



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 474 of the 131st G.A.

Date: March 23, 2016

Status: As Introduced

Sponsor: Rep. Brown

Local Impact Statement Procedure Required: Yes

Contents: Makes changes with respect to coordination and administration of various higher education programs and the College Credit Plus Program

State Fiscal Highlights

- The bill prohibits payments to colleges under the College Credit Plus (CCP) Program under an alternative payment structure from being below the default floor amount per credit hour (\$41 in FY 2016). A college that currently has an alternative payment agreement with a school district below the default floor amount per credit hour will likely experience a revenue gain as a result of this change.
- The bill also prohibits payment rates under CCP from being greater than a college's "standard rate," which is the college's in-state, undergraduate tuition fee per credit hour. A college with a standard rate below the default ceiling amount per credit hour (\$163 in FY 2016) or a negotiated alternative amount (below the default ceiling) will likely incur a revenue loss. This provision mainly affects community colleges.
- The bill authorizes two-year colleges to offer a bachelor's degree program under a program to be established by the Department of Higher Education (DHE). A two-year college that chooses to offer a bachelor's degree program will likely experience an increase in enrollment, which will increase revenue and expenditures for that institution.
- Beginning with the 2017-2018 academic year, each state institution of higher education is required to integrate DHE's financial literacy education model into its applicable programming. Institutions may incur increased administrative costs to implement the model depending on whether or not they already have a similar program in operation.
- The bill requires or authorizes the Chancellor of Higher Education to perform several duties. These duties are likely to increase the administrative responsibilities of DHE, but will likely be able to be performed with current resources.

Local Fiscal Highlights

- As a result of the bill's prohibition on CCP payment rates under the default floor amount per credit hour, a school district that currently has an alternative payment agreement in place for such CCP payments will incur an increase in the amount deducted from its state aid.
 - Conversely, deductions of state aid may decrease for a school district that currently has CCP payments deducted at a rate greater than what a partnering college charges for its "standard rate."
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Detailed Fiscal Analysis

The bill makes several changes with respect to the coordination and administration of various higher education programs and the College Credit Plus (CCP) Program. The bill also requires or authorizes the Chancellor of Higher Education to perform several duties with respect to coordination and administration of higher education programs. The provisions in the bill that have a fiscal effect are discussed below in more detail.

CCP Program provisions

CCP payment rates

The CCP Program allows qualified Ohio students to take college courses at state expense for both college and high school credit. Under the CCP Program, which is currently in its first year of operation following its replacement of the similar Post-Secondary Enrollment Options Program, the amount paid to the college for a public school student is funded through a deduction from the resident district's state aid allocation. The formula for CCP payments calculates per credit hour "default ceiling" and "default floor" amounts in each fiscal year that correspond to certain methods of course delivery and instruction. In FY 2016, the payment rates range from about \$41 (default floor) to \$163 (default ceiling) per credit hour. A school district and college may enter into an alternative payment structure, but the negotiated rate cannot be higher than the default ceiling amount per credit hour or lower than the default floor amount per credit hour unless a lower amount is approved by the Chancellor. The bill modifies the rate at which payments are made under the CCP Program in the two ways described below, which have the effect of both increasing and decreasing aggregate payment amounts. The net effect of these changes is uncertain as CCP participation data is not yet available.

Prohibition of alternative payment structures under the default floor amount

The bill prohibits payment rates under an alternative payment structure from being below the default floor amount per credit hour. According to data provided by

the Department of Higher Education (DHE), five colleges have a total of 190 agreements in place for alternative payments. Each such college charges rates that are below the default floor amount per credit hour in FY 2016 for one or more methods of course delivery and instruction. Of these, two colleges have a total of 63 agreements in place where there is no charge when a student takes a CCP course at the high school with a high school teacher. Otherwise, the rates below the default floor amount tend to be in the \$25 to \$30 per credit hour range.

