

2b History of Ohio Funding Formula

The higher education subsidy formula in Ohio was instituted in the mid-1960s. At that time, the state committed itself to a system of public higher education where each large urban area would have its own state-supported university, while a two-year campus (a university branch, a community college, a state two-year college) would be located within commuting distance of every Ohio resident. Ohio already had six state-funded residential universities – Ohio State, Ohio University, Miami University, Bowling Green State University, Kent State University, and Central State University; as well as municipally funded (property tax) universities in Cincinnati, Akron, and Toledo. OBOR was also created at this time to be a coordinating agency for these institutions. The governance of each institution remained in the hands of each institution's board of trustees, per existing Ohio law. OBOR's primary responsibility was the adoption and oversight of an instructional subsidy formula. The central piece of "state subsidy" was, and still is, termed the State Share of Instruction (SSI). Over the years, other funding mechanisms called "challenge grants" were allocated for specific purposes and included under the umbrella of state subsidy funding. The SSI formula was based upon enrollment as well as the actual cost to instruct the different categories of courses. The actual costs were calculated on the basis of state-wide averages. By the mid-1970's, there were 16 different categories (models) of courses, each subsidized at different rates. The state, however, did not fund the total cost of instruction as estimated in the formula. OBOR subtracted from this overall cost of instruction an amount it estimated to come from other sources – mainly student tuition fees. This is where the SSI formula deviated from a strict mathematical calculation and entered the realm of politics. The student tuition fee amount was really a "mechanism" for helping decide what portion of the total cost of higher education the state would support. Each budget biennium, OBOR would submit its budget proposal to the Governor's Office and request a reduction in the tuition fee supported portion and an increase in the amount of state funding. When the state budget process was completed, it was not uncommon for the tables to be turned. The state budget amount available for higher education through the SSI was never the amount calculated by the formula, but rather a constraint imposed by the realities of the amount of state revenue available to fund the higher education budget.

A basic principle *implied* in the early funding formula was that costs would increase in proportion to enrollment growth, and, it also assumed that costs would decline in proportion to enrollment decline – a principle that was severely tested. Both Ohio University and Kent State University experienced drastic and unexpected enrollment declines in the early 1970's and the state legislature had to appropriate emergency funds to keep these institutions solvent. In the late 1970's, the state legislature directed OBOR to study higher education costs with an emphasis on costs unrelated to enrollment (i.e. fixed costs) - particularly the cost of facility operation and maintenance.