

- Tuition/fee caps reimposed: 6%, plus 3.9% for student aid/technology; additional 3% for Ohio State University
- State Share of Instruction: Increase of 0.03% for biennium; up 0.3% and 1.6% for FY 2004 and FY 2005; Challenges: a 12% biennial increase
- Miami University tuition restructuring plan: Charge all students the out-of-state tuition rate, then give scholarships to Ohio students; students enrolled before August 2004 incur no financial effect

Regents, Ohio Board of

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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.

Regents 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 Ohio Senate and the Ohio House of Representatives. Day-to-day administration is the responsibility of the Board of Regents agency; the chancellor of the Board of Regents is appointed by the board and is the agency'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.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
83	\$2,457.0 million	\$2,495.3 million	\$2,443.5 million	\$2,482.2 million	Am. Sub. H.B. 95

* Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

APPROPRIATIONS OVERALL

The Board of Regents' biennial budget in Am. Sub. H.B. 95 for the FYs 2004 and 2005 shows only small changes in total appropriations.

Regents is budgeted at \$4,952.3 million for the FY 2004-2005 biennium, for a 1.38% (\$67.2 million) increase over the \$4,885.1 million disbursed during the previous biennium. As indicated by the table above, the agency's annual appropriations are \$2,457.0 million and \$2,495.3 million for FYs 2004 and 2005, respectively, for increases of just \$37.5 million (1.55%) and \$38.3 million (1.56%).

The General Revenue Fund (GRF) supports 99.5% of Regents' total biennial appropriation. The yearly GRF appropriations increase by 1.38% and 1.59% to \$2,443.5 million and \$2,482.2 million for FYs 2004 and 2005, respectively. The biennial GRF total of \$4,925.7 million is an increase of \$59.3 million (1.22%) over the previous biennium. This GRF increase provides 88% of Regents' total \$67.2 million budget increase for the new biennium.

Regents' budget is currently appropriated across some 83 appropriation items, of which 68 are funded by the GRF. All the items are organized into 11 program series, which are groupings of similarly oriented appropriations. More than two-thirds of Regents' budget is taken up by just one of these program series, Core Institutional Support (Program Series 1), with appropriations of \$1,683.1 million for FY 2004 and \$1,714.4 million for FY 2005. The biennial budget of \$3,397.6 million for Program Series 1 comprises 69% of Regents' total biennial budget of \$4,952.3 million and 55% of its total budget increase. Further, it is this program series that contains the single largest appropriation item in Regents' budget, the State Share of Instruction subsidy.

SIGNIFICANT APPROPRIATION ITEMS

State Share of Instruction. Over 62% of Regents' 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 total biennial appropriation of \$3,093.3 million represents an increase of just 0.03%, or \$1.02 million, over the previous biennium's \$3,092.3 million. This \$1.02 million increase comprises just 1.5% of Regents' total \$67.2 million biennial budget increase. From the FY 2003 actual disbursement amount of \$1,529.3 million, the SSI appropriation increases by just \$4.9 million (0.3%) for FY 2004 and \$24.9 million (1.6%) for FY 2005, to \$1,534.2 million and \$1,559.1 million, respectively.

The SSI doctoral reserve, which is a percentage of the State Share of Instruction appropriation that is set aside to specifically support university doctoral programs, is maintained at 10.34%.

Challenges. The Challenge appropriation items, including the Jobs, Access, Success and Research Challenges, Computer Science Graduate Education, and Eminent Scholars, comprise the remainder of Program Series 1. They have a combined biennial appropriation of some \$304.3 million, for an increase of \$35.8 million (13%) over the previous biennium, or 53% of Regents' total budget increase. Challenge appropriation items amount to 6.1% of the total BOR biennial budget. In particular, the Access and Success Challenge items enjoy significant increases in this budget, while the Jobs and Research Challenges and Computer Science Graduate Education suffer declines.

Student financial aid. Regents' student financial aid programs comprise the budget's Program Series 4. The 14 appropriation items in this series receive a combined \$6.7 million (1.6%) increase to \$434.1 million for the FY 2004-2005 biennium. The items in this series take up 8.8% of Regents' budget and 10% of its biennial increase.

Agricultural programs. Spending on each of the two major agricultural programs decreases only slightly for the new biennium. The Cooperative Extension Service declines by 0.29% to \$51.3 million; and the Ohio Agricultural Research and Development Center declines by 0.34% to \$71.7 million.

Medical support. The FY 2004-2005 biennial budget for Program Series 3, containing the 14 medical support appropriation items, declines by \$12.1 million (8.8%) to \$126.3 million. In particular, the six state-supported medical schools' clinical teaching subsidies decrease by 7.5% for FY 2004 and stay flat for FY 2005.

Central State and Shawnee State Universities. The Central State University and Shawnee State University supplemental appropriation items are the two largest of the three items contained in Program Series 2, whose biennial budget declines by 1.7% to \$28.0 million. Each of Central State's and Shawnee State's subsidies for FY 2004 and FY 2005 is held at its FY 2003 level of \$11.0 million and \$2.1 million, respectively, for no annual increases.

Debt service. The two debt service appropriation items, comprising the whole of Program Series 11, receive a combined biennial appropriation of \$692.0 million, for an increase of \$25.9 million (3.9%). This amount is 39% of Regents' biennial budget increase of \$67.2 million, although these two appropriation items comprise just 14% of the agency's budget.

New and eliminated appropriation items. No new appropriation items have been established or existing appropriation items eliminated by this budget.

NEW INITIATIVES

Am. Sub. H.B. 95 of the 125th General Assembly includes various new initiatives in both existing and new programs. Each of these initiatives is included in the bill as either an addition of or amendment to a section of the Ohio Revised Code (codified, or permanent, law), or as language in the biennial budget (uncodified, or temporary, law).

NEW INITIATIVES—OHIO REVISED CODE

The budget provides several new initiatives by additions and changes to the Ohio Revised Code (ORC).

Ohio Instructional Grants (OIG). In its tables of grant amounts for the OIG program, section 3333.12 of the Revised Code retains, for both FY 2004 and FY 2005 for all financially dependent and financially independent students, the FY 2003 maximum base amounts of gross income a student may have and still qualify for a grant. This section also retains, for both FY 2004 and FY 2005 for all financially dependent students and for financially independent students who have no dependents, the FY 2003 grant amounts.

For financially independent students who have one or more dependents, section 3333.12 retains, for both FY 2004 and FY 2005, the FY 2003 maximum grant amounts; however, it increases the grant amounts in both fiscal years for those students who qualify for less than the maximum grant amounts (because of income or number of dependents).

The tables in section 3333.12 provide the grant amounts for both fiscal years for the two categories of students (financially dependent and independent), three types of higher education institutions, the numbers of dependents, and the levels of family gross incomes. However, as in prior budgets, for the first fiscal year of the biennium these tables are superseded by alternate tables of grant amounts provided in section 89.06 in uncodified budget (temporary) law.

Ohio Instructional Grant (OIG) Reconciliation Fund. The new section 3333.121 of the Revised Code creates the Instructional Grant Reconciliation Fund (5Y5), to be funded from refunds of the Board of Regents' OIG payments. Revenues are to be used to pay for any outstanding obligations owed to higher education institutions from the prior fiscal year's OIG program. Any amounts exceeding the amount necessary to reconcile prior-year payments are to be transferred to the GRF.

Articulation and transfer. The new section 3333.16 of the Revised Code requires the Board of Regents, by April 15, 2005, to establish policies and procedures applicable to all state institutions of higher education to ensure that students may begin higher education at any state institution of higher education and transfer coursework and degrees to any other state institution of higher education without unnecessary duplication or institutional barriers. The policies will require the institutions to make changes as needed to strengthen course content so as to ensure equivalency for given courses at any state institution of higher education.

Regents is also required to develop and implement a universal course equivalency classification system to be implemented and used by all the state institutions of higher education; to develop a transfer system to ensure that a graduate with an associate degree that includes transferable modules will be admitted to a baccalaureate program at another state institution; to study the feasibility of developing a transfer marketing agenda to inform the citizens of Ohio about the availability of transfer options at state institutions of higher education; and to examine the feasibility of recognizing and transferring credits earned by Ohio career college graduates to state institutions of higher education.

Sanctions for rioting. The new section 3333.38 of the Revised Code renders a person who is convicted of committing certain riot-related offenses ineligible for any state student financial assistance supported by state funds at an institution of higher education for two calendar years after the person applies for assistance. The section also requires a state-supported institution of higher education to immediately dismiss an enrolled person who is convicted of committing certain riot-related offenses. Finally, the new language prohibits a state-supported institution of higher education from admitting such a person for one academic year after the person applies for admission.

University of Cincinnati board of trustees. Section 3361.01 of the Revised Code is amended to remove the requirement that at least five members of the board of trustees of the University of Cincinnati be residents of the city of Cincinnati.

NEW INITIATIVES—BIENNIAL BUDGET LAW

The budget contains uncodified (i.e., temporary) language affecting several appropriation items and other initiatives:

Tuitions and fees. The new FY 2004-2005 budget reimposes the tuition/fee increase limits, or caps, which had been eliminated for the FY 2002-2003 biennium. The caps, which limit the public-assisted institutions' abilities to increase in-state undergraduate student tuitions and fees, are now set at 6% for each academic year. However, they allow The Ohio State University to increase these fees by an additional 3% per year. Also included is a provision allowing an additional 3.9% increase at any

university as long as this increase is used either to fund scholarships for low-income students or to improve technology services for students. In addition, a board of trustees is limited to a combined 6% increase in instructional and general fees in a single vote (9% for The Ohio State University).

State Share of Instruction guarantee. The appropriated SSI funds are allocated by formula among the 62 individual higher education institutions. However, in addition to the formula, the budget provides each campus with a guaranteed minimum SSI subsidy, based on the amount it received during the previous year. In the new biennium, a campus' guarantee for FY 2004 is 100% of the amount it received in FY 2003. In FY 2005 the guarantee is 99% of what the campus' SSI would have been in FY 2004 had the allocation in FY 2004 been no less than 99%, rather than 100% of the prior year's SSI amount. This minimum amount is, thus, 98.01% of the FY 2004 amount (99% of 99%).

Ohio Instructional Grants (OIG). Uncodified language provides six tables of grant amounts that supersede only for FY 2004 the six Ohio Instructional Grant tables of grant amounts listed in section 3333.12 of the Revised Code. Thus, the latter tables will apply only to the biennium's second fiscal year, FY 2005. In the uncodified tables, the awards for dependent students and independent students with no dependents remain at the FY 2003 levels for both fiscal years. The awards for independent students with dependents are increased over the FY 2003 levels but are below the new levels set in the section 3333.12 tables; thus, these award amounts are graduated in two yearly steps up to the amounts in the Revised Code tables.

Ohio Instructional Grant reconciliation. In line with the new section 3333.121 of the Revised Code, which creates the Instructional Grant Reconciliation Fund (5Y5), uncodified language requires the Board of Regents to certify to the Director of Budget and Management before August of each year the amount necessary to pay any outstanding prior-year obligations to higher education institutions under the Ohio Instructional Grant program. The budget appropriates the amount to appropriation item 235-618, OIG Reconciliation, from revenues received by the Instructional Grant Reconciliation Fund.

Commission on Higher Education and the Economy. The budget establishes the commission and requires it to recommend a strategy to improve the quality and efficiency of Ohio's higher education system to increase effectiveness, eliminate unnecessary duplication, broaden the use of technology, and determine how higher education can most effectively support the state's economy, best prepare Ohio students for Third Frontier jobs, and add to the quality of life for Ohio's citizens. The commission is also to apply similar criteria in a study of the ten-year plan for higher education.

