Testimony of Stephen Dyer
Education Policy Fellow
Innovation Ohio

Chairman Carfagna, Ranking member Sweeney. Distinguished members of the Higher Education Subcommittee. I come before you as a former chair of the Primary and Secondary Education Subcommittee, so I know the incredible pressure you're under and time constraints you're facing.

So I'll try to move through this as quickly and directly as possible.

According to many experts, 64 percent of jobs in Ohio will require some form of post-secondary degree or credential by 2020. Yet only 42 percent of Ohioans meet this criteria today. This huge talent gap has been the focus of many urgent calls[i] for the state to step up investment in post-secondary learning and training options.

This post-secondary investment is critical because, as Eric Hanushek of the Hoover Institution at Stanford University told a recent Ohio education attainment summit, if Ohio were able to improve its educational standing to that of Minnesota or Canada, the state would see an additional $1.5 trillion in economic activity to the state over these students' lifetimes.

Ohio has set a goal of having 65 percent of our residents with a post-secondary degree or credential. Yet the state has for several years essentially flat funded its largest aid package to colleges and universities while slashing need-based aid to students, even eliminating need-based state aid all together for community college students. In fact, as we reported in our December white paper titled "The Heart of it All: How Ohio's Lagging Investment in Post-Secondary Education Must Be Reversed For Its People to Prosper in Today's Economy", the following facts are extremely troubling:

- Ohio had the ninth lowest per student financial commitment to higher education in the United States – nearly $2,100 less than the national average.

- Ohio's higher education enrollment drop of over 17% between 2011 and 2017 was the largest drop in the country. While Ohio's 2015 enrollment was higher than before the 2008-2009 Great Recession, the difference was only 0.8%, which was the nation's sixth lowest increase.

- Overall, 44% of Ohio adults aged 25-64 have at least an associate's degree or a high-quality workforce credential, compared to 47% of the country. Less than 7% of the Class of 2018 received industry recognized credentials, which can be an effective and far less costly alternative for non-college bound students.

- Over three decades, the state's investment in higher education has dropped by 25%, which, coupled with cuts to need-based aid, has made Ohio 45th in college affordability. This financial divestment appears to disproportionately impact college access for poor students in both urban and rural districts.

- Socioeconomic status impacts not just enrollment, but also completion. Students from poor school districts are twice as likely to fail to complete their programs. A similar gap exists between suburban and rural districts.

These trends must be reversed if the state is to take a leadership role in the 21st Century knowledge economy. Innovation Ohio is making 10 biennial budget recommendations that, if adopted, would make attaining the most valuable post-secondary credentials and degrees significantly more attainable.

Recommendations

1. **Increase State Share of Instruction (SSI) by 5 percent over the biennium to $2.07 billion by FY21**

The Governor's budget calls for a 1 percent increase each year of the biennium, but that's well below inflation – leaving schools and students short. SSI is the primary source of state aid to Ohio's public colleges and universities. As can be seen in the chart below from Policy Matters Ohio, the state has not moved much on SSI funding for years.

Figure 1

Public funding for colleges since 2008 adjusted for inflation

Source: Policy Matters Ohio based on Legislative Service Commission Table 2 - State - Source GRF, LPEF, and LGF Expenditure History

Despite the flat funding – essentially cutting SSI funding to schools when accounting for inflation, the state froze tuition for two years. With an increase such as 5 percent, the state could require tuition and fee *cuts*, thereby enhancing these post-secondary options for our most at-risk students and helping accelerate our state's march toward a its 65 percent post-secondary degree or credential attainment goal. In addition, it would be the state's largest annual commitment to higher education – eclipsing the $2 billion (adjusted for inflation) allocated in FY09. **Cost: $99 million over the biennium**

2. **Increase the financial "at-risk" student definition in four-year institutions to the maximum Pell Grant eligibility – an Expected Family Contribution of $5,328**

One of the clear indicators of student retention and completion is the amount of grant funding they receive to go to college. In fact, it's the major factor, according to many studies[ii]. However, Ohio's SSI course and degree completion portions of the SSI formula only consider at-risk students to be those with Expected Family Incomes of $2,190 or less, despite the fact that Pell Grant eligibility extends up to $5,328. Currently, Ohio universities are credited with additional funding if they graduate or get course completions from financially "at-risk" students. This funding, though, is greatly affected by the amount of money these students receive in Pell and other grants. An emerging line of research demonstrates that students who receive full Pell grants are much more likely to complete than those who receive lesser amounts[iii]. However, Ohio bases "at-risk" funding only on those who receive up to less than ½ of the Pell Grant eligibility amount. This means that Ohio universities receive no credit for graduation and completion rates for the Pell eligible students who are least likely to complete courses or degrees, according to the research, because they receive the least amount of Pell money.