Under the bill, school districts that have entered into such agreements will experience an increase in the amount deducted from their state aid for each applicable participant in CCP. For example, assuming one CCP student takes one college course for three credit hours, a school district that currently has nothing deducted from its state aid for that student would, instead, have about \$123 (\$41 per credit hour x 3 credit hours) deducted from its state aid under the bill if this prohibition had been in place for FY 2016. Conversely, the colleges with such agreements will realize a corresponding gain in revenue. The overall amount of the increase in school district deductions and corresponding gain in revenue for colleges is uncertain, as it will depend on the per credit hour difference between the default floor amount and the alternative amount negotiated by each district and college as well as the number of credit hours CCP participants are taking pursuant to those agreements. Nevertheless, given the number of alternative agreements in place, it is possible that the increase in deductions for districts could exceed a minimal amount for a particular district or in aggregate statewide.

Payments based on a college's "standard rate"

The bill also limits the CCP rate paid to the college's "standard rate" (defined by the bill as the in-state, undergraduate tuition cost per credit hour for non-CCP students) if that rate is less than the default ceiling amount per credit hour or 50% of that amount, whichever applies. It also prohibits the Ohio Department of Education (ODE) from paying more than the college's standard rate for a CCP course under an alternative payment structure if that rate is less than the default ceiling amount per credit hour. There will be a revenue loss for colleges that will be limited to charging their standard rate under the bill. Due to their lower tuition rates, this provision primarily affects community colleges and could also affect some university branch campuses. Accordingly, deductions of state aid from school districts may decrease as a result of this provision. As above, the overall amount of the decrease in school district deductions and corresponding loss in revenue for colleges is uncertain, as it will depend on the difference between each college's standard rate and the applicable CCP rates as well as the number of credit hours CCP participants are taking in courses to which those rates apply.

Corequisite Remediation Pilot Program

Under current law, CCP participants are not permitted to enroll in remedial college courses. The bill establishes the CCP Corequisite Remediation Pilot Program whereby up to three Chancellor-approved partnerships, each consisting of one school district and one partnering college, may offer to high school seniors, beginning with the 2017-2018 school year, the opportunity to either (1) simultaneously enroll in a remedial course in math or English and an introductory college course in the same subject or (2) enroll in an introductory course in math or English that incorporates remedial curriculum in the same subject areas into the course and, upon successful completion, receive transcribed college credit (under the first option, credit is granted only for the introductory course).

The Chancellor, in consultation with ODE, must administer and adopt rules for the pilot program. Performing these duties may increase the administrative responsibilities of DHE. Additionally, the bill requires each partnership to collect and report data required under the current CCP Program and any new data required by rules and guidelines adopted by DHE under the pilot program and to submit an evaluation of the pilot program to the Chancellor and CCP Advisory Committee. These additional duties may increase the administrative responsibilities of the three school districts and colleges that are selected to participate in the pilot program beginning in the 2017-2018 school year.

CCP rules

The bill requires the Chancellor, in consultation with ODE, to adopt rules specifying (1) which courses under CCP are eligible for funding from ODE and (2) the conditions under which a student can continue in CCP if the student either withdrew from a CCP course or received a final grade of "D" or below in a CCP course. In addition, the rules must specify the school year to which they will begin to apply. Development of these rules may increase DHE's administrative responsibilities.

Bachelor's degree programs at two-year institutions

The bill requires the Chancellor to establish a program under which community colleges, state community colleges, and technical colleges (two-year colleges) may apply to DHE to offer bachelor's degree programs. The Chancellor is required to establish an application and approval process that considers several factors, including the workforce needs of the geographic area in which the applicant is located and the availability of existing bachelor's degree programs similar to the proposed program in the same area as the applicant. The bill permits DHE to approve up to ten of these bachelor's degree programs throughout the state. DHE may incur administrative costs for establishing the program.

Two-year colleges that choose to offer a bachelor's degree program may experience an increase in enrollment, which could then result in higher costs and revenues for the college. The bill requires that any two-year college that offers a

bachelor's degree program charge the same rate per credit hour and general and instructional fees for bachelor's degree programs as it does for other programs offered by the college.

Midwest Student Exchange Program

The Midwest Student Exchange Program (MSEP), a program of the Midwestern Higher Education Compact (MHEC), is a multistate tuition reciprocity program whereby participating public institutions of higher education charge no more than 150% of the in-state resident tuition rate for specific programs and participating private institutions offer a 10% reduction on their tuition to students residing in MHEC member states. Currently, 12 states belong to MHEC; three (Iowa, Ohio, and South Dakota) of the 12 do not participate in MSEP. The bill authorizes the Chancellor to endorse the MSEP to permit state and private nonprofit institutions of higher education to participate in the program.

