

The University System of Ohio's Advisory Committee on Efficiency

Columbus, OH

August 6, 2009

The Ohio Board of Regents hosted a site-visit for states to get insight into various ways Ohio is promoting productivity in the university system. The visit focused on three broad categories: USO Strategic Plan & the Advisory Committee on Efficiency; performance funding; and articulation.

Strategic Plan & Advisory Committee on Efficiency

The University System of Ohio's (USO) Strategic Plan for Higher Education recognizes that the University System's primary goal is to raise the educational attainment of the state's population by focusing on three targets: 1) graduate more students; 2) keep more graduates in Ohio, and 3) attract more degree holders from out of state. The strategic plan focuses heavily on identifying and rewarding efficiencies at both the institutional and system levels. As such, the Chancellor created the Advisory Committee on Efficiency in the University System of Ohio (Efficiency Committee) to examine Ohio public college and university business practices, identify improvements, and ensure they are spread throughout the system. The Efficiency Committee is made up of University System of Ohio trustees, presidents, faculty, students, and staff, as well as representatives of the business community.

The first Efficiency Committee meeting was held in February 2009, and they have since been meeting on a monthly basis. These initial meetings have focused primarily on identifying and prioritizing topic areas and identifying standards for each of those areas.

Performance Funding

Beginning in FY 2010 and FY 2011 Ohio will implement changes to its institutional funding structure. The changes include three new formulas which vary across institution type (University main campus, university regional campus and community colleges). For University main campuses and university regional campuses there will be a shift from a primarily enrollment based to a course-and-degree completion based formula. Community colleges will continue to have a cost-based enrollment formula as the major basis of funding, but will also include incentive funding around "momentum points."

Articulation

Ohio has undergone aggressive articulation efforts designed to allow students the opportunity to reach the highest level of educational attainment they aspire. Efforts include statewide guarantees on approximately 9,000 courses that transfer among all USO institutions. The development of the articulation and transfer clearing house provides for immediate transcript review and tells institutions what the statewide guarantees are, providing for consistency and transparency.

On-Site Discussion

Though much of the conversation between USO and visiting state team members (IN, MS and TN) was predicated on a substantive list of questions provided in advance of the visit and a set of documents previously provided by Ohio, the meeting began with a brief summation of the history of Ohio's efficiency efforts. The meeting also included

presentations on Ohio's performance funding initiative, articulation efforts and participation in the August meeting of the Efficiency Committee.

How: Observations and Tactical Advice

The exchange between the four states (OH, MS, TN and IN) produced a number of "take-aways" germane to the initiation or expansion of a system-led efficiency efforts. Key among them:

- *View efforts as a moment-in-time opportunity.* Due to a confluence of situations (the economy, a commitment from leaders, etc.), this is a moment in time opportunity for higher education in Ohio— and they must get it right or risk losing support. Ohio's efforts have had the support of the public, its institutions and the legislature. The across the board support comes largely from the strategic plans focus on making higher education an affordable and worthwhile investment.
- *Identify Priorities:* You have to start somewhere and without identifying and grouping priorities a state will quickly become overwhelmed with all that can (and should) be done. Not doing so will also make it difficult to identify the low-hanging fruit/changes that can be implemented quickly. With Ohio's Efficiency Committee in the relatively early stages of its efforts, many of the discussions to date have focused on how to prioritize, settling on five key areas to focus their work:
 - *Procurement*
 - *Energy*
 - *Administrative/HR*
 - *Academic Efficiencies*
 - *IT (Technology)*
- *Measure & Document.* Having efficiency requirements as part of their budget since 2008, USO and its institutions have learned the value of measuring and documenting their progress. A valuable mechanism for oversight, making institutions responsible for documenting their progress toward efficiency standards also aids buy-in as institutions are able to reallocate resources to other institutional priorities and provides for natural lessons-learned/best practices between campuses. For example, **Lakeland Community College began to benchmark its utility uses and found that by instituting some key changes in behavior and practices could reduce its energy costs by nearly 40 percent by 2014.** As a result of its Lakeland Community College's efforts (and success!), the Board of Regents is able to share best practices and outstanding models across the system. We allow campus representatives a platform to share their successes system-wide.
- *Establish targets for efficiency gains.* Efficiency is easy to discuss conceptually, but robust data provide states with a detailed illustration of where improvements are needed and allows for establishing rigorous yet achievable benchmarks. Data can also highlight institutional efforts that are setting the path in a particular area as well as an understanding of which institutions may struggle to meet certain performance targets. The Efficiency Committee reviewed a data analysis of institutional overhead costs per FTE across institutions and other similar cost data (including accounting for variations in cost-to-degree between programs). Recognizing that there will naturally be intricacies in data, the institution-by-institution comparison nonetheless sparked conversation around what the data are

telling about institutional behavior, and highlighted potential opportunities for efficiencies.