DAGSI earmark for technology. The budget earmarks \$0.5 million in FY 2004 and \$0.4 million in FY 2005 under the appropriation item that supports the Dayton Area Graduate Studies Institute (DAGSI), an engineering consortium of three Dayton area universities. The earmarked funds will support collaborative research among academia, industry and the Air Force for the Wright Brothers Institute and related initiatives in nanomaterials and advanced data management and analysis.

Ohio Resource Center for Mathematics, Science, and Reading—prohibition. Current budget law prohibits the Ohio Resource Center for Mathematics, Science, and Reading from making available to colleges of education and school districts any resources that are inconsistent with the K-12 science standards and policies as adopted by the State Board of Education.

Science and Technology Collaboration. In an update, uncodified budget language changes the organizations that will collaborate with the Board of Regents and the Department of Development in this effort, established by the previous budget. The Biomedical Research and Technology Transfer Commission and Technology Action Board are deleted, and the Third Frontier Commission and the Air Quality Development Board are added. The budget also changes some of the technology-related

appropriation items and programs to be monitored and annually reviewed by the collaboration, increasing the total number of items from 12 to 13. Continuing language requires the group to collaborate to ensure the implementation of a coherent state strategy concerning science and technology.

Colocated institutions. Uncodified language calls for the Board of Regents to review the operation and effectiveness of co-located university branch and technical college campuses, with particular attention to improved responsiveness to community needs and improved transfer of coursework.

Warren County – pilot partnership. Uncodified language requires the Board of Regents to approve the creation of a new joint vocational-community college-university partnership at the Warren County Career Center on a pilot basis in fiscal years 2004 and 2005. The partnership program will be implemented by the Career Center's joint vocational school district board, which may contract with higher education institutions to provide college-level courses and programs at the center. The pilot program will be ineligible for state higher-education financial assistance.

Warren County – new community college. The budget requires Regents to issue a charter for a new community college. The college will have Warren County as its community college district and will be operated jointly with the Warren County Career Center. After being organized, the college will begin in FY 2006 to offer career-technical courses to high-school students; and college-level arts-and-sciences and technical programs to postsecondary students and high-school students in postsecondary enrollment options programs. The Career Center and the local workforce policy board will develop the operational plan for the college, which will be administered by its own appointed board of trustees. The college will be eligible for classroom facilities assistance funds only for projects oriented to the career-technical courses for high-school students. However, it will not be eligible for capital-improvement financial assistance otherwise available to community colleges.

Miami University's pilot tuition-restructuring plan. Uncodified language "recognizes" the pilot tuition-restructuring plan at Miami University. The stated purposes of the plan are to provide financial assistance for moderate-income Ohio students and incentives for high-achieving Ohioans to attend Miami University, as well as to provide incentives for students to major in economically important curriculums.

The plan's tuition changes will have no direct financial impact on students who enroll prior to August 2004, since they will pay only the amount that was charged in the previous year, plus any increases approved by the board of trustees. The new tuitions will still be subject to the 9.9% (6% plus 3.9%) caps on instructional fee increases that apply to all campuses. However, it might be noted that the budget language concerning the Miami plan provides tuition amounts indicating FY 2005 increases of 9.0% (6% plus 3.0%).

The plan will establish the same nominal tuition charge for both Ohio and non-Ohio undergraduate students; this tuition will be at the out-of-state level, which is the sum of the Ohio undergraduate tuition and the out-of-state (non-Ohio undergraduate) surcharge. For FY 2004, budget language calls for this amount to be \$18,103, which is 10.9% above the FY 2003 out-of-state tuition level of \$16,324. Each Ohio undergraduate student will then be provided financial assistance in the form of two scholarships. The Resident Scholarship will provide a single university-determined amount to each Ohio undergraduate student; for FY 2004 this amount will be \$5,000. The Leader Scholarship will provide, on average, an additional \$4,750 for FY 2004; the actual amount for each student will depend on family income level, scholastic achievement, and choice of college curriculum. The effect of these two scholarships will be to reduce an Ohio student's effective tuition to an effective level below the nominal amount. For FY 2004 the average effective tuition level can be determined as the \$18,103 nominal amount minus the \$9,750 from the two scholarships, or \$8,353, which is 9.9% above the FY 2003 in-state tuition level of \$7,601.

For FY 2005, uncodified language calls for the nominal tuition charge to be \$19,732, which is 9.0% above the FY 2004 nominal level of \$18,103. The amount of financial assistance provided in total by the two scholarships for Ohio undergraduate students is stated to range from a minimum of \$10,000 to a maximum of \$11,256. The average of these two amounts is \$10,628, which, when deducted from the nominal tuition charge of \$19,732, yields an average effective tuition level of \$9,104; this constitutes a 9.0% increase over the FY 2004 effective tuition level of \$8,353 for Ohio undergraduate students.

In line with Miami University's pilot tuition-restructuring plan, additional uncodified language exempts the university from the requirement for a tuition surcharge to be paid by non-Ohio residents. Further, it clarifies that the prohibition of an institution's authorizing a waiver or nonpayment of instructional and general fees for any student unless the waiver or nonpayment is authorized by law or approved by the Chancellor does not constitute a prohibition on Miami University's providing financial assistance when implementing its plan. Finally, Miami University is exempted from the requirement that each institution specify separately the instructional fee, general fee, tuition charge, and tuition surcharge in its statement of charges.

Belmont Technical College. The budget directs the Board of Regents to consider within one year a proposal from Belmont Technical College to convert to a community college. Regents will consider the demonstrated need for such an institution, the most effective use of state resources to fund such a conversion, and the regional benefit of such a conversion.

BUDGET ISSUES

CORE INSTITUTIONAL SUPPORT (PROGRAM SERIES 1)

Description. The program series is the state's primary financial support to higher education in Ohio. It comprises seven 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' two largest programs are of the State Share of Instruction, which composes approximately 91.0% of the total appropriations for the program series; and the four main Challenges, which provide subsidies to the campuses through more performance-based criteria, and compose approximately 8.8% of the total appropriations for the program series.

Budget. This program series receives a \$36.9 million (1.1%) biennial funding increase to \$3,397.6 million. At these levels, this series represents 68.6% of Regents' total biennial budget and 55% of the biennial budget increase. The FY 2004 total appropriation is \$1,683.1 million, for a 1.2% increase over the FY 2003 spending level. The total appropriation for FY 2005 is \$1,714.4 million, for a 1.9% increase over the FY 2004 level. The program series represents 68.5% of the total appropriations made to the Board of Regents in FY 2004, and 68.7% in FY 2005.

State Share of Instruction

Description. The State Share of Instruction (SSI) supports all of Ohio's state-assisted institutions of higher education. The SSI is the largest, by far, of several subsidy items intended to partially offset the cost of a college education for Ohio residents attending Ohio's public institutions. The budget appropriates a lump sum to the Board of Regents for the SSI. Then, Regents distributes the appropriated amount among the campuses according to a distribution formula. These institutions give careful consideration to the state subsidy amounts allocated to them when determining the tuition levels they will charge.

Budget. The State Share of Instruction (SSI) appropriation for FY 2004 is \$1,534.2 million, a 0.3% increase over the FY 2003 spending level. In FY 2005, the appropriation is \$1,559.1 million, a 1.6% increase over the FY 2004 appropriation level. The total appropriation of \$3,093.3 million for the FY 2004-2005 biennium represents an increase of only 0.03% over the FY 2002-2003 biennium.

The SSI Distribution Formula. The State Share of Instruction is distributed through a complex empirical formula maintained by the Board of Regents with the advice of the Higher Education Funding Commission, a consultative body of campus and government officials and representatives. The formula is also outlined in the uncodified, or temporary law section of the biennial operating budget bill, and therefore must also be approved by the General Assembly.

The main parameters of the formula are determined by a “resource analysis” conducted by Regents. That is, the Board of Regents obtains and analyzes the campuses’ recent direct and indirect actual expenditures of their unrestricted funds for three main campus expense categories: instruction and support, student services, and the operations of the campuses’ physical plants. The information obtained from these three expense categories is then used to calculate the subsidy amounts per full-time equivalent student (FTE) that will be provided in each of 14 non-doctoral curricular models.

The most recent year for which the Board of Regents has final financial data for the resource analysis is FY 2001. It has, therefore, been necessary to estimate the increases in each year from FY 2002 to FY 2005. The estimates are based on decomposing the expense categories into their major components: wages and salaries, benefits, institutional financed financial aid, and other instructional and general expenses. Then an appropriate rate of increase is provided to each component, and a weighted average is calculated in order to obtain an annual rate of change. These changes are included in the budget via the updates of the subsidy tables for three expense categories for FY 2004 and FY 2005.

For the instruction and support subsidy, the changes from FY 2003 to FY 2004 in the curricular models vary from a low of 0.4% for the MPD I model, up to 14.4% for the Masters and Professional I model. The changes from FY 2004 to FY 2005 vary from a low of 0.2% for the MPD I model, up to 13.4% for the Masters and Professional I model. The MPD I model is similar to the Masters and Professional I model, except that the MPD I model consists of Masters degree students in education and business, who were formally classified as Doctoral students because each of them exceeded the doctoral credit hour minimum threshold.

For the student services subsidy, each non-doctoral curricular model is provided the same amount of subsidy. In FY 2003, this was \$747 per FTE. In FY 2004, the amount will be \$822, a 10.0% increase over FY 2003. In FY 2005, the subsidy amount will be \$903, a 9.9% increase over FY 2004. As in the previous biennium, each institution has its FTEs weighted to reflect differences among the institutions in the number of part-time students that are enrolled.

For the plant operation and maintenance (POM) subsidy, there are two separate calculations. The first involves calculating an activity- or enrollment-based subsidy, while the second involves calculating a square-foot-based subsidy based on the type of space. The POM subsidy is the larger of these two calculations. For the activity-based calculation, the changes from FY 2003 to FY 2004 vary from a decline of 9.2% for the Baccalaureate III model, to an increase of 7.1% in the Medical II model. The changes from FY 2004 to FY 2005 vary from a decline of 4.6% for the Masters and Professional II model, to an increase of 7.1% in the Medical II model. For the square-foot-based calculation, the subsidy amount is based on how the space is utilized by the campus (classroom, laboratory, office, storage, etc.). For each type of space, the subsidy amount per square foot in FY 2004 increases between 4.2% and 4.5% over the FY 2003 levels; and in FY 2005, the subsidy amounts increase between 4.1% and 4.3% over the FY 2004 levels.

The total subsidy amount for instruction and support, student services, and the enrollment-based POM at each campus is determined by using the greater of the subsidy amounts generated by using the institution's two-year and five-year average FTE enrollment figures. The enrollment in each non-doctoral curricular model is multiplied by the respective subsidy amount in each category; these products are then summed to arrive at the total subsidy amount for each campus.

In addition to the subsidies for instruction and support, student services, and the operations of the campuses' physical plants, the SSI formula also includes an allocation for doctoral programs in order to implement the recommendations of the Graduate Funding Commission. As in the previous biennium, 10.34% of the total SSI appropriation in each fiscal year is reserved by the budget for doctoral programs. Each campus share of the doctoral allocation is equal to its proportion of doctoral students, with the enrollment of doctoral students in the sciences (Doctoral II) weighted at 50% greater than those in the humanities and social sciences (Doctoral I). However, the two-year enrollment average uses the FTEs from FY 1997 and FY 1998, while the five-year enrollment average uses the FTEs from FY 1994 through FY 1998, with both adjusted to reflect the effects of doctoral review and subsequent changes in Doctoral I and Doctoral II enrollments.

