

DRAFT

An Enterprise University Plan for Ohio

July 18, 2011

Our Charge: House Bill 153, the state operating budget, requires the Chancellor to submit a report (R.C. 3345.81) to the General Assembly outlining a plan for Ohio's public institutions of higher education to be designated as Charter or "Enterprise" universities. The report is to include findings and recommendations to specify eligibility criteria as well as changes in policy, statute, and administrative rule by August 15, 2011.

Why Enterprise, and why now?: The plan included in this document outlines the path for all 14 of Ohio's public universities to receive greater autonomy from the state through the reduction of burdensome and outdated mandates and regulations. Ohio's universities are a keystone for driving economic development in the state. By allowing our universities to operate as an enterprise of the state instead of a bureaucratic behemoth the state stands to gain from the increased efficiency, effectiveness, and competitiveness that will help drive a 21st Century economy.

In light of shrinking state resources, Enterprise Universities who are freed of certain state restraints can more effectively create and share resources, continue to provide top quality education to Ohio students, and increase access and affordability. Ohio cannot afford to reduce its commitment, in terms of dollars, to state institutions. But that does not mean dollars for higher education cannot be spent better nor that universities could not benefit from a more predictable method of funding from the state.

The benefits to universities are clear: greater autonomy to conduct business without state mandates and with reduced oversight. For the state, Ohio taxpayers can expect a more accountable University System, a more efficient and effective University System, and a University System that can be a model in using higher education as an economic development engine.

How do we get there?: The details of a plan for the creation of Enterprise Universities follows on the next several pages. The plan was developed by first identifying ways to increase the efficiency, effectiveness, and competitiveness of the University System of Ohio. This was done by consulting with higher education leaders and researching the best practices of universities and university systems throughout the nation. Pursuant to HB 153, the plan that follows details eligibility standards for universities to enter into an Enterprise University agreement and identifies and recommends changes in policy, statute, and administrative rules. It is the hope of the Ohio Board of Regents to work with the legislature to enact these recommendations in time for the plan to commence on July 1, 2012.

An Enterprise University Plan for Ohio: Phase One

To achieve maximum benefit for Ohio's universities and taxpayers, the Enterprise University plan will be divided into two phases. Phase one will focus on universal mandate relief and general good governance guidelines and changes for all 14 public universities while phase two will create Enterprise Agreements for schools who meet minimum benchmarks.

The mandates to be eliminated for all universities focus on conditions for the individual Boards of Trustees, construction and procurement requirements, employment policies, and the removal of antiquated statutes. These mandates can help ensure maximum cost savings at public universities more streamlined and efficient operation of these universities.

While these mandates provide a benefit of cost savings, they do not create a new form of autonomy compared to the way universities currently operate. Because the removal of these mandates does not represent a greater autonomy for universities, there are no minimum benchmarks for eligibility.

Ohio taxpayers, will see increased efficiency and effectiveness as a result of these changes. Universities will be assessed on 10 benchmarks on an annual basis. Schools who achieve 4 or fewer benchmarks would receive a grade of "Needs Improvement," schools who achieve 5 or 6 benchmarks would receive a grade of "Meets Expectations," schools who achieve 7 or 8 benchmarks would receive a grade of "Excellent," while schools who achieve 9 or 10 benchmarks would be rewarded with an "Excellent with Distinction" grade.

Benchmarks for University System of Assessments:

1. Unallocated cash balance of 20% of total operating expenses
2. 5-year graduation rate of 40%
3. 1st to 2nd Year Retention Rate of 60%
4. Endowment of 20% of total operating expenses
5. STEM Degree Percentage of 10%
6. X.X Degrees per FTE
7. Affordability Measured as a Percentage of Consumer Price Index (CPI) – Bonus for institutions who lower tuition
8. 10% of FTEs Participating in intern/co-op programs
9. Enrollment Target
10. Direct Articulation Partnership w/ Community Colleges
11. Compliance with the Articulation & Transfer Clearinghouse.

The Mandate Relief list for all universities:

- Allow the Board of Trustees to determine the length of term for the Board officers
- Allow for meetings with internal auditors in executive session
- Board may meet by videoconference/other technological means
- Exempt university capital laws from state construction procurement requirements
- Eliminate escrow/retainage on construction projects
- Eliminate Local Administration competence certification program
- Allow universities to mandate electronic paycheck deposit for all employees
- Eliminate enrollment limits
- Provide that universities can officially partner with other state institutions of higher education
- Review antiquated statutes requiring the preparation of numerous reports to the State of Ohio to review if they are still needed
- Allow for certain exemptions to state health and safety codes that would place universities on par with private sector entities in the enforcement of state regulations in that area
- Increase the bid limits for RFPs up from the current \$49,000 threshold to \$250,000
- Eliminate required oversight by the Ohio Arts Council for university percent for Arts Program projects (Require for projects of \$4 million or more, 1% of art selected by council)
- Ability to set different tuition and fees for space and facility reasons
- CEO/CFO Sign Financial Statements (GASB 14)
- Set Meeting Standards
- Personnel Committee of BOT review top 15 employees
- Board may go into executive session to discuss matters concerning proprietary information
- Give universities full exclusion from Chapter 124 and complete control of the management of its employees
- Exempt universities from the purview of the State Personnel Board of Review

An Enterprise University Plan for Ohio: Phase Two

For Phase Two, institutions who meet qualification standards may enter into an agreement with the State of Ohio to become an "Enterprise University." This new status will provide increased relief from mandates, regulations, and duplicative oversight. This new form of autonomy will be solidified by a contractual agreement between the university and the state that will ensure that each party can be assured of stability for the duration of the agreement.

