

Chair Perales, Ranking Minority Member Ramos, and members of the House Finance Higher Education Subcommittee, thank you for the opportunity to testify today on the higher education provisions of House Bill 49, the FY2018-2019 biennial budget.

My name is Deb Shaffer and I am the Vice President for Finance and Administration and CFO at Ohio University.

Ohio University is the oldest and first of the 14 public universities in Ohio, located in Athens Ohio.

I'd like to start by thanking you for your support of higher education and our students, and your continued focus on our collective goals of attainment, quality, affordability and efficiency.

You have consistently challenged us to remain focused on helping our students attain their education goals and contribute to the State's overall attainment goal of 65% of Ohioans with a post-secondary certificate or degree; while maintaining quality, providing the respective services students need to be successful, productive, healthy members of our society; and to do so in the most efficient and transparent manner, perpetually focused on controlling costs and providing an affordable education for the residents of Ohio .

Our public universities and respective Boards of Trustees have these same goals, evidenced in their responses to each of the challenges put forth to us and in the supporting initiatives:

- Investments in student success initiatives and completion
- OHIO Guarantee
- The 5% challenge
- Innovative funding programs to address deferred maintenance of facilities
- Ohio's On-line Checkbook
- Governor's Task Force on Affordability & Efficiency

Although I am here today representing and speaking on behalf of Ohio University, many of the investments and impacts that I will be referencing are applicable across Ohio's other public universities.

Investments in Student Success and Completion Initiatives

Ohio University invests financial resources in student-centered, success initiatives including select examples:

- Professional academic advisors to support students and faculty; \$352K/yr beginning in FY15
- Online instructional support to support dynamic and quality learning environments; \$431K/yr beginning in FY15
- Expansion of student help center location: \$700K in FY14
- Retention software and analysis: \$62K beginning in FY15

These investments are resulting in meaningful outcomes for Ohio University's students, as evidenced by:

- A 2.4 percentage point increase in first year student retention rate
- Since 2013, Ohio University has experienced a 30% growth in first generation students
- The student retention rate for first generation students has increased by 4.5 percentage points
- New Veteran / Active Duty enrollments have increased 100% from 25 in Fall 2011 to 59 in Fall 2016