Increasing the pool of financially "at-risk" students will give universities more funding for completions from students least likely to graduate because they don't receive the maximum Pell Grant. *This increased pool, though, must also be eligible for more Ohio Opportunity Grants (OCOG) so they are more likely to persist in universities, as will be discussed in the next recommendation.* **Projected additional weighted funding for at-risk students: $14.3 million**[iv]

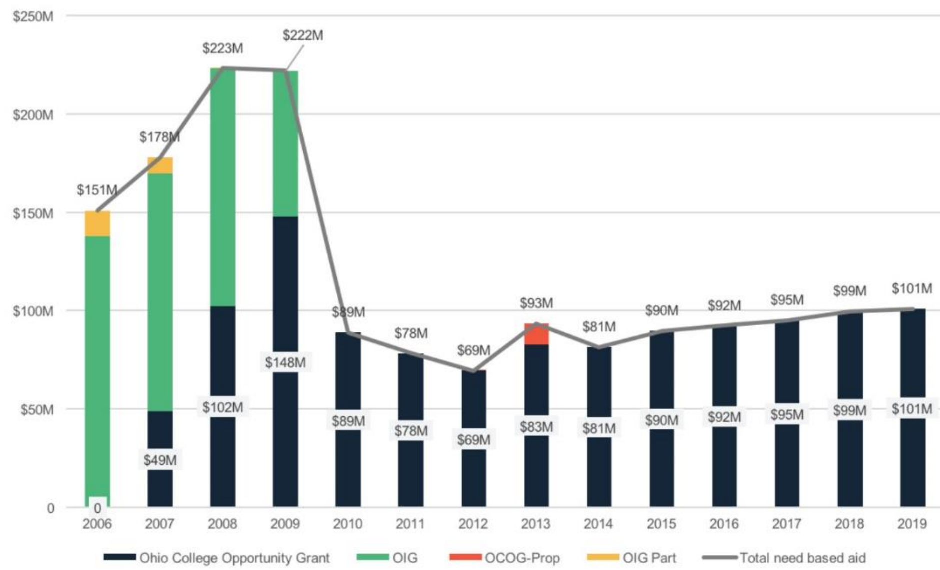
3. **Increase OCOG grant recipient to Pell cap from $2,190 (EFC), especially if continue last-in distribution practice, and increase OCOG to ½ of the recipient's Pell Grant, eliminating the maximum Pell+OCOG cap**

We recommend eliminating the last-in practice currently applied to the OCOG program, which is Ohio's largest source of need-based financial aid. In 2017, the Ohio House put a provision in their version of the state budget that would have allotted $5 million to eliminate the last in provision of OCOG for students who are seeking certificates or credentials in high-demand jobs. It was removed by the Senate, but the legislature has considered eliminating last-in provisions before.

Ohio ranks near the bottom of states in its need-based aid, which has seen a significant cut since the 2008 Recession, as our colleagues at Policy Matters Ohio pointed out in the chart below.

Figure 2

State support for need-based financial aid by year.



Source: 2018-19 state budget, as enacted. FY 2017 actual OCOG spending. 2006-2016 are spending actuals reported in the Catalogue of Budget Line Items. OIG actuals higher than appropriated amounts because of phase-out spending. OIG-Part was need-based aid for part-time students in degree-seeking programs. OCOG-Prop is casino licensing fee revenue used on need-based aid for proprietary schools. Only included as a separate funding line in 2012-13 biennium budget, this added $10.6 million to total need-based aid funding that year. All unadjusted dollars, considering inflation would make this worse. Excludes additional need-based aid support from federal sources.

Even if the last-in provision is eliminated, though, we would recommend that the OCOG eligibility amount be lifted to the Pell Grant cap of $5,328. This would help buttress Pell Grant recipients' aid packages who receive the least amount of Pell Grant funding. In addition, it would greatly enhance the aid packages to the most needy students. The increase would essentially restore the state's need based funding amount before the Recession.