Subtracted from the subsidy amounts is the local contribution that the Board of Regents calculates for each curricular model. The amounts of the local contributions are not included in the budget. Once the local contributions are subtracted from the subsidy amounts calculated above, the SSI is subject to three other adjustments: the annual SSI funding guarantee, the capital component deduction, and reductions in earnings. The reductions in earnings adjustment is made if, after all of the other adjustments, the total SSI earnings for all the campuses exceed the total appropriation, then the Board of Regents will proportionately reduce the SSI earnings for all campuses by a uniform percentage so that the formula amount equals the appropriation.

Annual State Share of Instruction Funding Guarantee. As a check on any adverse consequences to a campus that might arise from changes in enrollment or the SSI allocation formula, the budget again provides a funding guarantee. As in the previous biennium, a campus in FY 2004 will not receive less than 100% of its prior year's SSI amount. However in FY 2005, the guarantee is 99% of what the institution's SSI amount would have been in FY 2004 had the guarantee in FY 2004 been no less than 99%, rather than 100% of the prior year's SSI amount. Therefore the minimum amount in FY 2005 would be 98.01% (99% of 99%) of the SSI amount received by a campus in FY 2004.

Capital Component Deduction. After the funding guarantee is taken into account, the SSI amount for a campus is adjusted if the debt service amount in any of the capital appropriation bills of the 121st, 122nd, 123rd, or 124th General Assembly exceeds that institution's capital component earnings. This is part of a policy established by the Board of Regents that is intended to rationalize and decentralize capital funding decisions by establishing a "price" that campuses pay for capital facilities.

As indicated earlier, the reductions in earnings adjustment will be made, if after all of the other adjustments have been made, the amount of subsidy provided by the formula is greater than the total SSI appropriation. The following four tables show the estimated SSI amounts for universities, university branches, community colleges and state community colleges, and technical colleges for FY 2004 and FY 2005. These estimates are made by the Board of Regents.

Table 1: Projected SSI Amounts for Universities			
Institution	FY 2003 Actual	FY 2004 Projected	FY 2005 Projected
University of Akron	\$83,943,488	\$83,943,488	\$82,273,013
Bowling Green	\$76,244,540	\$76,244,539	\$74,727,273
Central State	\$5,955,878	\$5,955,878	\$5,837,356
University of Cincinnati	\$144,219,588	\$144,219,588	\$141,349,618
Cleveland State	\$64,983,804	\$64,983,804	\$63,690,627
Kent State	\$85,458,007	\$85,458,007	\$83,757,392
MCOT	\$23,556,900	\$23,556,901	\$23,844,978
Miami University	\$59,948,676	\$59,948,676	\$58,755,698
NEOUCOM	\$11,150,788	\$11,029,776	\$11,145,439
Ohio State	\$300,063,614	\$300,063,614	\$300,574,432
Ohio University	\$105,150,254	\$105,150,254	\$103,057,764
Shawnee State	\$9,832,630	\$9,832,630	\$10,480,806
University of Toledo	\$79,938,463	\$79,938,463	\$78,347,688
Wright State	\$72,233,189	\$72,233,189	\$70,795,749
Youngstown State	\$41,539,147	\$41,539,147	\$40,712,517
Subtotal	\$1,164,218,966	\$1,164,097,954	\$1,149,350,351

Table 2: Projected SSI Amounts for University Branches			
Institution	FY 2003 Actual	FY 2004 Projected	FY 2005 Projected
Akron-Wayne	\$2,968,476	\$2,968,476	\$2,909,403
BGSU-Firelands	\$3,147,518	\$3,147,518	\$3,365,799
Kent-Ashtabula	\$2,613,225	\$2,613,224	\$2,669,933
Kent-East Liverpool	\$1,886,785	\$1,886,785	\$1,849,238
Kent-Geauga	\$1,251,009	\$1,251,009	\$1,256,100
Kent-Salem	\$2,189,866	\$2,189,866	\$2,326,564
Kent-Stark	\$6,584,029	\$6,584,029	\$6,497,404
Kent-Trumbull	\$4,867,384	\$4,847,641	\$4,750,780
Kent-Tuscarawas	\$3,900,723	\$3,900,723	\$3,921,916
Miami-Hamilton	\$5,865,768	\$5,865,768	\$5,749,039
Miami-Middletown	\$6,144,244	\$6,144,244	\$6,021,973
OSU-Lima	\$3,978,655	\$3,978,655	\$3,899,480
OSU-Mansfield	\$4,025,614	\$4,025,614	\$3,945,504
OSU-Marion	\$3,496,669	\$3,496,669	\$3,486,857
OSU-Newark	\$5,156,856	\$5,156,856	\$5,054,234
OU-Chillicothe	\$3,926,424	\$3,926,424	\$4,338,054
OU-Eastern	\$3,094,106	\$3,094,106	\$3,032,533
OU-Lancaster	\$3,801,748	\$3,801,748	\$3,726,093
OU-Southern	\$4,222,835	\$4,222,835	\$4,138,801
OU-Zanesville	\$4,044,026	\$4,044,026	\$4,793,056
UC-Clermont	\$4,160,720	\$4,160,720	\$4,251,625
UC-Walters	\$7,412,146	\$7,329,175	\$8,460,888
Wright-Lake	\$2,288,943	\$2,288,943	\$2,403,993
Subtotal	\$91,027,768	\$90,925,054	\$92,849,268

Table 3: Projected SSI Amounts for Community Colleges and State Community Colleges			
Institution	FY 2003 Actual	FY 2004 Projected	FY 2005 Projected
Cincinnati State	\$17,311,423	\$18,102,041	\$21,067,115
Clark State	\$5,615,429	\$5,615,429	\$5,995,193
Columbus State	\$37,254,127	\$38,360,175	\$45,633,334
Cuyahoga	\$37,406,276	\$37,920,061	\$44,896,864
Edison State	\$5,039,948	\$5,039,948	\$5,280,720
Jefferson	\$3,053,821	\$3,053,822	\$3,110,911
Lakeland	\$12,394,658	\$12,394,658	\$14,080,411
Lorain County	\$14,122,113	\$14,730,299	\$18,037,563
Northwest State	\$5,053,744	\$5,651,267	\$6,593,952
Owens State	\$27,910,653	\$27,910,653	\$30,898,862
Rio Grande	\$3,450,880	\$3,450,880	\$3,389,198
Sinclair	\$35,732,575	\$35,760,985	\$40,621,802
Southern State	\$3,741,959	\$3,949,873	\$4,592,500
Terra State	\$5,333,685	\$5,333,685	\$5,227,545
Washington State	\$3,931,169	\$3,925,264	\$4,363,947
Subtotal	\$217,352,460	\$221,199,040	\$253,789,915

Table 4: Projected SSI Amounts for Technical Colleges			
Institution	FY 2003 Actual	FY 2004 Projected	FY 2005 Projected
Agricultural	\$4,292,657	\$4,292,657	\$4,540,930
Belmont Tech	\$4,001,827	\$4,001,827	\$4,206,649
Central Ohio	\$3,686,933	\$4,124,638	\$5,064,934
Hocking	\$14,868,781	\$14,828,690	\$14,532,801
Lima Tech	\$6,375,998	\$6,309,153	\$7,043,855
Marion Tech	\$3,058,729	\$3,327,843	\$3,862,784
Muskingum	\$4,495,743	\$4,495,743	\$4,406,278
North Central	\$6,215,672	\$6,278,786	\$7,385,856
Stark Tech	\$9,686,981	\$9,941,479	\$11,695,999
Subtotal	\$56,683,320	\$57,600,816	\$62,740,084

Tuition and Fees

Tuition Caps. The State Share of Instruction is intended to partially offset the cost of a college education for Ohio residents attending one of Ohio's state-assisted institutions. In addition, the budget imposes limitations on the increase in in-state undergraduate instructional and general fees (tuition caps). In each academic year, an institution may increase its tuition by 6% over the previous year, except for The Ohio State University, which is allowed to increase its tuition by up to 9%. In a separate vote, each institution may increase its tuition by an additional 3.9%. However, the proceeds from this additional increase can only be used to provide scholarships to low-income students, or for improved technology services for students.

Miami University Pilot Tuition Restructuring Plan. The budget also recognizes the Tuition Restructuring Plan at Miami University. Under this Plan, Miami will charge the same tuition for both Ohio and non-Ohio undergraduates, but will provide each Ohio resident a scholarship in the amount of or equal to the per capita funding received by Miami from the State Share of Instruction and the Success Challenge, and is estimated at approximately \$5,000 in FY 2004. The Plan also establishes the Ohio Leaders Scholarship for students from Ohio, whose purpose is to make Miami more affordable to low- and middle-income students, encourage high achieving students to attend college in Ohio, and provide incentives for students to major in areas crucial to Ohio's economic development. It is expected that the average Ohio Leaders Scholarship award in FY 2004 will be \$4,750. These changes will have no direct financial impact for students who enroll prior to August 2004, since they will only pay the amount that was charged in the previous year plus any increases approved by Miami's Board of Trustees. The nominal state tuition at Miami in FY 2004 will be \$18,103, while the average effective tuition that an in-state student will pay will be \$8,353, which is 9.9% greater than the in-state tuition of \$7,601 in FY 2003. Miami's tuition under this new price structure is also subject to the same tuition caps imposed on other institutions.

For FY 2005, the nominal tuition charge will be \$19,732, or 9.0% above the FY 2004 level of \$18,103. The amount of financial assistance provided in total by the two scholarships for Ohio undergraduate students will be, on average, \$10,628. When this is deducted from the nominal tuition charge, the result is an average effective tuition level of \$9,104, which is a 9.0% increase over the FY 2004 effective tuition level of \$8,353.

The Challenges

In addition to the State Share of Instruction, Ohio's colleges and universities are provided additional subsidies through the various challenges. The challenge concept began with the budgets of the late 1980's, with the creation of the Research Challenge (along with the now defunct Academic and Productivity Improvement Challenges) in Am. Sub. H.B. 238 of the 116th General Assembly. More appropriation items were added over time, a result of the Board of Regents' conclusion that such challenges as Jobs, Access, Success, and Research are key efforts serving the four important goals of employee training, affordable access, academic success, and research. Consequently, the colleges' and universities' attention should be focused on them, and financial rewards should be given for accomplishment in these key areas.

Jobs Challenge. The annual appropriation for the Jobs Challenge in FY 2004 and FY 2005 is \$9.35 million, the same amount as in FY 2003. Because of the flat funding and the decline in funds from FY 2002 to FY 2003, the total appropriation of \$18.7 million for the FY 2004-2005 biennium represents a decline of 0.8% from the FY 2002-2003 biennium.

The Jobs Challenge seeks to address the workforce training needs of Ohio's businesses and employees by providing funds to campuses in order to make these services affordable. The funds provided by the Jobs Challenge are divided into three components. Approximately \$2.77 million in each fiscal year is set aside to provide performance grants to each of the 53 campuses of the EnterpriseOhio Network in order to provide basic support for their operations. Another \$2.82 million in each fiscal year is set aside for the Targeted Industries Training Grant Program, which provides funds for the training of employees in manufacturing and information technology. These grants require campuses and businesses to collaborate together since the application for the grants must be jointly submitted. Finally, \$3.76 million in each fiscal year is earmarked for the Higher Skills Incentives Program (formerly known as the Non-credit Incentives Grant Program), which rewards the 53 campuses by the proportion of each campus' share of total revenue that all of the campuses receive from third party entities for non-credit job-related training.