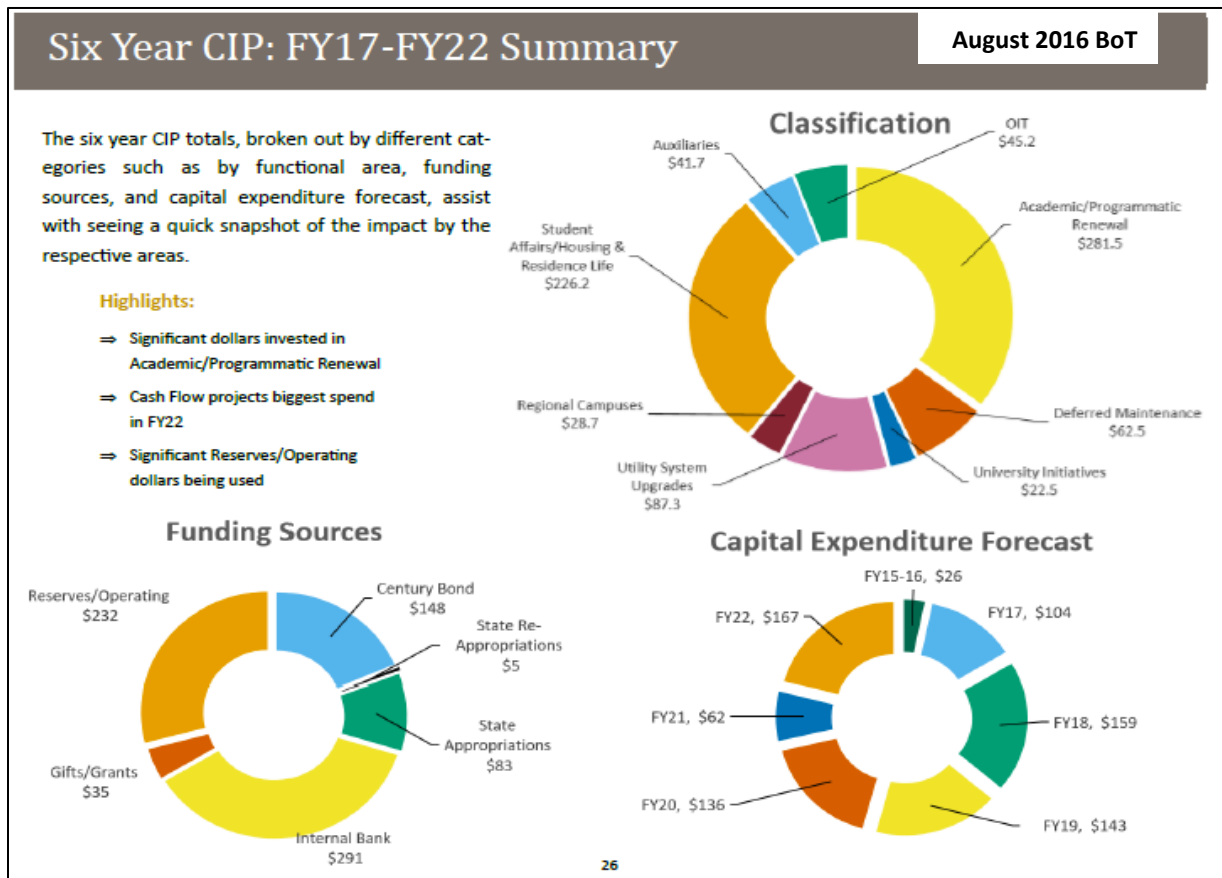
Ohio Guarantee

Ohio University was the first Ohio public university to adopt the four year tuition guarantee model recommended by the Legislature. The tuition guarantee model encourages:

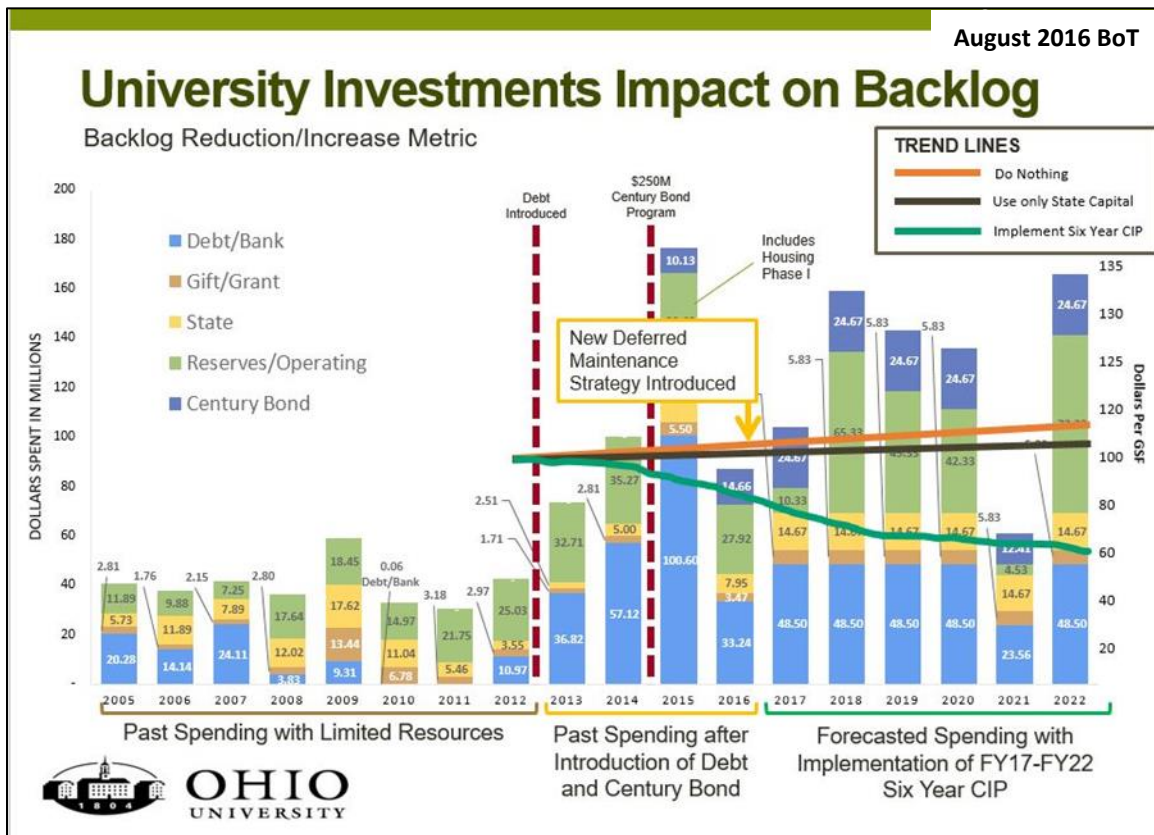
- A four year completion model for timely graduation
- Predictable and transparent costs for those four-years
- Enhances the value of student financial aid awards
- Shifts financial risk to institution

