04%
GRF	235-537	UCN Clinical Teaching	\$ 12,559,495	\$ 12,848,363	\$13,025,157	\$ 13,151,461	0.97%	\$ 13,156,724	0.04%
GRF	235-538	MCO Clinical Teaching	\$ 9,789,445	\$ 10,014,602	\$10,152,403	\$ 10,250,851	0.97%	\$ 10,254,953	0.04%
GRF	235-539	WSU Clinical Teaching	\$ 4,755,904	\$ 4,865,290	\$4,932,236	\$ 4,980,064	0.97%	\$ 4,982,057	0.04%

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**All Fund Groups**

<i>Line Item Detail by Agency</i>			<i>FY 1999:</i>	<i>FY 2000:</i>	<i>FY 2001:</i>	<i>FY 2002 Appropriations:</i>	<i>% Change 2001 to 2002:</i>	<i>FY 2003 Appropriations:</i>	<i>% Change 2002 to 2003:</i>
<b><i>BOR Regents, Ohio Board of</i></b>									
GRF	235-540	OHU Clinical Teaching	\$ 4,597,676	\$ 4,703,423	\$4,768,142	\$ 4,814,378	0.97%	\$ 4,816,305	0.04%
GRF	235-541	NEM Clinical Teaching	\$ 4,728,706	\$ 4,837,466	\$4,904,029	\$ 4,951,583	0.97%	\$ 4,953,565	0.04%
GRF	235-543	OCPM Clinical Subsidy	\$ 467,607	\$ 500,000	\$495,000	\$ 499,800	0.97%	\$ 500,000	0.04%
GRF	235-545	Ohio State University Cancer Hospital	\$ 0	\$ 0		\$ 0	N/A	\$ 0	N/A
GRF	235-546	Centers for Artificial Intelligence	\$ 0	---		---	N/A	---	N/A
GRF	235-547	School of International Business	\$ 1,243,637	\$ 1,743,637	\$1,726,201	\$ 1,708,764	-1.01%	\$ 1,708,764	0.00%
GRF	235-549	Part-time Student Instructional Grants	\$ 24,681,704	\$ 12,322,630	\$12,677,739	\$ 13,311,638	5.00%	\$ 13,977,219	5.00%
GRF	235-552	Capital Component	\$ 7,527,719	\$ 10,848,075	\$10,848,076	\$ 14,537,639	34.01%	\$ 14,537,639	0.00%
GRF	235-553	Dayton Area Graduate Studies I	\$ 3,681,165	\$ 3,765,832	\$3,856,212	\$ 3,779,088	-2.00%	\$ 3,779,088	0.00%
GRF	235-554	Priorities in Graduate Education	\$ 2,437,528	\$ 3,464,704	\$3,517,903	\$ 3,482,368	-1.01%	\$ 3,482,368	0.00%
GRF	235-555	Library Depositories	\$ 1,468,994	\$ 2,400,000	\$1,918,477	\$ 1,999,200	4.21%	\$ 2,039,184	2.00%
GRF	235-556	Ohio Academic Resources Network	\$ 2,019,666	\$ 3,227,819	\$3,477,060	\$ 3,510,777	0.97%	\$ 3,580,993	2.00%
GRF	235-558	Long-term Care Research	\$ 318,371	\$ 318,371	\$315,187	\$ 312,004	-1.01%	\$ 312,004	0.00%
GRF	235-561	Bowling Green State University Canadi	\$ 167,642	\$ 167,642	\$165,966	\$ 164,289	-1.01%	\$ 164,289	0.00%
GRF	235-572	OSU Clinic Support	\$ 1,331,259	\$ 1,943,328	\$2,040,527	\$ 2,061,138	1.01%	\$ 2,061,138	0.00%
GRF	235-583	Urban University Programs	\$ 4,984,273	\$ 8,192,284	\$6,569,922	\$ 6,503,559	-1.01%	\$ 6,503,559	0.00%
GRF	235-585	Ohio University Innovation Center	\$ 49,745	\$ 49,745	\$49,248	\$ 48,750	-1.01%	\$ 48,750	0.00%
GRF	235-587	Rural University Projects	\$ 1,244,448	\$ 1,298,070	\$1,389,588	\$ 1,375,552	-1.01%	\$ 1,375,552	0.00%
GRF	235-588	Resource Center for Mathematics, Sci	\$ 0	\$ 500,000	\$1,000,000	\$ 980,000	-2.00%	\$ 980,000	0.00%
GRF	235-590	12th Grade Proficiency Stipend	\$ 0	\$ 13,805,513	\$13,152,500	\$ 0	-100.00%	\$ 0	N/A
GRF	235-595	International Center for Water Resourc	\$ 189,381	\$ 189,381	\$187,487	\$ 185,593	-1.01%	\$ 185,593	0.00%
GRF	235-596	Hazardous Materials Program	\$ 244,996	\$ 244,996	\$242,546	\$ 390,096	60.83%	\$ 390,096	0.00%
GRF	235-599	National Guard Tuition Grant Program	---	\$ 5,545,143	\$8,044,878	\$ 12,048,106	49.76%	\$ 12,048,106	0.00%
GRF	235-909	Higher Education General Obligation De	---	---		\$ 50,055,100	N/A	\$ 74,344,100	48.52%
<b>General Revenue Fund Total</b>			<b>\$ 2,300,692,706</b>	<b>\$ 2,432,363,429</b>	<b>\$ 2,518,383,435</b>	<b>\$ 2,565,132,040</b>	<b>1.86%</b>	<b>\$ 2,589,158,523</b>	<b>0.94%</b>
456	235-603	Publications	\$ 127,619	\$ 7,054	\$23,157	\$ 43,050	85.90%	\$ 44,342	3.00%
456	235-613	Job Preparation Initiative	---	---	\$73,870	\$ 144,383	95.46%	\$ 144,383	0.00%
<b>General Services Fund Group Total</b>			<b>\$ 127,619</b>	<b>\$ 7,054</b>	<b>\$ 97,027</b>	<b>\$ 187,433</b>	<b>93.18%</b>	<b>\$ 188,725</b>	<b>0.69%</b>
3N6	235-605	State Student Incentive Grants	\$ 1,012,607	\$ 1,012,609	\$1,616,785	\$ 2,000,000	23.70%	\$ 2,000,000	0.00%
3H2	235-608	Human Services Project	\$ 1,369,818	\$ 393,374	\$752,578	\$ 1,500,000	99.31%	\$ 1,500,000	0.00%