As an aside, the Governor's budget calls for a $48 million increase to OCOG through increasing grant amounts primarily. While more money for need-based aid is welcome, we feel the money should be directed to *expanding* the recipient pool – community colleges, Central State, student up to Pell Grant eligibility – so more students can receive the aid rather than simply having the same number of students get slightly more money.

Projected cost: $163 million over the biennium[v]

4. **Apply Ohio's current GI Bill recipient exception to OCOG spending requirements, which allows OCOG money to pay for room and board and other expenses, to all OCOG recipients, either by adopting the GI language, or requiring that the state cost of enrollment to include room, board and**

other reasonable living expenses (using the College Board[vi] or other net cost calculator as a model).

This would allow students, especially the most needy, to apply their OCOG grants (just as they would their Pell Grants) to reasonable living expenses. The current tuition/fee-only limitation on OCOG is simply a way for the state to cut costs to OCOG. The cost of attending college includes myriad factors, not just tuition[vii]. This change would allow more students, especially those in poverty, students of color, and older students to better afford post-secondary institutions. The legislature has already allowed exceptions to the tuition-only limitation. All we ask is it be lifted. **Cost: If recommendation #2 is accepted, cost would be zero additional.**

5. **Increase funding for Appalachian New Economy Workforce Partnership from $1.2 million a year to $2 million a year and allow it to go toward grants and scholarships for students to go to post-secondary**

Currently, Appalachian students are among the least likely to attend a 2 or 4 year institution[viii], with some Appalachian, rural districts seeing as few as zero students enroll in a post-secondary institution. The ANEWP primarily focuses on skills-based options for Appalachian students. Allowing a larger funding amount to be applied to 2- and 4-year institutions as well will grant more opportunities for a particularly at-risk population of Ohioans. **Cost: $800,000**

6. **Increase nursing loan program to $1.15 million a year from $891,000, with a focus on preparing more nurses with masters degrees.**

The national and state nursing shortage has been long-standing and clear. One of the greatest shortcomings is the availability of masters prepared nursing instructors. Some programs simply can't take in more students because of this scarcity of faculty. We recommend increasing the nursing loan program line item, which pays for nursing loan programs for future nurses and future nursing instructors, to $1.15 million and focusing that increase on nursing faculty education. **Cost: $250,000**

7. **Create an additional financial "at-risk" weight for retention program participation of $1,000 per FTE who participates. The participants have to be considered to be at financial risk of not completing, along with one more at-risk factor under the SSI formula.**

This is essentially scaling up both the ASAP program from New York and the SAIL program from Lorain County Community College, both of which have demonstrated a clear ability to increase retention of at-risk students. In order to receive this formula funding, an Ohio institution's retention program would have to provide the following:

a. Personalized academic advising
b. Personalized career planning advice

It also has to provide at least two of the following services:

c. Gap tuition scholarship
d. Textbook vouchers
e. Monthly food gift cards

f. Monthly transportation vouchers

Upscaling this program, which at LCC costs about $2,300 per student[ix], would have outstanding potential to immediately improve Ohio's position as a national laggard on student retention rates. **Estimated Cost: $40 million[x]**

8. **Increase funding for the Ohio CARES program from $875,000 to $1 million in FY20 and $1.2 million in FY21, increasing the per student funding cap from two payments of $250 to two payments of $500 and allowing institutions to obtain up to $25,000.**

The Completion and Retention for Education Success (Ohio CARES) Program to support certain in-state undergraduate students at state and private nonprofit colleges and universities that are determined to be in jeopardy of dropping out due to short-term financial emergencies. Under the Ohio CARES Program, institutions are eligible to receive up to $15,000 in any single year, while an eligible student at that institution can receive up to two $250 awards in an academic year. Schools have to provide a one-to-one match and each institution determines what constitutes an emergency for the purposes of this program. Doubling the amount students can receive would significantly help students who run into a fiscal emergency during the course of a semester or quarter. **Cost: $125,000 in FY20 and $200,000 in FY21**

9. **Re-introduce the Finish for Your Future Scholarship, but change the student share from a one-to-one match to half the amount the state would have picked up, having the state pick up the portion the student used to pick up.**