Facility Deferred Maintenance Challenges

Recognizing that state support alone cannot meet the facility needs of its public institutions of higher education, Ohio University has adopted a Century Bond and Internal Bank model that supports a sustainable funding model for facility maintenance needs.



- Projects in our FY17-FY22 Six-year CIP addresses \$333M of deferred maintenance/utility infrastructure backlog



Trend lines do not include utility backlog

- The Six-year CIP excludes additional investments needed in our utility infrastructure which are estimated at \$188.7M (\$87.3M is included in the FY17-FY22 plan)
 - we have identified an additional \$103.4M of utility system maintenance need not yet in our plan
- The FY19-FY24 Six-year CIP planning effort identifies an additional \$173.7M in critical deferred maintenance not yet in our plan
- Addressing deferred maintenance needs on campus represent more than capital investments, they are an important strategy in preserving academic quality, student success, and implementation of new (and more financially efficient) technologies for pedagogy

Ohio's On-line checkbook

Ohio University is committed to financial transparency and voluntarily participates in the Treasurer of State's Ohio online checkbook.

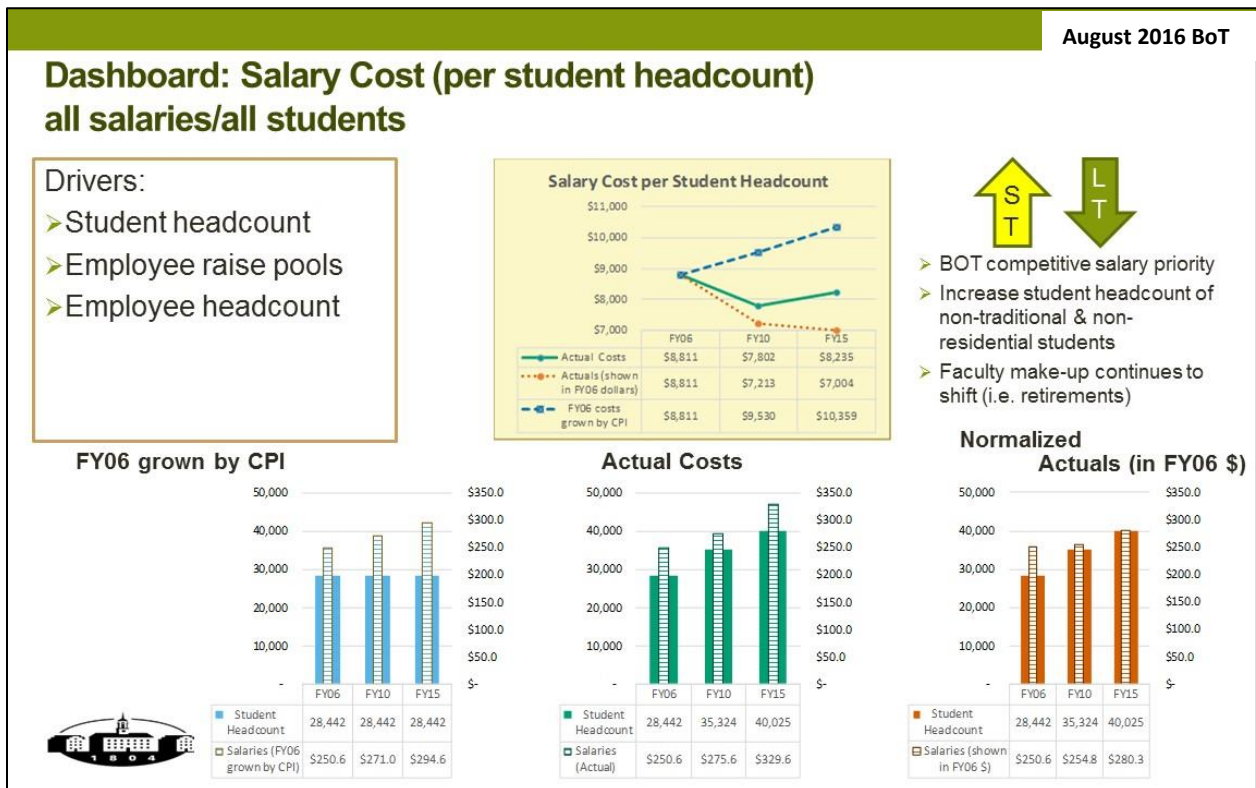
<http://ohiotreasurer.gov/Transparency/Ohios-Online-Checkbook>