Access Challenge. The appropriation for the Access Challenge in FY 2004 is \$67.6 million, an 18.5% increase over the FY 2003 spending level. The appropriation in FY 2005 is the same as in FY 2004. The total appropriation of \$135.1 million for the FY 2004-2005 biennium represents an increase of 16.9% over the FY 2002-2003 biennium.

The Access Challenge seeks to make higher education affordable to all Ohioans by buying down or restraining tuition for in-state undergraduate students at designated Access campuses. Access campuses include all of the university branches, community colleges, and technical colleges, as well as Central State University, Shawnee State University, Cleveland State University, and the community-technical colleges located at the University of Akron, the University of Cincinnati, and Youngstown State University. The funds for the Access Challenge are allocated in proportion to the average of a campus' share of General Studies FTEs. For FY 2004, the campus' share will be based on the average of General Studies FTEs in FY 2001 and FY 2002; while for FY 2005, the campus' share will be based on the average of General Studies FTEs in FY 2002 and FY 2003.

Success Challenge. The appropriation for the Success Challenge in FY 2004 is \$51.1 million, an 18.7% increase over the FY 2003 spending level. The appropriation in FY 2005 is \$56.1 million, an increase of 9.8% over the FY 2004 appropriation level. The total appropriation of \$107.2 million for the FY 2004-2005 biennium represents an increase of 22.8% over the FY 2002-2003 biennium.

The Success Challenge is designed to reward the main campuses of Ohio's public universities for their efforts in awarding baccalaureate degrees to in-state "at-risk" students and for the timely completion of all in-state undergraduate students. Under the budget, 71.77% of the funds for the Success Challenge in FY 2004 and 74.29% in FY 2005 are to be allocated to the campuses in proportion to the institution's share of the total statewide baccalaureate degrees awarded to "at-risk" students. An "at-risk" student is defined as a student who was eligible to receive an Ohio Instructional Grant during the past ten years. In the FY 2002-2003 biennium, two-thirds of the funds were set aside for "at-risk" students, and an "at-risk" student was one who had actually received an Ohio Instructional Grant during the past ten years. The remaining funds (28.23% in FY 2004 and 25.71% in FY 2005) are to be allocated to the campuses in proportion to the institution's share of the total statewide baccalaureate degree credits earned by all students in a timely manner. Timely manner is defined as completion of an undergraduate degree program within the normal timeframe for a particular program, which is typically four years, though some programs require a longer expected time of degree completion.

Research Challenge. The appropriation for the Research Challenge in FY 2004 is \$18.3 million, a 0.5% increase over the FY 2003 spending level. The appropriation in FY 2005 is the same as in FY 2004. The total appropriation of \$36.7 million for the FY 2004-2005 biennium represents a decline of 1.5% from the FY 2002-2003 biennium.

The Research Challenge seeks to improve the quality of basic research programs at Ohio's public universities and two medical colleges, as well as two private universities (Case Western Reserve University and the University of Dayton), by rewarding the institutions that are successful in competing for research dollars. It is estimated by the Board of Regents that universities are able to leverage an additional ten dollars in research grants from external sources for every Research Challenge dollar received from the state. The funds for the Research Challenge are primarily allocated to the institutions on the basis of each university's share of qualifying externally funded research projects from the previous year.

OTHER INSTITUTIONAL SUPPORT (PROGRAM SERIES 2)

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

Budget. The series' total appropriations for FY 2004 are \$13.99 million, for a 0.33% decrease from the FY 2003 spending level. The total appropriations for FY 2005 are \$13.97 million, for a 0.16% decrease from the FY 2004 appropriation level. For the FY 2004-2005 biennium, the total appropriation of \$28.0 million is 1.7% less than the spending level for the previous biennium.

Central State Supplement. This item is essentially flat-funded for the new biennium with an appropriation of \$22.1 million, for a \$0.3 million (1.3%) decline. Both the FY 2004 and FY 2005 yearly amounts are maintained at the FY 2003 level of \$11.0 million.

Central State fiscal watch. The fiscal watch that had been in effect for several years was ended during the previous biennium; therefore, the uncodified language that had described the criteria and requirements for the fiscal watch does not appear in the budget for the FY 2004-2005 biennium.

Shawnee State Supplement. This supplemental appropriation is also flat-funded for the biennium at \$4.2 million, for a \$0.05 million (1.3%) decline. Both FY 2004 and FY 2005 are funded at \$2.1 million, the same level as for FY 2003.

MEDICAL SUPPORT (PROGRAM SERIES 3)

Description. The Medical Support program series consists of 14 state subsidies that support several universities' medical education functions taking place outside the classroom and laboratory. Subsidies are provided for clinical teaching and other activities in health care settings in order (a) to support internships and residencies in specific fields of practice that are of importance to Ohioans; and (b) to improve access both for medical students and for residents in need of health care.

Budget. The 14 medical support items' combined biennial appropriation of \$126.3 million is an 8.8% decline for the new biennium, as every program except one federal item incurs a decrease for FY 2004, followed by further decreases or flat funding for FY 2005. The combined yearly amounts are \$63.4 million for FY 2004 and \$63.0 million for FY 2005, for declines of \$5.1 million (7.4%) and \$0.40 million (0.63%), respectively.

The six medical schools' subsidies. The state provides clinical teaching subsidies to the six public-assisted medical schools, at The Ohio State University, the University of Cincinnati, the Medical College of Ohio at Toledo, Wright State University, Ohio University, and the Northeastern Ohio Universities

College of Medicine. The clinical subsidy for each of these schools declines by 7.5% for FY 2004 and remains flat-funded for FY 2005.

Other appropriation items. The subsidy for the Case Western Reserve University School of Medicine declines by 15.8% and 2.8% to \$3.3 million and \$3.2 million in FYs 2004 and 2005, respectively. The subsidy for The Ohio State University's dental and veterinary clinics declines by 26% and 2.7% to \$1.40 million and \$1.36 million, respectively.

STUDENT FINANCIAL AID (PROGRAM SERIES 4)

Description. This program series provides financial assistance to college students. The series consists of 14 programs providing assistance based on various criteria ranging from economic need to academic achievement. The two major programs of financial aid are the Ohio Instructional Grants (OIG), for all full-time Ohio students with limited incomes, and the Student Choice Grants (SCG), for full-time Ohio undergraduates at Ohio independent institutions; together these two items alone usually take up some three-fourths of this series' budget. The financial aid programs are administered by the State Grants and Scholarships Division of the Board of Regents.

In general, changes in student financial aid appropriations can arise from several factors, including changes in the anticipated numbers of participating students, changes in the grant amounts, and/or improved forecasting methods.

Budget. The combined student financial aid appropriations gain a biennial increase of \$6.7 million (1.6%), to \$434.1 million for FY 2004-FY 2005. With these amounts, the series takes up 8.8% of Regents' budget and 10.0% of its \$67.2 million total biennial increase. The combined FY 2004 appropriations decline by 2.3% to \$214.6 million although for FY 2005 the amount increases by a similar 2.3% to \$219.6 million.

Ohio Instructional Grants and Student Choice Grants programs. This biennium the Ohio Instructional Grants (OIG) and Student Choice Grants (SCG) programs comprise 76% of the student financial aid series' budget and, with a combined biennial increase of \$15.9 million to \$331.6 million, account for 24% of Regents' \$67.2 million total budget increase for the biennium. Individually, OIG and SCG receive biennial increases of 6.9% and 1.3% to \$227.3 million and \$104.3 million, respectively.

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 a specified maximum level. The maximum family gross income levels specified for FY 2004 and FY 2005 are \$39,000 for dependent students and \$35,300 for independent students. In addition to family income and dependency status, the grant amounts also vary depending on the number of dependent children in the family and the type of institution the student is attending (private, proprietary, and public).

The Student Choice Grants program provides uniform tuition grant awards to full-time undergraduate students enrolled for baccalaureate study at eligible Ohio independent (private) non-profit institutions of higher education. Recipients must be Ohio residents.

Ohio Instructional Grant reconciliation. In line with the new section 3333.121 of the Revised Code, which creates the Instructional Grant Reconciliation Fund (5Y5), uncodified language requires the Board of Regents to certify to the Director of Budget and Management before August of each year the amount necessary to pay any outstanding prior-year obligations to higher education institutions under the OIG

program. The budget appropriates the amount to appropriation item 235-618, OIG Reconciliation, from revenues received by the Instructional Grant Reconciliation Fund.

Ohio National Guard Scholarship Program. The Ohio National Guard Scholarship Program receives a \$4.7 million (20%) increase to \$27.8 million for the FY 2004-2005 biennium. This appropriation item supports a program that grants higher education scholarships to all authorized personnel of the Ohio National Guard. The program serves as both a recruitment and a retention tool for the Ohio Guard. The appropriation provides funds for both the scholarship grants and the program's marketing efforts.

Part-time Student Instructional Grants. The Part-time Student Instructional Grants appropriation gains \$1.6 million (5.8%) to \$28.5 million for the FY 2004-2005 biennium. This program provides need-based financial assistance to Ohio residents who are enrolled as part-time undergraduate students in degree-granting programs at eligible Ohio public, private, and degree-granting proprietary institutions of higher education. In FY 1994, only students enrolled at state-assisted colleges and universities were eligible to receive these grants. Since FY 1995, the grants have been made available to students attending both state-assisted (public) and private institutions, as well as degree-granting career colleges and schools. The funds are provided to the institutions, which, in turn, provide the aid grants to eligible students on the basis of need. The grants are not intended to supplant educational assistance from students' employers.

Capitol Scholarship Program. The Capitol Scholarship Program, which had received no appropriation for the previous biennium, receives \$245,000 in each fiscal year of the FY 2004-2005 biennium. This appropriation item provides scholarships for undergraduates enrolled in public or private four-year colleges and universities in Ohio to attend internships in Washington, D.C. These internships are sponsored by the Washington Center for Internships and Academic Seminars. Eligible students must be enrolled full-time at one of Ohio's public or private institutions of higher education, and recipients are selected by their respective institutions.

Dayton Area Graduate Studies Institute. The appropriation for the Dayton Area Graduate Studies Institute (DAGSI) declines by \$0.95 million (14%) to \$6.1 million for the FY 2004-2005 biennium. DAGSI is an engineering graduate consortium of three universities in the Dayton area: the University of Dayton, Wright State University, and the Air Force Institute of Technology, with the participation of The Ohio State University and the University of Cincinnati. The program is intended to increase and improve the quality and quantity of graduate educational and research opportunities of the member institutions and to create an environment conducive to economic development in Ohio.

DAGSI earmark for technology. The budget earmarks \$0.5 million in FY 2004 and \$0.4 million in FY 2005 under the DAGSI appropriation item for the Miami Valley Economic Development Research Corporation to support collaborative research among academia, industry and the Air Force for the Wright Brothers Institute and related initiatives in nanomaterials and advanced data management and analysis.

Twelfth-grade Proficiency Stipend eliminated. This discontinued program's last appropriation was \$17.2 million for FY 2002, although a remaining \$2.1 million was disbursed during FY 2003. The elimination of this item effectively reduces the total biennial appropriation for Program Series 4 by \$19.2 million, although the reduction from FY 2003 to FY 2004 is just \$2.1 million. This appropriation item provided one-time \$500 scholarships to Ohio high school seniors who passed all five sections of the Ohio 12th-grade proficiency examination and who enrolled in Ohio public colleges or universities. Under S.B. 1 and Am. Sub. H.B. 94 of the 124th General Assembly, this stipend and its appropriation item were eliminated. Thus, students passing the proficiency test in the spring of 2001 were the last group to receive the stipend.