**FY 2002 - 2003 Final Appropriation Amounts**

**All Fund Groups**

<i>Line Item Detail by Agency</i>			<i>FY 1999:</i>	<i>FY 2000:</i>	<i>FY 2001:</i>	<i>FY 2002 Appropriations:</i>	<i>% Change 2001 to 2002:</i>	<i>FY 2003 Appropriations:</i>	<i>% Change 2002 to 2003:</i>
<b><i>BOR Regents, Ohio Board of</i></b>									
312	235-609	Tech Prep	\$ 109,531	\$ 174,854	\$196,008	\$ 183,852	-6.20%	\$ 183,852	0.00%
3T0	235-610	NHSC Ohio Loan Repayment	\$ 82,555	\$ 127,445	\$50,000	\$ 100,000	100.00%	\$ 100,000	0.00%
312	235-611	Gear-up Grant	----	\$ 711,211	\$982,871	\$ 1,590,986	61.87%	\$ 1,690,434	6.25%
312	235-612	Carl D. Perkins Grant/Plan Administratio	----	----	\$34,350	\$ 112,960	228.85%	\$ 112,960	0.00%
312	235-631	Federal Grants	\$ 2,030,722	\$ 2,263,366	\$2,491,942	\$ 2,055,511	-17.51%	\$ 0	-100.00%
<b>Federal Special Revenue Fund Group Total</b>			<b>\$ 4,605,233</b>	<b>\$ 4,682,859</b>	<b>\$ 6,124,533</b>	<b>\$ 7,543,309</b>	<b>23.17%</b>	<b>\$ 5,587,246</b>	<b>-25.93%</b>
4E0	235-601	Teacher Education Loan Program	\$ 1	\$ 0		\$ 0	N/A	\$ 0	N/A
4E8	235-602	HEFC Administration	\$ 11,640	\$ 3,060	\$2,712	\$ 13,080	382.32%	\$ 13,900	6.27%
4P4	235-604	Physician Loan Repayment	\$ 313,452	\$ 196,219	\$419,630	\$ 416,067	-0.85%	\$ 436,870	5.00%
682	235-606	Nursing Loan Repayment	\$ 562,339	\$ 485,200	\$640,814	\$ 870,000	35.76%	\$ 893,000	2.64%
649	235-607	OSU Highway/Transportation Researc	\$ 500,000	\$ 500,000	\$500,000	\$ 855,021	71.00%	\$ 760,000	-11.11%
<b>State Special Revenue Fund Group Total</b>			<b>\$ 1,387,432</b>	<b>\$ 1,184,479</b>	<b>\$ 1,563,157</b>	<b>\$ 2,154,168</b>	<b>37.81%</b>	<b>\$ 2,103,770</b>	<b>-2.34%</b>
<b><i>Regents, Ohio Board of Total</i></b>			<b>\$ 2,306,812,990</b>	<b>\$ 2,438,237,821</b>	<b>\$ 2,526,168,152</b>	<b>\$ 2,575,016,950</b>	<b>1.93%</b>	<b>\$ 2,597,038,264</b>	<b>0.86%</b>