Efficiency Initiatives

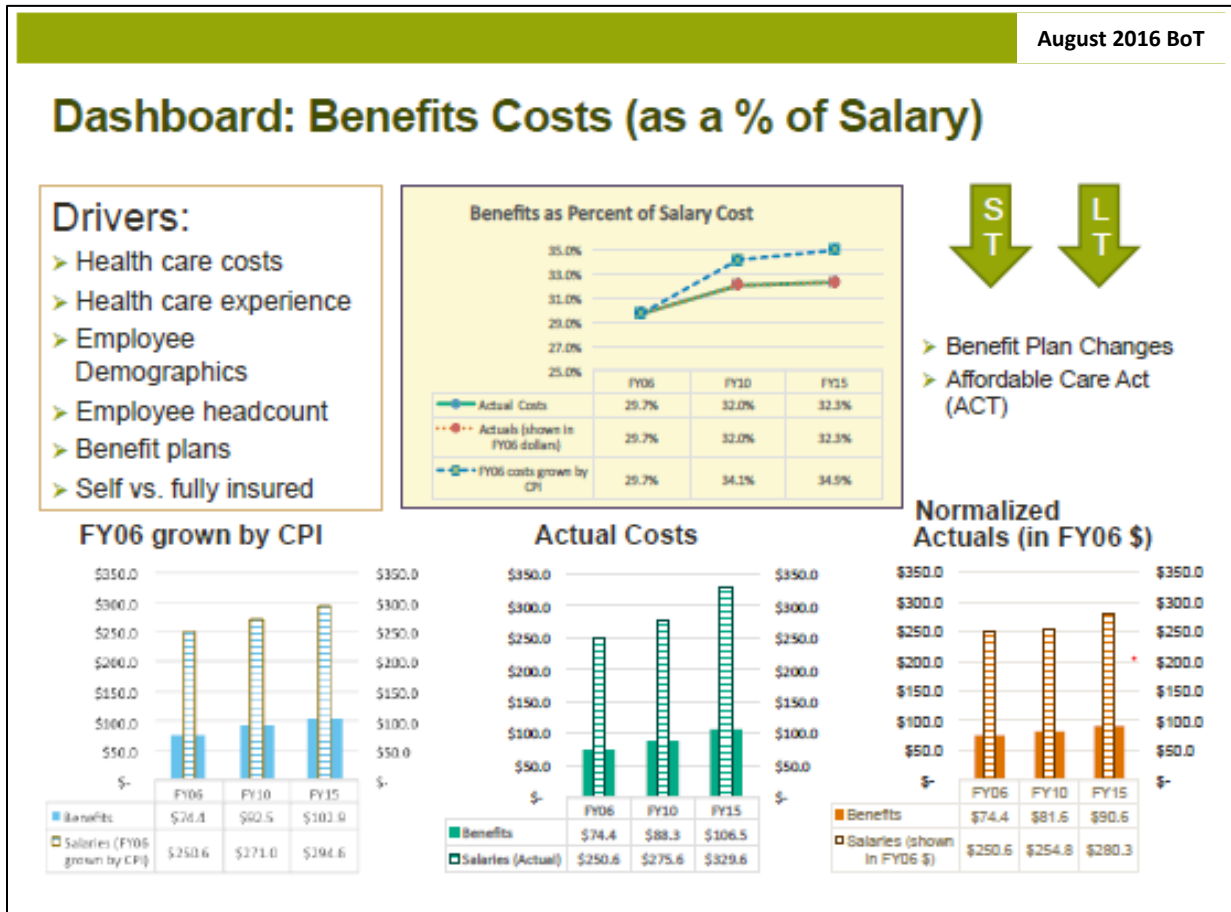
- **3-year degree pathways available for ~50% of Ohio University** - Ohio University's 3-year degree pathways have the potential of saving undergraduate students more than \$36M in annual tuition.
- Multi-pronged approach to reduce course material costs
- Increased financial aid to students - Scholarship matching program – institutional commitment of up to \$25M in a 1 for 2 fundraising match for total program of \$75M
- Tuition Plateau that begins at 12 credit hours (up to 20 SCH) provides an additional tuition savings to students of up to \$5M annually.
- **2+2 degree pathways are available** through partnerships with 20 Community Colleges and have the potential to save an undergraduate student \$15K+ annually in tuition and fees
- **OHO Guarantee 'claw back'** for Community College partner students