PUBLIC SERVICE - STATEWIDE (PROGRAM SERIES 5)

Description. This program series consists of five state subsidies 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' biennial appropriation is provided to two items: the Cooperative Extension Service, which funds educational programs for homemakers, farmers, community leaders and young people; and the Ohio Agricultural Research and Development Center (OARDC), 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. Both programs are operated and administered by The Ohio State University.

Two other significant appropriation items in this series are Urban University Programs, which provides funds for research and outreach activities on urban issues at the eight urban universities in Ohio; and Rural University Projects, which 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 support private and public sector development. Both of these items' appropriations are fully allocated to various individual programs by means of earmarks described in uncodified language in the biennial budget.

Budget. This program series takes up 2.8% of Regents' \$4,952.3 million biennial budget for FY 2004-FY 2005. The five items' combined biennial appropriation of \$137.1 million is a 1.0% decline for the new biennium. The appropriation rises by 0.1% to \$68.6 million for FY 2004 but then decreases by 0.2% to \$68.5 million for FY 2005.

Cooperative Extension Service. For the biennium the appropriation declines by \$0.15 million (0.29%) to \$51.3 million. The FY 2004 appropriation increases by \$0.25 million (1.0%) to \$25.6 million, then stays flat-funded for FY 2005.

OARDC. The biennial appropriation declines by \$0.24 million (0.34%) to \$71.7 million. The FY 2004 appropriation increases by \$0.33 million (0.9%) to \$35.8 million, then stays flat-funded for FY 2005.

The university programs. The Urban University Programs biennial appropriation declines by \$828,000 (6.9%) to \$11.2 million. The yearly decreases are \$268,000 (4.5%) and \$139,000 (2.4%) to \$5.7 million and \$5.6 million for FYs 2004 and 2005, respectively. The Rural University Projects biennial appropriation declines by \$104,000 (4.1%) to \$2.4 million. Yearly, the amount decreases by \$36,000 (2.9%) to \$1.2 million for FY 2004, then stays flat-funded for FY 2005.

PUBLIC SERVICE - INSTITUTIONAL (PROGRAM SERIES 6)

Description. This program series is made up of 11 appropriation items that provide support, in whole or in part, to a wide variety of specific public research and service projects operated at or by Ohio's state-assisted colleges and universities. These projects have focuses and impacts somewhat narrower than those of the programs in Program Series 5 (Public Service-Statewide). Their goals vary widely, but the Board of Regents indicates that all of these projects 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.

Major appropriation items in this series are the School of International Business at the University of Akron; the Highway/Transportation Research program at The Ohio State University; the Hazardous Materials Program at Cleveland State University; the Glenn Institute at The Ohio State University and the Voinovich Center at Ohio University; and the Long-term Care Research program at Miami University.

Budget. For the FY 2004-2005 biennium, the series' total appropriation of \$7.93 million represents a decline of \$1.14 million (13%) from the previous biennium. The appropriation is only 0.16% of Regents' total budget and its reduction is a negative 1.7% of Regents' \$67.2 million total biennial increase. Yearly, the series' appropriation for FY 2004 is \$4.0 million, a decrease of \$406,000 (9.2%) from the FY 2003 spending level. The appropriation for FY 2005 is smaller still, with the \$3.9 million being approximately \$72,000 (1.8%) below the FY 2004 amount.

School of International Business. The largest appropriation item in this series goes to the School of International Business at the University of Akron. With a biennial budget of \$2.50 million, this GRF item takes up 32% of the program series' total appropriation. Compared to the previous biennium, the \$2.50 million represents a decline of \$0.67 million (21%); so this item accounts for almost 60% of the series' total biennial reduction.

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 provide support for program expansion at the University of Toledo College of Business and for The Ohio State University's BioMEMS program.

Highway/Transportation Research program. The next-largest item in the series' budget is The Ohio State University's Highway/Transportation Research program. Its \$1.52 million biennial appropriation takes up 19% of the series' total appropriation and gains the series' only biennial increase, approximately \$37,000 (2.5%).

The appropriation item is supported by a State Special Revenue Fund rotary fund (Fund 649), 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, where 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.

Hazardous Materials Program. The series' third-largest item, at a biennial appropriation of \$671,000, is Cleveland State University's Hazardous Materials Program. Its appropriation is approximately \$53,000 (7%) below that for the FY 2002-2003 biennium.

This GRF line item partially supports training programs developed by Cleveland State 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.

STATEWIDE INITIATIVES (PROGRAM SERIES 7)

Description. This program series is comprised of eleven appropriation items that support, in whole or in part, specific statewide projects, programs, and entities throughout the higher education community. The series has a statewide impact primarily in instructional, research, and operational areas.

Major appropriation items in this series are the Ohio Supercomputer Center, the Federal Grants appropriation, the Air Force Institute of Technology, the EnterpriseOhio Network (formerly called the Productivity Improvement Challenge), and Gear Up Grant.

Budget. The series' total appropriation of \$32.8 million for the FY 2004-2005 biennium represents an increase of \$0.69 million (2.1%) from the previous biennium. The appropriation is just 0.66% of Regents' total budget and takes up 1.0% of the total \$67.2 million biennial budget increase. Yearly, the series' appropriation for FY 2004 is \$16.7 million, up \$0.91 million (5.8%) from the FY 2003 disbursement; for FY 2005, however, the total appropriation declines by \$0.61 million (3.6%) to \$16.1 million.

Ohio Supercomputer Center. With a biennial budget of \$8.3 million, this item takes up one-fourth of the program series' total appropriation. Compared to the previous biennium, the \$8.3 million represents a decline of \$0.66 million (7.4%).

Located at The Ohio State University, the Center is a statewide high-performance computing resource available to both faculty and students at Ohio's public and private colleges and universities. The resource is also made available to private industry on a cost-recovery basis.

Federal Grants program. The biennial appropriation for this item is \$6.6 million, or one-fifth of the series' budget. The appropriation is an increase of \$1.6 million (32%) from the previous biennium. This item alone makes up for declines in most of the other items in this series to provide the net \$0.69 million biennial increase.

This item currently supports the Teacher Quality Enhancement Grants program, which is designed to improve the recruitment, preparation and professional development of teachers, particularly in mathematics and science, through a range of activities including the development of courses, the creation of expert faculty in mathematics, science and education to assist colleges of education, and other strategies to better prepare teachers. This appropriation item also includes federal carryover funds for the previous Eisenhower Program.

Air Force Institute of Technology. The biennial appropriation for this item is \$4.15 million, or one-eighth of the series' budget. The appropriation is an increase of \$0.44 million (12%) from the previous biennium.

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. AFIT is the first-ever joint research program between the state of Ohio and the United States Air Force.

EnterpriseOhio Network. The biennial appropriation for this item is \$2.97 million, or 9% of the series' budget. The appropriation is a decline of \$0.17 million (5.5%) from the previous biennium.

The EnterpriseOhio Network appropriation item was formerly known as the Productivity Improvement Challenge. The funds help enable Ohio's public two-year campuses that are members of the EnterpriseOhio Network (essentially all of them) to work collaboratively to meet the workforce development needs of Ohio business and industry. The funds are used to support Network coordination, resource sharing, and statewide outreach to private- and public-sector organizations to improve their performance through training and assessment services.

Gear Up Grant. For the FY 2004-2005 biennium the appropriation for the Gear Up program gains \$0.1 million (4%) to \$2.8 million. This appropriation item supports a federal program that promotes college awareness in order to attract more low-income students to college, to help them prepare for college, and to enhance their transitions to higher education. Ohio's Gear Up program seeks to increase college participation among rural Appalachian and inner-city Ohioans by providing advanced curriculum, after-school and summer enrichment services, as well as advanced advising, tutoring, and mentoring services, to middle school and high school students in Ironton and inner-city Cleveland. These sites will, in turn, serve as models to identify best practices, which will be replicated and expanded throughout the state using the Ohio College Access Network (OCAN).

Ohio Resource Center for Mathematics, Science, and Reading. This program incurs a \$0.1 million (6%) reduction in its biennial appropriation to \$1.7 million. Since FY 2000, this line item has supported a resource center located at a state-assisted university that prepares teachers. The Center, now located at The Ohio State University, was established through the efforts of the Board of Regents in collaboration with the Ohio Department of Education. The Center identifies the best educational practices in primary and secondary schools and establishes methods for communicating them to colleges of education and school districts. Thus, the Center's mission extends beyond K-12 education to higher education.

Ohio Resource Center for Mathematics, Science, and Reading – prohibition. Current budget law prohibits the Ohio Resource Center for Mathematics, Science, and Reading from making available to colleges of education and school districts any resources that are inconsistent with the K-12 science standards and policies as adopted by the State Board of Education.

Elimination of Job Preparation Initiative. This appropriation item was reestablished for FY 2001 to support Regents' administration of some remaining funds in the Job Preparation Initiative, a federally funded program for Ohio's two-year campuses to offer education attainment, career counseling, and skill-building workforce training for welfare recipients. In a 1998 program change, the U.S. Department of Human Services began providing funds directly to the counties. Although Regents' stopped requesting administrative funds, it turned out that this appropriation item was needed again for FY 2001 through FY 2003 in order to administer the disbursement of some \$1.5 million still in the federal-state pipeline. With the completion of that disbursement, this item is again being discontinued.

STATEWIDE COORDINATION (PROGRAM SERIES 8)

Description. This program series is made up of 11 appropriation items that support several programs administered centrally by the Board of Regents. The items also support the coordinating activities of the Regents and organize the activities of the state's higher education enterprise.

Budget. The total appropriation for FY 2004 is \$12.7 million, a 13.3% increase from the FY 2003 spending level. The total appropriation for FY 2005 is \$12.35 million, a 2.8% decrease from the FY 2004 appropriation level. For the FY 2004-2005 biennium, the total appropriation of \$25.1 million is a \$4.0 million (18.8%) increase from the previous biennium. Although the appropriation is just 0.51% of Regents' total budget, it provides 5.9% of the total \$67.2 million biennial budget increase.

Federal line items. One of the reasons for the large increase from FY 2003 to FY 2004 is the increases in spending authority in two federal line items. In line item 235-615, Professional Development, the appropriation in FY 2004 is approximately \$523,000, while the amount spent in FY 2003 was about \$95,000. In line item 235-616, Workforce Investment Act Administration, the appropriation in FY 2004 was \$850,000, while the amount spent in FY 2003 was just below \$40,000.

Operating Expenses. Another reason for the large increase from FY 2003 to FY 2004 is the 18.4% increase in line item 235-321, Operating Expenses. This increase from \$2.82 million in FY 2003 to \$3.34 million in FY 2004 is principally because of the \$500,000 provided to the Board of Regents to fund the Governor's Commission on Higher Education and the Economy. In FY 2005, the appropriation for this line item is \$2.77 million, a decline of 17.1% from the FY 2004 appropriation level. Most of the decline is a result of the Commission's being funded during only one year, FY 2004.

INFRASTRUCTURE INVESTMENTS (PROGRAM SERIES 9)

Description. This program series contains five line items that provide technology infrastructure for the higher education system, with an emphasis on information and information technology. Some of the programs are campus-specific, while others support statewide assets.

The five appropriation items in the series are the Capital Component, OhioLINK, Ohio Academic Resources Network (OARNet), Ohio Learning Network, and Library Depositories. Of these, Capital Component is, by far, the largest, taking well over half of the series' total appropriation.