The Finish for Your Future Scholarship was introduced in the 2017 budget, but was eliminated in the Senate. It was designed to give incentives to adult learners to return to college if they had previously dropped out so they can attain their first post-secondary degree. Students qualify if they are within a year of reaching their degree and have accrued student debt. However, a student must have left an institution at least 12 months prior to receiving the scholarship. The student is eligible to receive a credit of up to $3,500 per academic year from the institution to pay for instructional and general fees or tuition. The program currently requires an equal funding match between the state, institution and student. Combined, the three sources was about the same as the weighted average in-state university tuition. The change would keep the current limits, but have the state pick up half of what the student previously had to pay. So, for example, if the state paid $1,000, the institution paid $1,000 and a student paid $1,000, now the state would pay $1,500, the institution would pay $1,000 and the student would pay $500. **Cost: $2.5 million in FY20 and $4 million in FY21[xi]**

10. **Create incentives to encourage more high school and adult students to fill out the FAFSA**

Producing micrograpnts to communities to develop FAFSA signing days, or other community events to ensure better FAFSA completion rates could go a long way toward opening more higher education doors for Ohio high school graduates and adults. **Cost: $150,000**

The total cost of all 10 recommendations over the biennium would be at most $307.4 million – an 11 percent increase in the annual Higher Education budget from last year. The as-introduced Governor's budget calls for a $174 million increase.

Summary

The state has committed to having 65 percent of our citizens attain post-secondary degrees or certificates. The state is lagging far behind that goal. It is necessary to make these post-secondary options more attainable for more of our students, especially those form the most at-risk populations. We will not reach the goal without significant improvement in attainment among our economically disadvantaged, minority and first-generation students. All these recommendations would cut to the core of these issues, making college and universities more accessible and attainable for more of our students.

Our approach has the support of local, state and national advocates who see and recognize Ohio's need to invest in its workforce through these types of initiatives. In addition, Ohio organizations representing professors, administrators and students, support these efforts to expand workforce opportunities.

I look forward to answering any questions you may have and offer myself as a resource to you as you deliberate through this process.

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[i] https://www.cleveland.com/metro/index.ssf/2018/09/ohio_can_save_the_american_dream_repel_robot_revolution_with_better_job_skills_mayors_are_told.html

[ii] https://www.luminafoundation.org/files/resources/propelled.pdf

[iii] https://mhec.state.md.us/publications/Documents/Research/2007Studies/2007StudyExpFamilyContribution.pdf

[iv] This projection is based on the fact that according to the U.S. Department of Education (https://www2.ed.gov/finaid/prof/resources/data/color-pell.pdf), about 16 percent of all Pell Grant recipients have EFCs higher than the current $2,190 in Ohio's SSI formula. If each Ohio institution's weighted at-risk calculation increased by 16 percent, the at-risk weight would cost $14.3 million more. The $14.3 million is a high-end estimate because the SSI formula has many different permutations giving greater or lower weights depending on types of students. So this cost is likely lower, but we wanted to conservatively estimate the cost. The $14.3 million would be wrapped into the SSI funding; it would simply allocate more of a school's funding to at-risk weights, incentivizing schools to more aggressively address the needs of our most at-risk students.

[v] This is calculated by looking at the average Pell Grant given to each Ohio college and university, then taking ½ of that amount and multiplying that number by the number of Pell Grant recipients since we are expanding the OCOG eligibility cap and applying the grant to all Ohio public 2- and 4-year institutions

[vi] https://www.usnews.com/education/best-colleges/features/net-price-calculator

[vii] https://bigfuture.collegeboard.org/pay-for-college/college-costs/quick-guide-college-costs

[viii] https://reportcardstorage.education.ohio.gov/data-download-2018/DISTRICT_PFS_1718.xlsx

[ix] http://www.chroniclet.com/Local-News/2018/12/13/LCCC-program-finds-success.html

[x] This estimate is based on LCCC's SAIL program, which wants to scale up to 1,000 students in five years. That represents about 8 percent of LCCC's student body. So applying $1,000 per student to 8 percent of students enrolled in Ohio colleges and universities would work out to about $40 million.

[xi] This was the amount allocated for FY18 and FY19 in the Executive Budget from 2017.