Focus on overall goals approved by Board, and 5-year glide path calling out:

- Productivity and efficiency



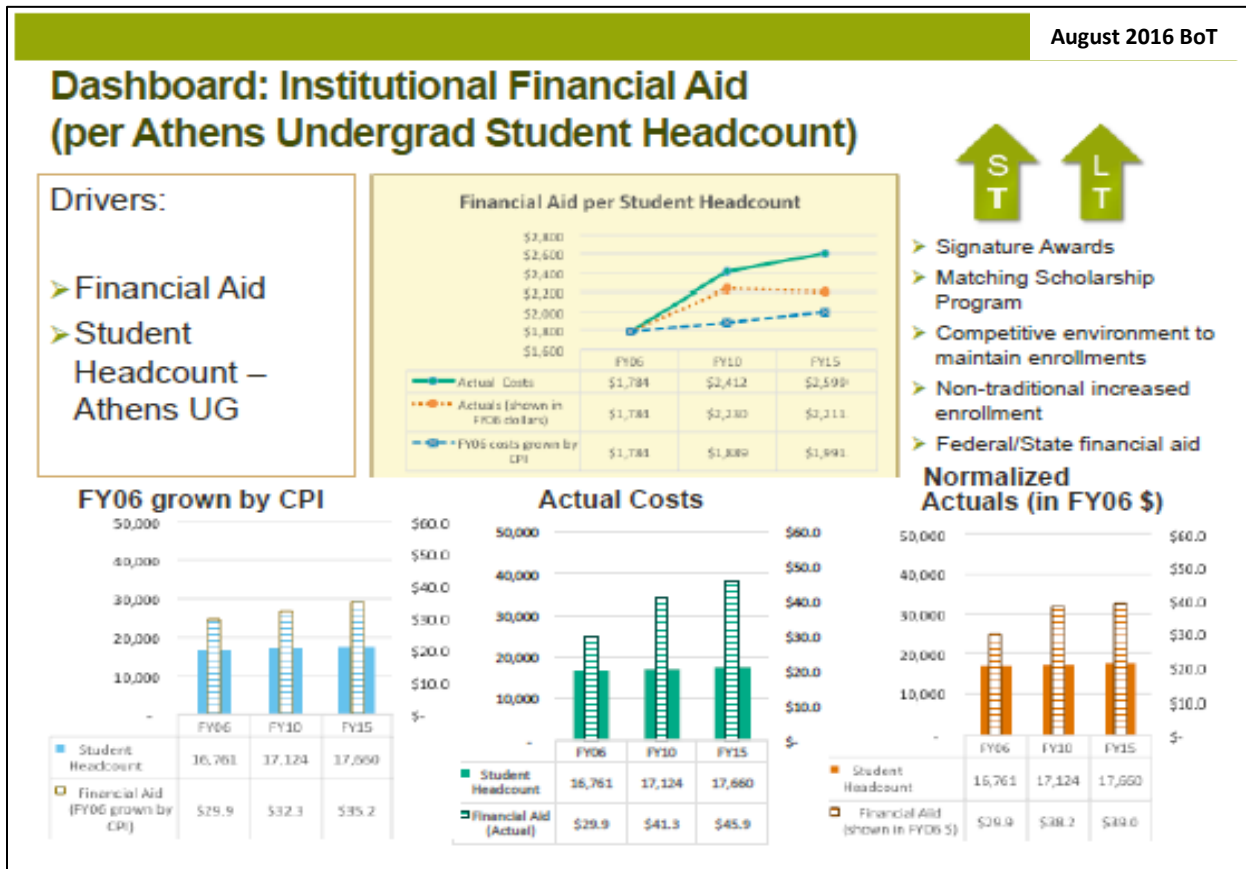
- Healthcare cost focus /plan restructure/ employee cost impact \$3M/year reduction/avoidance