Budget. For the FY 2004-2005 biennium the total appropriation of \$69.2 million represents a 13.4% increase over the previous biennium. This relatively large increase arises primarily from a biennial increase of \$8.3 million (29%) in the Capital Component appropriation item. Although this appropriation constitutes just 1.4% of Regents' total budget, the biennial increase of \$8.2 million is 12% of Regents' \$67.2 million total budget increase. The series' total appropriation for FY 2004 is \$34.6 million, for a 14.1% increase over the FY 2003 spending level. The series is essentially flat-funded for the biennium's second year, with a FY 2005 total appropriation of a similar \$34.6 million, for a 0.05% increase from FY 2004.

Capital Component. The biennial appropriation for this item is \$37.4 million, or 54% of the series' budget. The appropriation is an increase of \$8.3 million (29%) from the previous biennium.

First budgeted by Am. Sub. H.B. 215 of the 122nd General Assembly for the FY 1998-1999 biennium, this appropriation item implements an element of the Board of Regents' new capital funding policy, which was established in 1997. The policy is intended to rationalize and decentralize capital funding decisions by establishing a "price" that campuses pay for capital facilities. The appropriation item provides each campus with any positive difference between its formula-determined debt-service earnings and its actual debt-service charge-off for qualifying capital projects; the additional funds, paid out of this appropriation item, may be used by the campus for any capital project. The debt-service earnings are based on a formula that determines half of the capital component money on the basis of a calculated measure of educational activity (credit instruction weighted by sponsored research and noncredit job training) and the other half on the basis of the ages of the facilities needing repair or replacement. The campus is awarded a positive difference (formula-determined debt-service earnings minus actual debt-service charge-off) out of the Capital Component appropriation. However, if the difference is negative, that is, if the campus's actual debt-service charge-off is greater than its earnings under the formula, the difference is deducted from its allocation under the State Share of Instruction subsidy (see Program Series 1 under Budget Issues).

The currently projected effects of the Capital Component for the FY 2004-2005 biennium are provided by the following four tables, which provide the calculation of the allocations of the Capital Component to the four types of individual campuses for the biennium based on the expected projects to be undertaken or continued. Tables 5, 6, 7, and 8 give the allocations to universities, university branches, community

colleges, and technical colleges, respectively. The total amounts for all four types of campuses are given at the bottom of each table. The notes following Table 5 apply to all four tables.

University	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. 675 appropriations	Difference	Prior years' difference (cumulative net) carried forward	Total current different (net positives only)	Total current difference (net negatives only)
Notes:	(1)	(2)	(3)	(4)	(5)	(6)
Akron	\$1,669,399	\$1,173,481	\$495,918	\$2,032,843	\$2,528,761	
Bowling Green	\$1,402,968	\$1,409,996	(\$7,028)	\$341,374	\$334,346	
Central State	\$236,117	\$261,435	(\$25,318)	\$61,974	\$36,657	
Cincinnati	\$3,120,076	\$3,137,469	(\$17,393)	\$432,764	\$415,371	
Cleveland State	\$1,433,831	\$1,435,676	(\$1,845)	\$362,396	\$360,551	
Kent State	\$1,696,802	\$1,705,912	(\$9,110)	\$327,177	\$318,067	
MCOT	\$449,019	\$436,644	\$12,375	\$20,522	\$32,897	
Miami	\$1,486,681	\$1,495,108	(\$8,427)	\$305,207	\$296,780	
NEOUCOM	\$145,237	\$134,185	\$11,052	(\$132,064)	\$0	(\$121,012)
Ohio State	\$7,054,871	\$6,977,367	\$77,504	\$1,159,584	\$1,237,088	
Ohio University	\$1,999,688	\$0	\$1,999,688	\$407,180	\$2,406,868	
Shawnee State	\$205,294	\$178,034	\$27,260	\$79,292	\$106,552	
Toledo	\$1,669,833	\$1,678,987	(\$9,154)	\$350,368	\$341,214	
Wright State	\$1,023,930	\$1,027,933	(\$4,003)	\$476,638	\$472,635	
Youngstown State	\$885,406	\$695,901	\$189,505	\$200,809	\$390,314	
Subtotal, universities	\$24,479,152	\$21,748,128	\$2,731,025	\$6,426,064	\$9,278,100	(\$121,012)
Total, all campuses	\$32,143,200	\$27,375,791	\$4,767,409	\$14,031,750	\$19,078,348	(\$366,413)

Notes:

- (1) Column A is the formulated debt service amount; it is 10% 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%) and enrollment activity (50%).
- (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 Am. Sub. H.B. 675 of the 124th General Assembly.
- (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 funds in appropriation item 235-552, Capital Component, in Am. Sub. H.B. 95 of the 125th General Assembly. 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.

Table 6: Capital Component Allocations for each Fiscal Year, 2004 and 2005 – University branches						
(Same distribution each year)						
University branch	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. 675 appropriations	Difference	Prior years' difference (cumulative net) carried forward	Total current different (net positives only)	Total current difference (net negatives only)
Notes:	(1)	(2)	(3)	(4)	(5)	(6)
Ashtabula	\$82,746	\$83,259	(\$513)	\$128,690	\$128,177	
Belmont	\$75,149	\$75,521	(\$372)	\$37,361	\$36,989	
Chillicothe	\$107,042	\$107,623	(\$581)	\$58,157	\$57,576	
Clermont	\$74,122	\$0	\$74,122	\$117,087	\$191,209	
East Liverpool	\$79,915	\$80,459	(\$544)	\$59,329	\$58,785	
Firelands	\$90,345	\$86,268	\$4,077	\$4,525	\$8,602	
Geauga	\$28,743	\$28,894	(\$151)	\$50,793	\$50,642	
Hamilton	\$119,115	\$119,642	(\$527)	\$15,639	\$15,112	
Ironton	\$58,834	\$58,942	(\$108)	\$115,496	\$115,388	
Lake	\$53,145	\$58,720	(\$5,575)	\$127,081	\$121,506	
Lancaster	\$110,695	\$111,308	(\$613)	\$53,280	\$52,667	
Lima	\$103,635	\$0	\$103,635	(\$16,411)	\$0	
Mansfield	\$126,440	\$0	\$126,440	\$264,936	\$391,376	
Marion	\$72,736	\$73,074	(\$338)	\$6,530	\$6,192	
Middletown	\$165,714	\$143,851	\$21,863	\$158,852	\$180,715	
Newark	\$113,926	\$335,892	(\$221,966)	\$344,505	\$122,539	
Salem	\$57,881	\$58,192	(\$311)	\$94,318	\$94,007	
Stark	\$168,705	\$169,655	(\$950)	\$49,424	\$48,474	
Trumbull	\$115,004	\$115,608	(\$604)	(\$19,139)	\$0	(\$19,743)
Tuscarawas	\$101,036	\$101,575	(\$539)	\$12,922	\$12,383	
Walters	\$145,309	\$145,951	(\$642)	(\$82,329)	\$0	(\$82,971)
Wayne	\$77,482	\$36,387	\$41,095	(\$12,592)	\$28,503	
Zanesville	\$106,947	\$107,573	(\$626)	\$40,268	\$39,642	
Subtotal, branches	\$2,234,666	\$2,098,394	\$136,272	\$1,608,722	\$1,760,483	(\$102,713)
Total, all campuses	\$32,143,200	\$27,375,791	\$4,767,409	\$14,031,750	\$19,078,348	(\$366,413)

Table 7: Capital Component Allocations for each Fiscal Year, 2004 and 2005 – Community colleges (Same distribution each year)						
Community college	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. 675 appropriations	Difference	Prior years' difference (cumulative net) carried forward	Total current different (net positives only)	Total current difference (net negatives only)
Notes:	(1)	(2)	(3)	(4)	(5)	(6)
Cincinnati State	\$441,897	\$106,347	\$335,550	\$627,574	\$963,124	
Clark State	\$148,928	\$0	\$148,928	\$442,926	\$591,854	
Columbus State	\$575,803	\$410,839	\$164,964	\$473,992	\$638,956	
Cuyahoga	\$984,056	\$989,624	(\$5,568)	\$45,120	\$39,552	
Edison State	\$100,116	\$0	\$100,116	\$307,954	\$408,070	
Jefferson	\$83,759	\$18,944	\$64,815	\$203,412	\$268,227	
Lakeland	\$286,762	\$288,276	(\$1,514)	\$39,732	\$38,218	
Lorain	\$211,719	\$0	\$211,719	\$643,307	\$855,026	
Northwest State	\$83,298	\$0	\$83,298	\$185,746	\$269,044	
Owens State	\$471,556	\$471,556	\$0		\$0	
Rio Grande	\$80,437	\$0	\$80,437	\$54,196	\$134,633	
Sinclair	\$722,664	\$0	\$722,664	\$1,553,102	\$2,275,766	
Southern State	\$51,027	\$0	\$51,027	\$12,363	\$63,390	
Terra State	\$99,279	\$0	\$99,279	\$256,262	\$355,541	
Washington St	\$59,394	\$0	\$59,394	(\$65,299)	\$0	(\$5,905)
Subtotal, comm. coll's	\$4,400,695	\$2,285,586	\$2,115,110	\$4,780,387	\$6,901,402	(\$5,905)
Total, all campuses	\$32,143,200	\$27,375,791	\$4,767,409	\$14,031,750	\$19,078,348	(\$366,413)

Table 8: Capital Component Allocations for each Fiscal Year, 2004 and 2005 – Technical colleges (Same distribution each year)						
Technical college	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. 675 appropriations	Difference	Prior years' difference (cumulative net) carried forward	Total current different (net positives only)	Total current difference (net negatives only)
Notes:	(1)	(2)	(3)	(4)	(5)	(6)
Agricultural	\$103,744	\$0	\$103,744	\$149,783	\$253,527	
Belmont	\$82,476	\$0	\$82,476	\$262,870	\$345,346	
Central Ohio	\$77,631	\$220,987	(\$143,356)	\$226,653	\$83,297	
Hocking	\$220,114	\$363,870	(\$143,756)	\$103,665	\$0	(\$40,091)
Lima	\$111,090	\$376,761	(\$265,671)	\$168,979	\$0	(\$96,692)
Marion	\$59,951	\$25,750	\$34,201	\$140,789	\$174,990	
Muskingum Area	\$84,003	\$84,361	(\$358)	\$4,018	\$3,660	
North Central	\$122,697	\$0	\$122,697	\$92,057	\$214,754	
Stark	\$166,981	\$171,955	(\$4,974)	\$67,763	\$62,789	
Subtotal, tech. Coll's	\$1,028,687	\$1,243,684	(\$214,997)	\$1,216,577	\$1,138,363	(\$136,783)
Total, all campuses	\$32,143,200	\$27,375,791	\$4,767,409	\$14,031,750	\$19,078,348	(\$366,413)

BREAKTHROUGH INVESTMENTS (PROGRAM SERIES 10)

Description. This program series, originating with the Regents' FY 2002-2003 budget, is intended to support 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. The only appropriation item currently in this program series, the Appalachian New Economy Partnership, funds the Appalachian New Economy program at Ohio University.

Budget. The total appropriation for FY 2004 is \$1.18 million, a 14.2% decrease from the FY 2003 spending level. The total appropriation for FY 2005 is \$1.15 million, a 2.7% decrease from the FY 2004 appropriation level. Even though the appropriation declines in both years of the biennium, the total appropriation of \$2.33 million for the FY 2004-2005 biennium constitutes a 0.6% increase over the previous biennium because of a relatively small spending level (\$940,000) in FY 2002.