- *Communicate & Collaborate with Stakeholders.* The Ohio Board of Regents has kept an open dialogue and engaged with key stakeholders along the way. Doing so turns stakeholders into co-creators and implementers and ultimately into advocates.
 1. **Institutions:** Campus leaders (presidents, faculty and staff) were engaged in the development of the strategic plan and are represented on the Efficiency Committee on efficiency. Leadership and support from key campus leaders has been steadfast. Allowing institutions to keep their savings for self-determined priorities has sustained support. The articulation efforts were faculty-driven, relying on faculty from various institutions to agree on common learning outcomes for courses. This led to buy-in across institutions.
 2. **Legislature:** HB2 required new governance structure for Regents. 4/1/08 is when the Chancellor presented the Strategic Plan to the General Assembly. The Chancellor worked with members of the legislature directly to develop the strategic plan. USO staff have legislative experience and that experience crosses party lines. The rhetoric changed in the state and education became part of the solution to the states' woes.
 3. **Public:** The focus on data and transparency has aided public support for USO's efforts. The focus on articulation agreements and a first time freeze on tuition in 2008-09 have made real Ohio's commitment to affordability.
- *Don't Try to Boil The Ocean.* As Ohio approached a completion-based funding formula for higher education, it did so with the mentality that small steps were better than no steps. For example, Ohio has started with a course-completion formula for its regional and university main campuses with an intention to eventually phase-in set asides for degree-completion. The effects of the formula are also phased in by having a 99 percent stop loss in FY 2010 and a 98 percent stop loss in 2011.
- *Beg, borrow, and steal the good work of others:* Both in the development of its completion-based funding formula and the early meetings of the efficiency council, Ohio relied on the expertise and experience of other states and researchers.
- *One size does not fit all:* Sensitivity to an institutions mission is necessary when developing and establishing policy priorities. This played into Ohio's planning and recommendations for establishing course completion funding for institutions. For example, the phase-in of a degree-completion component provides institutions time to to adjust their missions to focus more on upper-level undergraduate enrollments. Further, because of their unique mission as access campuses, community colleges will remain funded primarily through a cost-based enrollment formula. Beginning in FY 2011, 5 percent of a community colleges allocation will be determined by success on "momentum points", which are measures of student success sensitive to the community colleges mission and students it serves (e.g., passing remedial coursework, college level math, etc.).

Other points of discussion

Completion funding and hold-harmless. As states consider developing and implementing a completion-based funding formula, they must consider how the formula should be phased-in, including whether to include an institutional hold-harmless provision. Ohio's completion-based formula includes a stop-loss for institutions (99% in FY 2010 and 98% in FY 2011). However, Indiana and Tennessee offered a different perspective on this issue. Indiana found politically it was easier to garner support for a formula that did not include a hold-harmless provision. Tennessee has been working to eliminate their hold-harmless provision as they found it has limited changes in institutional behaviors and practices, ultimately minimizing the intended impact of a completion-based formula.

USO documents shared at site-visit

- Strategic Plan for Higher Education: 2008-2017
- Second Report on Condition of Higher Education in Ohio: *Meeting the State's Future Needs through a Competitive Higher Education Facility and Technology Infrastructure.*
- Advisory Committee on Efficiency: Minutes; February 2009 – July 2009 (August forthcoming)
- Administrative Costs and Available Data (PowerPoint)
- Textbook and Educational Resources Affordability: Strategic Workplan
- Continuing the Energy Management Journey: Lakeland Community College (Power Point)
- Funding Formula Changes in Ohio in FY 2010 and FY 2011 (PowerPoint)
Additional details about Ohio's completion-based formula can be found at:
http://regents.ohio.gov/financial/selected_budget_detail/1011_budget.php