Cost Avoidance Impact of Healthcare Changes

| \$ in Millions | FY16 | FY17 | FY18 |
|---------------------|------|------|------|
| Plan Design Changes | 2.5 | 1.1 | 0.6 |
| Rx Management | | | 0.7 |
| Prior | | 2.5 | 3.6 |
| Cumulative | | 3.6 | 4.9 |

- Student financial aid investment - \$12M/year incremental from unrestricted general revenues

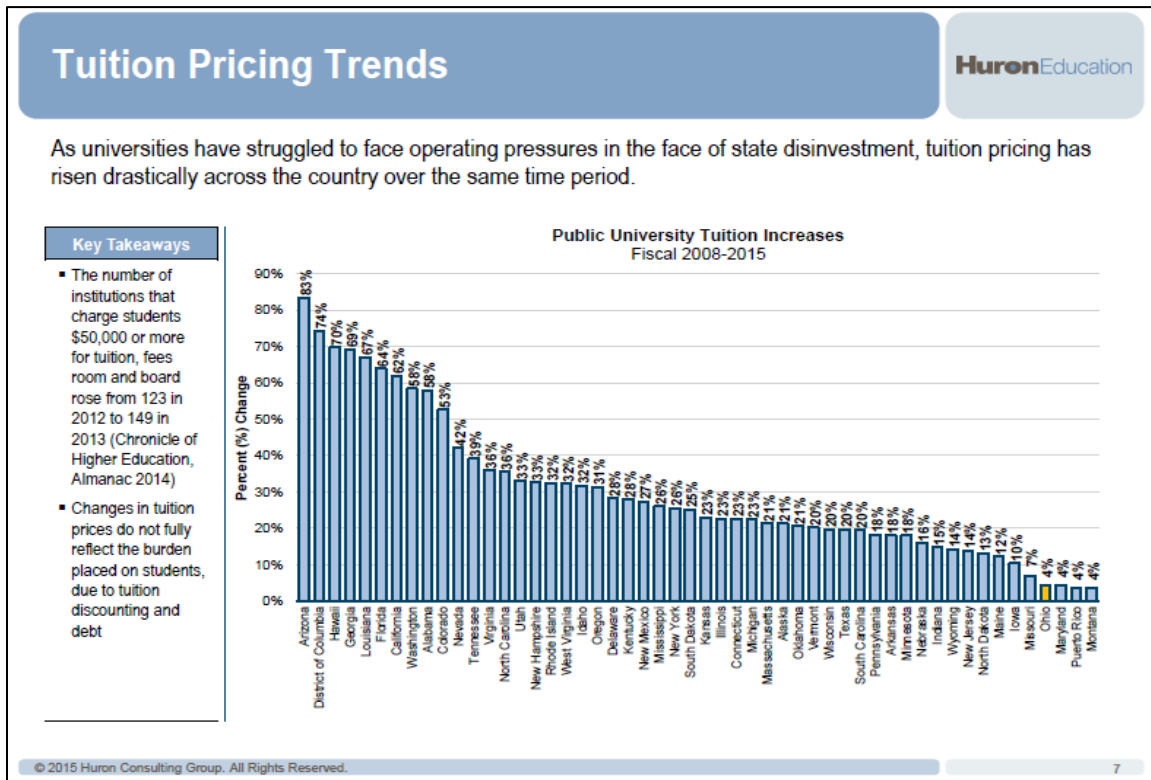
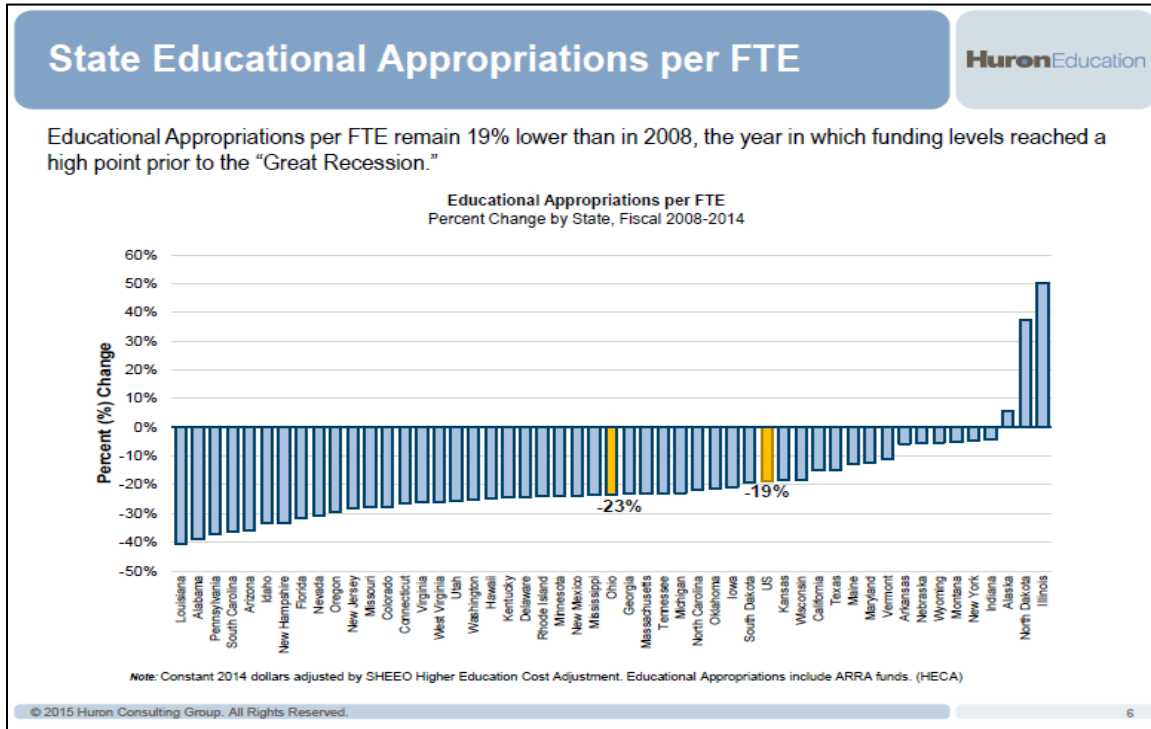