DEBT SERVICE PAYMENTS (PROGRAM SERIES 11)

Description. This program series contains the two appropriation items that provide funds for the repayment of principal and interest on debt obligations incurred by the state on behalf of higher education. The two items are Lease Rental Payments and Higher Education General Obligation Debt Service.

Budget. These two debt service items receive a combined biennial appropriation of \$692.0 million, for an increase of \$25.9 million (3.9%). This amount takes up 39% of Regents' total biennial budget increase of \$67.2 million, although these two appropriation items comprise just 14% of the agency's budget. On a yearly basis, the two items' appropriations for FY 2004 and FY 2005 are \$344.2 million and \$347.8 million, respectively, for annual increases of \$21.6 million (6.7%) and \$3.6 million (1.1%).

The switch to general obligation debt. As a result of the passage of State Issue 1 (November 1999) and the enactment of Am. S.B. 206 of the 123rd General Assembly (December 1999), general obligation (GO) debt instruments were approved, under Article VIII, Section 2n of the Ohio Constitution, for funding all education-related facilities, including higher education institutions' capital construction projects. The GO instruments are expected to achieve lower interest rates than did the special obligation (revenue) bonds that had been issued up to that time; this is because the GO bonds are backed by the full faith and credit of the state of Ohio. Thus, during the FY 2002-2003 biennium the state's contributions to such projects began to be financed by GO bonds instead of by revenue bonds. Accordingly, the issuance of special obligation bonds was discontinued.

To fund the debt service payments for this new type of debt, a new appropriation item, 235-909, Higher Education General Obligation Debt Service, was created for the FY 2002-2003 biennium in Am. Sub. H.B. 94 of the 124th General Assembly to complement the existing special obligation debt service appropriation item, 235-401, Lease Rental Payments. Because no more special obligation debt is expected to be issued, the latter item's appropriations will decline over time, reaching zero in FY 2014, when the last of the revenue bonds will be retired. Meanwhile, the appropriation for the Higher Education General Obligation Debt Service item will increase as general obligation debt assumes a larger and larger portion of the state's higher education debt structure.

Lease Rental Payments (formerly called Rental Payments to the OPFC). This item's biennial appropriation declines by \$95.2 million (17%) to \$463.3 million, reflecting the continued amortization of previously issued special obligation debt and the non-issuance of further debt of this type. The yearly

declines are \$18.1 million (6.8%) and \$29.7 million (12.0%) to \$246.5 million in FY 2004 and \$216.8 million in FY 2005, respectively.

This 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 15 to 20 years. Short-term bonds (five to seven years) were usually issued for equipment purchases.

Given that no more special obligation debt is expected to be issued on Regents' behalf, estimates of debt service are no longer necessary. Therefore, since the amount required for the appropriation can be determined by the terms of the existing contracted bonds, that amount 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 under section 3333.13 of the Revised Code, which governs the payment of rentals under lease agreements for higher education facilities. The payments may include principal and/or interest.

The budget allows only the Board of Regents to obtain appropriations to support lease payments to the Ohio Public Facilities Commission. Under previous language, both Regents and the institutions of higher education were allowed to obtain such appropriations; however, all the debt service payments are now made by Regents.

Higher Education General Obligation Debt Service. This item's biennial appropriation increases by \$121.1 million (113%) to \$228.6 million, reflecting the continued replacement of the special obligation revenue debt with these general obligation (GO) bonds. The yearly increases are \$39.7 million (68%) and \$33.3 million (34%) to \$97.7 million and \$131.0 million in FY 2004 and FY 2005, respectively.

This item provides funds to service and retire the debt on GO bonds issued by the state on behalf of higher education institutions to finance their capital projects. 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 for a given amount of bonded debt. The first capital projects affected by this change to GO bonds for higher education were those included in Am. Sub. H.B. 640, the capital budget bill of the 123rd General Assembly. The subsequent (and current) capital budget bill, Am. Sub. H.B. 675 of the 124th General Assembly, continues this trend.

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.

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

GOVERNOR'S VETOES

Ohio Revised Code

The Governor did not veto any of the additions, repeals and amendments of the Ohio Revised Code relating to higher education and the Board of Regents in the budget bill, Am. Sub. H.B. 95 of the 125th General Assembly.

Budget Uncodified Law

However, the Governor did veto three items in the bill's uncodified (temporary) law. These vetoes are described below.

Section 89.10 [Appropriation item 235-583, Urban University Programs]

The bill contained two \$100,000 earmarks for Medina County under appropriation item 235-583, Urban University Programs. The first earmark was for a project called the Medina County University Center; the second was for a project called the Medina Learning Center. The Governor's veto message called the second earmark "an inadvertent duplication" of the first. He vetoed the second earmark "to correct this drafting error."

Section 89.12 [Appropriation item 235-603, Sales and Services]

Relating to GSF appropriation item 235-603, Sales and Services, language in the bill authorized the Board of Regents "to charge and accept payment for the provision of goods and services generated by the Higher Education Information System." The Governor vetoed the phrase "generated by the Higher Education Information System" because it "would limit the authority of the Board of Regents to charge and accept payment for the provision of certain goods and services requested by the public at large. The result...would be to eliminate revenue that the Board has long used to help offset the costs of providing these services."

Sections 89.15 and 89.20 [Belmont Technical College]

The bill contained two sections concerning the proposed conversion of Belmont Technical College to a community college. The first, section 89.15, called for the Board of Regents to recognize the conversion of Belmont Technical College to a community college, to be called Belmont Community College.

The second section, 89.20, called for the Board of Regents to consider a proposal from Belmont Technical College to convert to a community college. It further required Regents to consider the demonstrated need for such an institution, the most effective use of state resources to fund such a conversion, and the regional benefit of such a conversion.

The Governor vetoed section 89.15 as an apparent "drafting error." This section would "require the Board of Regents to recognize Belmont Technical College as a municipal community college without following statutory procedures." In addition, this section would contradict section 89.20, which is "consistent with current law." 

FY 2004 - 2005 Final Appropriation Amounts

All Fund Group

<i>Line Item Detail by Agency</i>	<i>FY 2001:</i>	<i>FY 2002:</i>	<i>FY 2003:</i>	<i>FY 2004 Appropriations:</i>	<i>% Change 2003 to 2004:</i>	<i>FY 2005 Appropriations:</i>	<i>% Change 2004 to 2005:</i>
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Report For: Main Operating Appropriations Bill

Version: Enacted

BOR Regents, Ohio Board of

GRF 235-321	Operating Expenses	\$ 3,170,589	\$ 2,826,972	\$2,816,939	\$ 3,336,284	18.44%	\$ 2,767,219	-17.06%
GRF 235-401	Lease Rental Payments	\$ 324,547,665	\$ 293,946,612	\$264,574,646	\$ 246,500,700	-6.83%	\$ 216,836,400	-12.03%
GRF 235-402	Sea Grants	\$ 296,941	\$ 281,944	\$274,895	\$ 274,895	0.00%	\$ 274,895	0.00%
GRF 235-403	Mathematics and Science Teaching Im	\$ 1,698,543	\$ 1,849,815	\$1,826,827	\$ 1,757,614	-3.79%	\$ 1,757,614	0.00%
GRF 235-404	College Readiness Initiatives	\$ 2,990,196	\$ 2,277,642	\$3,982,894	\$ 3,152,603	-20.85%	\$ 3,401,759	7.90%
GRF 235-406	Articulation and Transfer	\$ 1,028,856	\$ 859,420	\$722,464	\$ 733,200	1.49%	\$ 733,200	0.00%
GRF 235-408	Midwest Higher Education Compact	\$ 75,000	\$ 82,500	\$82,500	\$ 82,500	0.00%	\$ 82,500	0.00%
GRF 235-409	Information System	\$ 1,316,090	\$ 1,311,484	\$1,217,122	\$ 1,185,879	-2.57%	\$ 1,154,671	-2.63%
GRF 235-414	State Grants and Scholarship Administr	\$ 1,198,533	\$ 1,329,248	\$1,260,653	\$ 1,219,719	-3.25%	\$ 1,211,373	-0.68%
GRF 235-415	Jobs Challenge	\$ 10,979,694	\$ 9,494,000	\$9,348,300	\$ 9,348,300	0.00%	\$ 9,348,300	0.00%
GRF 235-417	Ohio Learning Network	\$ 5,199,516	\$ 3,726,101	\$3,592,680	\$ 3,413,046	-5.00%	\$ 3,327,720	-2.50%
GRF 235-418	Access Challenge	\$ 65,424,012	\$ 58,557,256	\$57,013,287	\$ 67,568,622	18.51%	\$ 67,568,622	0.00%
GRF 235-420	Success Challenge	\$ 48,715,054	\$ 44,272,526	\$43,046,399	\$ 51,113,077	18.74%	\$ 56,113,077	9.78%
GRF 235-428	Appalachian New Economy Partnershi	----	\$ 940,000	\$1,374,750	\$ 1,179,893	-14.17%	\$ 1,147,895	-2.71%
GRF 235-451	Eminent Scholars	\$ 5,200,000	----	\$3,000,000	\$ 0	-100.00%	\$ 1,462,500	N/A
GRF 235-454	Research Challenge	\$ 21,424,652	\$ 18,994,997	\$18,235,006	\$ 18,330,000	0.52%	\$ 18,330,000	0.00%
GRF 235-455	EnterpriseOhio Network	\$ 1,654,466	\$ 1,612,248	\$1,530,511	\$ 1,505,262	-1.65%	\$ 1,465,650	-2.63%
GRF 235-474	Area Health Education Centers Progra	\$ 2,073,619	\$ 1,968,103	\$1,957,278	\$ 1,722,226	-12.01%	\$ 1,676,670	-2.65%
GRF 235-477	Access Improvement Projects	\$ 1,130,314	\$ 1,059,153	\$986,791	\$ 1,048,664	6.27%	\$ 1,080,124	3.00%
GRF 235-501	State Share of Instruction	\$ 1,628,848,899	\$ 1,562,980,594	\$1,529,282,514	\$ 1,534,189,277	0.32%	\$ 1,559,096,031	1.62%
GRF 235-502	Student Support Services	\$ 1,047,274	\$ 940,000	\$916,500	\$ 870,675	-5.00%	\$ 848,908	-2.50%
GRF 235-503	Ohio Instructional Grants	\$ 85,084,973	\$ 96,042,326	\$116,679,362	\$ 111,966,343	-4.04%	\$ 115,325,333	3.00%
GRF 235-504	War Orphans Scholarships	\$ 3,724,626	\$ 3,813,822	\$3,845,112	\$ 4,672,321	21.51%	\$ 4,672,321	0.00%
GRF 235-507	OhioLINK	\$ 7,592,044	\$ 7,208,607	\$7,028,392	\$ 7,028,392	0.00%	\$ 7,028,392	0.00%
GRF 235-508	Air Force Institute of Technology	\$ 3,500,000	\$ 1,880,000	\$1,833,000	\$ 2,096,523	14.38%	\$ 2,053,860	-2.03%
GRF 235-509	Displaced Homemakers	\$ 242,544	\$ 225,690	\$220,048	\$ 204,865	-6.90%	\$ 199,743	-2.50%
GRF 235-510	Ohio Supercomputer Center	\$ 4,882,896	\$ 4,543,560	\$4,429,971	\$ 4,208,472	-5.00%	\$ 4,103,260	-2.50%
GRF 235-511	Cooperative Extension Service	\$ 27,431,440	\$ 26,046,013	\$25,394,863	\$ 25,644,863	0.98%	\$ 25,644,863	0.00%
GRF 235-513	Ohio University Voinovich Center	\$ 371,250	\$ 345,450	\$336,814	\$ 311,977	-7.37%	\$ 305,178	-2.18%