There will be two levels of Enterprise Universities, with the top level referred to as "International Research Universities." With each step universities who want to move to the Enterprise model will be asked to give up 10% of their funding from the state. The new cost savings will be used to start a new scholarship fund that will act as an incentive to keep the best and brightest Ohioans in state. Universities who enter into Enterprise agreements are expected to receive less state funding due to the nature of what it means to be an "enterprise." These schools receive a new type of autonomy that will enable them to come up with new ways to raise revenues. While the state does not wish to sever ties with universities, this new autonomy by its very nature calls for less reliance on state dollars.

The two levels of Enterprise will be based solely on the ability of institutions to achieve fiscal and academic benchmarks that display an ability to operate at high levels of independence while achieving results.

The benchmarks below were chosen in an attempt to be mission-neutral allowing the opportunity for Ohio's 14 diverse universities to be able to embrace the benefits of the change in autonomy by becoming an Enterprise University. While some individual benchmarks may fit more in line with certain missions more than others, taken collectively and with the flexibility in achieving the majority of benchmarks but not all, Ohio's universities will all have the opportunity to become Enterprise Universities.

The Benchmarks to earn Enterprise University status are:

Universities must meet 7 of 9 benchmarks.

1. Unallocated cash balance of 25% of total operating expenses
2. 5-year graduation rate of 50%
3. 1st to 2nd Year Retention Rate of 65%
4. Endowment of 25% of total operating expenses
5. Research Expenditures of \$50,000,000 or more
6. STEM Degree Percentage of 20%
7. Affordability Measured as a Percentage of Consumer Price Index (CPI) – Bonus for institutions who lower tuition
8. 20% of FTEs Participating in intern/co-op programs
9. Direct Articulation Partnership w/ Community Colleges

Additional Mandate Relief for Enterprise Universities:

- Eliminate the need for the Controlling Board to approve the release of capital appropriations for appropriated funds; unallocated improvements would still need to go before the controlling board
 - Allow universities to self-insure
 - Permit university hospitals to self-insure
 - Explicitly provide that the sale of university real property requires only the approval of the Board of Trustees and the Chancellor (Remove General Assembly approval)
 - Eliminate the requirement that expenditure of funds for the purchase of university real property receive approval from the Controlling Board (Chancellor approval still required)
 - Explicitly provide authority to the Board of Trustees to purchase, sell, lease, and grant easements for university land without DAS oversight or restrictions
 - Provide statutory authority for university to exercise eminent domain in its own name rather than using DAS
 - Can differentiate cost of tuition based on cost of academic program
 - Increase the bid limits for RFPs up from the current \$49,000 threshold to \$500,000
 - Universities may increase tuition up to 50% times cap imposed by General Assembly
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The Benchmarks to earn International Research University status are:

Universities must meet 7 of 9 benchmarks.

1. Unallocated cash balance of 30% of total operating expenses
2. 5-year graduation rate of 75%
3. 1st to 2nd Year Retention Rate of 85%
4. Endowment of 30% of total operating expenses
5. Research Expenditures of \$250,000,000 or more
6. STEM Degree Percentage of 30%
7. Affordability Measured as a Percentage of Consumer Price Index (CPI) – Bonus for institutions who lower tuition
8. 30% of FTEs Participating in intern/co-op programs
9. Direct Articulation Partnership w/ Community Colleges (1 Benchmark for each of up to 3 CCs)

Additional Mandate Relief for International Research Universities:

- All mandate relief equal to Enterprise Universities
- Eliminate requirement for universities to receive approval from the Controlling Board
- Remove the requirement that the Chancellor must approve issuances of obligation
- Provide Institutions with a waiver on debt related to student housing or a portion thereof
- Eliminate requirement that the Board of Regents approve the pledge of fees for paying debt service on general receipt bonds
- Explicitly provide that the sale of university real property requires only the approval of the Board of Trustees (Remove Chancellor & General Assembly)
- Eliminate the requirement that expenditure of funds for the purchase of university real property receive approval from the Controlling Board
- Increase the bid limits for RFPs up from the current \$49,000 threshold to \$1,000,000
- University may increase tuition up to twice the cap imposed by General Assembly

Proposed Timeline:

July 11, 2011	Chancellor, Sr. Vice Chancellor, Staff to meet with Governor's Policy team
July 14, 2011	Initial draft report completed
July 15-22, 2011	Chancellor and Sr. Vice Chancellor to meet with Bruce Johnson
July 20, 2011	Chancellor to meet with Governor
July 25, 2011	Final Draft report sent to Governor's office for review
July 29, 2011	Final Draft due back from the Governor's office
August 4, 2011	Final Version of Report completed and sent to be printed
August 5, 2011	Presentation of Plan to the I.U.C
August 11, 2011	Chancellor's Presentation of plan to Statewide Trustee Conference
August 15, 2011	Report Released to the General Assembly