- Textbook/Course Material initiatives - \$700K for FY17; \$7.95M 5-year goal
 - Alt-textbook
 - Top hat
 - Open-source educational materials
 - Assertive fair use of copyrighted works

Our institutions have been strategically planning for each of these financial challenges and expense/investment impacts. We perpetually focus on ways to reduce costs and become more efficient. The other side of any business equation is the revenue to support those expenditures, however efficient.

IUC President Johnson’s testimony earlier this month included statistics regarding the growth of tuition and fees of Ohio institutions as compared with national statistics. The primary source of revenues that we, as public universities, have available to support our operations are tuition and fees and state support. In a study by Huron Consulting Group for the Task Force on Affordability and Efficiency in Higher Education for the period 2008-2015, while Ohio’s 23% decline in educational appropriations per FTE were near the median, our 4% tuition and fees growth was tied for lowest in the nation. While we are

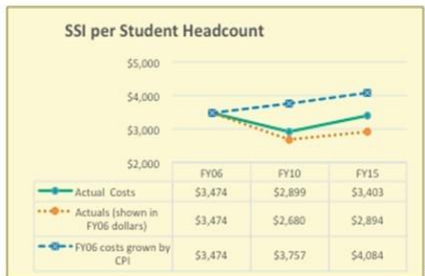
very appreciative of the increases in state support, our inability to offset with tuition and fee increases puts Ohio public institution's at a disadvantage to continue to provide services and investment in programs that will position our students to be competitively prepared and meet and successfully attain their degree goals.