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<i>BOR Regents, Ohio Board of</i>									
GRF	235-514	Central State Supplement	\$ 11,928,683	\$ 11,322,259	\$11,039,203	\$ 11,039,203	0.00%	\$ 11,039,203	0.00%
GRF	235-515	Case Western Reserve University Sch	\$ 4,239,117	\$ 4,023,411	\$3,924,395	\$ 3,303,612	-15.82%	\$ 3,212,271	-2.76%
GRF	235-518	Capitol Scholarship Programs	\$ 220,000	\$ 26,000	\$0	\$ 245,000	N/A	\$ 245,000	0.00%
GRF	235-519	Family Practice	\$ 6,475,676	\$ 6,146,163	\$5,994,906	\$ 5,529,432	-7.76%	\$ 5,391,196	-2.50%
GRF	235-520	Shawnee State Supplement	\$ 2,795,760	\$ 2,135,680	\$2,082,288	\$ 2,082,289	0.00%	\$ 2,082,289	0.00%
GRF	235-521	The Ohio State University Glenn Institu	\$ 371,250	\$ 345,450	\$336,814	\$ 311,977	-7.37%	\$ 305,178	-2.18%
GRF	235-523	Center for Labor Research	\$ 94,050	---	\$0	\$ 0	N/A	\$ 0	N/A
GRF	235-524	Police and Fire Protection	\$ 242,546	---	\$445,737	\$ 209,046	-53.10%	\$ 203,819	-2.50%
GRF	235-525	Geriatric Medicine	\$ 1,076,754	\$ 1,021,963	\$1,016,343	\$ 820,696	-19.25%	\$ 800,179	-2.50%
GRF	235-526	Primary Care Residencies	\$ 3,135,761	\$ 2,976,198	\$2,959,829	\$ 2,730,013	-7.76%	\$ 2,661,762	-2.50%
GRF	235-527	Ohio Aerospace Institute	\$ 2,407,653	\$ 2,240,334	\$2,184,326	\$ 1,933,607	-11.48%	\$ 1,882,767	-2.63%
GRF	235-530	Academic Scholarships	\$ 8,000,000	\$ 8,000,000	\$7,000,000	\$ 7,800,000	11.43%	\$ 7,800,000	0.00%
GRF	235-531	Student Choice Grants	\$ 51,771,049	\$ 50,688,168	\$52,234,153	\$ 52,139,646	-0.18%	\$ 52,139,646	0.00%
GRF	235-534	Student Workforce Development Grant	\$ 1,139,073	\$ 1,025,709	\$2,380,820	\$ 2,437,500	2.38%	\$ 2,437,500	0.00%
GRF	235-535	Ohio Agricultural Research and Develo	\$ 38,343,575	\$ 36,407,031	\$35,496,855	\$ 35,830,188	0.94%	\$ 35,830,188	0.00%
GRF	235-536	OSU Clinical Teaching	\$ 15,836,318	\$ 15,030,490	\$14,660,591	\$ 13,565,885	-7.47%	\$ 13,565,885	0.00%
GRF	235-537	UCN Clinical Teaching	\$ 13,025,157	\$ 12,362,373	\$12,058,138	\$ 11,157,756	-7.47%	\$ 11,157,756	0.00%
GRF	235-538	MCO Clinical Teaching	\$ 10,152,403	\$ 9,635,800	\$9,398,665	\$ 8,696,866	-7.47%	\$ 8,696,866	0.00%
GRF	235-539	WSU Clinical Teaching	\$ 4,932,236	\$ 4,681,260	\$4,566,056	\$ 4,225,107	-7.47%	\$ 4,225,107	0.00%
GRF	235-540	OHU Clinical Teaching	\$ 4,768,142	\$ 4,525,515	\$4,414,144	\$ 4,084,540	-7.47%	\$ 4,084,540	0.00%
GRF	235-541	NEM Clinical Teaching	\$ 4,904,029	\$ 4,654,488	\$4,539,942	\$ 4,200,945	-7.47%	\$ 4,200,945	0.00%
GRF	235-543	OCPM Clinical Subsidy	\$ 495,000	\$ 469,812	\$458,250	\$ 424,033	-7.47%	\$ 424,033	0.00%
GRF	235-547	School of International Business	\$ 1,726,201	\$ 1,606,238	\$1,566,082	\$ 1,264,611	-19.25%	\$ 1,232,996	-2.50%
GRF	235-549	Part-time Student Instructional Grants	\$ 12,677,739	\$ 13,311,638	\$13,627,789	\$ 14,036,622	3.00%	\$ 14,457,721	3.00%
GRF	235-552	Capital Component	\$ 10,848,076	\$ 14,537,639	\$14,537,639	\$ 18,711,936	28.71%	\$ 18,711,936	0.00%
GRF	235-553	Dayton Area Graduate Studies Institute	\$ 3,856,212	\$ 3,552,343	\$3,463,534	\$ 3,074,550	-11.23%	\$ 2,993,937	-2.62%
GRF	235-554	Computer Science Graduate Education	\$ 3,517,903	\$ 3,273,426	\$3,191,590	\$ 2,577,209	-19.25%	\$ 2,512,779	-2.50%
GRF	235-555	Library Depositories	\$ 1,918,477	\$ 1,940,768	\$1,868,912	\$ 1,775,467	-5.00%	\$ 1,731,080	-2.50%
GRF	235-556	Ohio Academic Resources Network	\$ 3,477,060	\$ 3,300,130	\$3,281,980	\$ 3,657,009	11.43%	\$ 3,803,289	4.00%
GRF	235-558	Long-term Care Research	\$ 315,187	\$ 293,284	\$285,952	\$ 230,906	-19.25%	\$ 225,134	-2.50%
GRF	235-561	Bowling Green State University Canadi	\$ 165,966	\$ 154,432	\$150,571	\$ 121,586	-19.25%	\$ 118,546	-2.50%

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Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
BOR Regents, Ohio Board of									
GRF	235-572	The Ohio State University Clinic Suppo	\$ 2,040,527	\$ 1,937,470	\$1,889,033	\$ 1,400,394	-25.87%	\$ 1,362,259	-2.72%
GRF	235-583	Urban University Programs	\$ 6,569,922	\$ 6,113,345	\$5,960,511	\$ 5,692,236	-4.50%	\$ 5,553,506	-2.44%
GRF	235-585	Ohio University Innovation Center	\$ 49,248	\$ 45,825	\$44,679	\$ 41,596	-6.90%	\$ 40,556	-2.50%
GRF	235-587	Rural University Projects	\$ 1,389,588	\$ 1,293,019	\$1,260,693	\$ 1,224,510	-2.87%	\$ 1,224,510	0.00%
GRF	235-588	Ohio Resource Center for Mathematics	\$ 1,000,000	\$ 921,200	\$898,170	\$ 853,262	-5.00%	\$ 853,262	0.00%
GRF	235-590	12th Grade Proficiency Stipend	\$ 13,152,500	\$ 17,173,000	\$2,051,000	\$ 0	-100.00%	\$ 0	N/A
GRF	235-595	International Center for Water Resourc	\$ 187,487	\$ 174,457	\$170,096	\$ 137,352	-19.25%	\$ 133,918	-2.50%
GRF	235-596	Hazardous Materials Program	\$ 242,546	\$ 366,690	\$357,523	\$ 339,647	-5.00%	\$ 331,156	-2.50%
GRF	235-599	Ohio National Guard Scholarship Progr	\$ 8,044,878	\$ 9,407,512	\$13,720,992	\$ 13,252,916	-3.41%	\$ 14,578,208	10.00%
GRF	235-909	Higher Education General Obligation D	----	\$ 49,550,030	\$57,978,003	\$ 97,668,000	68.46%	\$ 130,967,600	34.09%
General Revenue Fund Total			\$ 2,518,383,435	\$ 2,456,086,635	\$ 2,410,306,722	\$ 2,443,493,342	1.38%	\$ 2,482,236,601	1.59%
456	235-603	Sales and Services	\$ 23,157	\$ 2,717	\$134,156	\$ 500,002	272.70%	\$ 500,003	0.00%
456	235-613	Job Preparation Initiative	\$ 73,870	\$ 64,245	\$0	\$ 0	N/A	\$ 0	N/A
220	235-614	Program Approval and Reauthorization	----	\$ 139,903	\$99,453	\$ 400,000	302.20%	\$ 400,000	0.00%
General Services Fund Group Total			\$ 97,027	\$ 206,865	\$ 233,609	\$ 900,002	285.26%	\$ 900,003	0.00%
3N6	235-605	State Student Incentive Grants	\$ 1,616,785	\$ 2,200,606	\$2,196,681	\$ 2,196,680	0.00%	\$ 2,196,680	0.00%
3H2	235-608	Human Services Project	\$ 752,578	\$ 612,786	\$553,519	\$ 1,500,000	170.99%	\$ 1,500,000	0.00%
312	235-609	Tech Prep	\$ 196,008	\$ 205,628	\$194,858	\$ 183,850	-5.65%	\$ 183,850	0.00%
3T0	235-610	National Health Service Corps – Ohio L	\$ 50,000	\$ 70,000	\$265,156	\$ 150,001	-43.43%	\$ 150,001	0.00%
312	235-611	Gear Up Grant	\$ 982,871	\$ 1,339,724	\$1,401,229	\$ 1,478,245	5.50%	\$ 1,370,691	-7.28%
312	235-612	Carl D. Perkins Grant/Plan Administrati	\$ 34,350	\$ 130,739	\$104,537	\$ 112,960	8.06%	\$ 112,960	0.00%
312	235-615	Professional Development	----	\$ 266,326	\$94,984	\$ 523,129	450.75%	\$ 523,129	0.00%
312	235-616	Workforce Investment Act Administrati	----	----	\$39,885	\$ 850,000	2,031.13%	\$ 850,000	0.00%
312	235-631	Federal Grants	\$ 2,491,942	\$ 2,580,601	\$2,410,714	\$ 3,444,949	42.90%	\$ 3,150,590	-8.54%
Federal Special Revenue Fund Group Total			\$ 6,124,533	\$ 7,406,410	\$ 7,261,563	\$ 10,439,814	43.77%	\$ 10,037,901	-3.85%
4E8	235-602	Higher Educational Facility Commissio	\$ 2,712	\$ 8,142	\$11,000	\$ 20,000	81.82%	\$ 20,000	0.00%
4P4	235-604	Physician Loan Repayment	\$ 419,630	\$ 417,092	\$335,522	\$ 476,870	42.13%	\$ 476,870	0.00%
682	235-606	Nursing Loan Program	\$ 640,814	\$ 683,030	\$646,394	\$ 893,000	38.15%	\$ 893,000	0.00%
649	235-607	The Ohio State University Highway/Tra	\$ 500,000	\$ 820,464	\$662,382	\$ 760,000	14.74%	\$ 760,000	0.00%
State Special Revenue Fund Group Total			\$ 1,563,157	\$ 1,928,728	\$ 1,655,298	\$ 2,149,870	29.88%	\$ 2,149,870	0.00%

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BOR Regents, Ohio Board of Regents, Ohio Board of Total	\$ 2,526,168,152	\$ 2,465,628,638	\$ 2,419,457,192	\$ 2,456,983,028	1.55%	\$ 2,495,324,375	1.56%