If the Chancellor endorses MSEP, the bill authorizes a higher education institution to participate in the program subject to its board of trustees adopting a resolution. Any fiscal effect on a participating state institution will likely depend on the number of out-of-state students that choose to attend the institution under MSEP. Participating institutions will likely incur a revenue loss per student since institutions typically have a substantial surcharge for out-of-state students that will be limited to 150% of the in-state tuition amount under MSEP. Presumably, institutions will only participate in the program if they could attract more out-of-state students from other MHEC member states to offset the revenue loss per student. Finally, participating state institutions of higher education will not receive state share of instruction (SSI) funding for MSEP participants under the bill. This mirrors the current SSI policy for out-of-state, undergraduate students.

Financial literacy education

The bill requires the Chancellor, in consultation with ODE and other interested parties, to develop model standards and resources for the creation of financial literacy education programming at state institutions of higher education. The Chancellor may incur increased administrative costs to develop the model policy.

Beginning with the 2017-2018 academic year, each state institution must integrate the financial literacy education model into its academic advising, financial aid programming, freshman experience programming, and career service programs. Each state institution may experience an increase in administrative costs to incorporate the model into its programs. However, some institutions may already offer a financial literacy program similar to the one that DHE will develop. For example, the Ohio State University offers the "Scarlet and Gray Financial" Program, which provides assistance to students on the topics of financial goal setting, banking basics, budgeting, credit

education, and debt repayment education.¹ Institutions that have already established financial literacy education programs will likely incur less administrative costs for implementing DHE's model into its existing program than those that have no program currently in operation.

Higher education completion plans

H.B. 59 of the 129th General Assembly required each state institution of higher education to adopt, by June 30, 2014, an institution-specific strategic completion plan designed to increase the number of degrees and certificates awarded. The bill requires each state institution to update its strategic completion plan no later than six months after the bill's effective date to outline how the institution will advise each undergraduate student on timely and efficient graduation pathways. Each state institution may incur increased administrative costs for updating their plans to include the additional, required outline. Continuing law requires each institution to update the plan at least once every two years.

Other provisions

The bill authorizes or requires the Chancellor to perform the following duties, the effect of which may be to increase DHE's administrative responsibilities. It is likely that DHE will be able to carry out these provisions with current resources.

Competency-based education programs partnership

The bill authorizes the Chancellor to enter into a partnership with a higher education institution that is created by the governors of several states, for the purpose of providing competency-based education programs. This provision appears to apply to Western Governors University, a nonprofit, online university launched in 1997 through the efforts of 19 state governors that focuses on competency-based education programs. While the bill designates such an institution as a state institution of higher education for the purpose of providing competency-based education programs, the bill prohibits the university from receiving any SSI funding.

Income share agreement study

The bill requires the Chancellor, in consultation with higher education institutions and other parties determined by the Chancellor, to conduct an analysis of income share agreements used to pay for student tuition and other higher education-related expenses. The Chancellor must submit the findings of the analysis to the Governor and General Assembly by September 30, 2016. In general, an income share agreement is an alternative college financing mechanism whereby a student receives financial assistance from an individual or company (i.e., an investor) for college and commits to pay back a fixed percentage of the student's future earnings for a set period of time (e.g., ten years) upon obtaining a job after graduation.

¹ <https://swc.osu.edu/financial-education-coaching/>.

"3 + 1" baccalaureate degree model

The bill requires the Chancellor, in consultation with the Inter-University Council of Ohio and the Ohio Association of Community Colleges, to develop, by June 30, 2017, a "3 + 1" baccalaureate degree model program where a student can complete the equivalent of three academic years, or 90 semester credit hours, at a two-year college and then transfer to a state university to complete the final academic year, or 30 semester credit hours, or the remainder of the student's baccalaureate degree program. The bill also requires the Chancellor to evaluate existing "3 + 1" programs for their cost effectiveness for students.

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