Dashboard: SSI (per Total Athens Student Headcount)

Drivers:

- SSI
- Student Headcount – Athens Total (Undergrad + Grad)

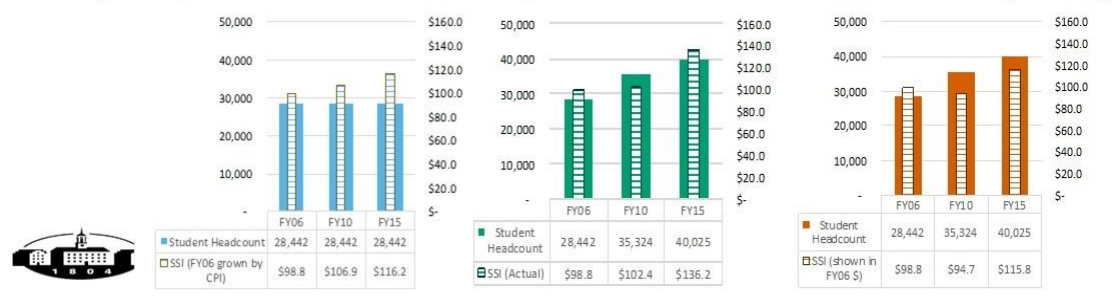


- Performance formula
- State funding
- OHIO Share of pool

FY06 grown by CPI

Actual Costs

Normalized Actuals (in FY06 \$)



Impact of Textbook proposal

- Governor’s A&E report recognized average cost of textbooks at \$1225 at public universities;
- Estimated impact of proposal on Ohio University is approx. \$15 M /year
- Incremental cost of \$2-3M for associated infrastructure
- Local small businesses would be put out of business
- Funding would have to come at the expense of the investments in student success initiatives, programmatic quality, or institutional financial aid
- Student Senate does not support

SENATE BILL 1617-17

A BILL OPPOSING THE TEXTBOOK INITIATIVE PUT FORTH IN THE GOVERNOR'S STATE BUDGET

1. *Whereas:* Governor Kasich has drafted the State budget for fiscal years 2018-2019,
2. and
3. *Whereas:* The budget in regards to higher education has a provision that will allow
4. colleges and universities to Increase tuition \$300 per year for students and
5. in turn require Ohio colleges and universities to provide all classroom
6. materials, including textbooks and supplies, and
7. *Whereas:* Ohio University has analyzed the potential effects of this provision and it
8. is estimated to cost over \$15 million per year, and
9. *Whereas:* the State Share of Instruction is not rising at a high enough level to
10. compensate for this massive expense required by the university to
11. undertake this project, and
12. *Whereas:* This massive expenditure would deeply cut into the quality of education
13. and college experience students receive, and

14. *Whereas:* This has the potential to limit the classes students can take, limit the
15. variety of options, and defund much needed student services, and
16. *Whereas:* It is our responsibility as the Student Senate of Ohio University to
17. advocate for the best interests of students, therefore be it
18. *Resolved:* Ohio University Student Senate urge our elected representatives to remove
19. this textbook initiative from the State budget, and be it further
20. *Resolved:* We urge representatives to work with Institutions of Higher Education to
21. figure out a more realistic plan that will not cause as massive spending as
22. the current plan, and be further
23. *Resolved:* A copy of the Bill be sent to the office of Governor John Kasich, the office
24. of Chancellor John Carey, Finance Committee Subcommittee on Higher
25. Education chair Representative Rick Perales, Members of the Finance
26. Committee Subcommittee on Higher Education Representatives Mike
27. Duffey, Marlene Anielski, Dan Ramos, and Nickie Antonio, State Senator
28. Jay Edwards, Ohio University Director of Governmental Relations Eric
29. Brushard, and Interim President David Descutner.

Sponsors:

Landen Lama

Chief of Staff

Hannah Clouser

President

Nicholas Felt

Governmental Affairs Commissioner

Ohio University is committed to providing Ohio's residents with a high quality, educational experience while maintaining efficient operations. Student success initiatives, tuition transparency, and addressing deferred maintenance projects will continue to enhance student instruction while addressing the state's attainment goals. Continued development of shared degree programs between Ohio University and Ohio's community colleges emphasizes low cost pathways towards bachelor's degree completion. These initiatives are ingrained in the institution's strategic plan and are embedded in an operating budget model that emphasizes efficiency and affordability.

The public higher education environment in Ohio, however, continues to impose significant revenue constraints that are negatively impacting Ohio University's ability to invest and innovate. I am asking the State of Ohio to be a partner in achieving the state's attainment goals by removing revenue constraints imposed via the legislative fee caps. In addition, we ask that the Textbook Initiative, as initially proposed, be reconsidered.

Thank you for providing Ohio University the opportunity to address the House Finance Higher Education Subcommittee. I welcome any questions you may have regarding this presentation or the future of public higher education in Ohio.