

**BEFORE THE SENATE FINANCE HIGHER EDUCATION SUBCOMMITTEE**

**SENATOR RANDY GARDNER  
CHAIR**

**AM. SUB. HOUSE BILL 49**

**TESTIMONY  
OF  
BRUCE JOHNSON  
PRESIDENT  
INTER-UNIVERSITY COUNCIL OF OHIO**

**MAY 11, 2017**

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**The Public Universities of Ohio**

The University of Akron  
University of Cincinnati  
Miami University  
Ohio University  
Wright State University

Bowling Green State University  
Cleveland State University  
Northeast Ohio Medical University  
Shawnee State University  
Youngstown State University

Central State University  
Kent State University  
The Ohio State University  
The University of Toledo

Chair Gardner, Vice Chair Williams, and members of the Senate Finance Higher Education Subcommittee, thank you for the opportunity to testify today on the higher education provisions of Am. Sub. House Bill 49, the FY2018-2019 biennial budget. My name is Bruce Johnson and I am the President of the Inter-University Council of Ohio.

The IUC was established in 1939 as a voluntary educational association of Ohio's public universities. Today, the association represents all of Ohio's fourteen public universities. The IUC values providing access to a high quality, affordable education. It is committed to ensuring affordable opportunities for the more than 330,000 students attending our member institutions without sacrificing the quality of their education or experience.

On behalf of Ohio's fourteen public universities, thank you for your support of higher education. Your leadership, dedication, and commitment to quality education on behalf of our institutions and students are appreciated and to be commended. We are grateful for your efforts to help us help our students attain their educational goals by earning a degree in the most efficient and affordable manner possible while ensuring a quality experience.

You have challenged us in the past to think outside the box, to be innovative and collaborative, and more cost-sensitive. We believe we are meeting those challenges to be more efficient, to find creative and cooperative ways to save money, and to pass those savings on to our students

The House of Representatives passed a bill that is, in many respects, better than the version of the bill as introduced. However, a number of issues still require additional attention. My testimony will summarize those issues for your consideration.

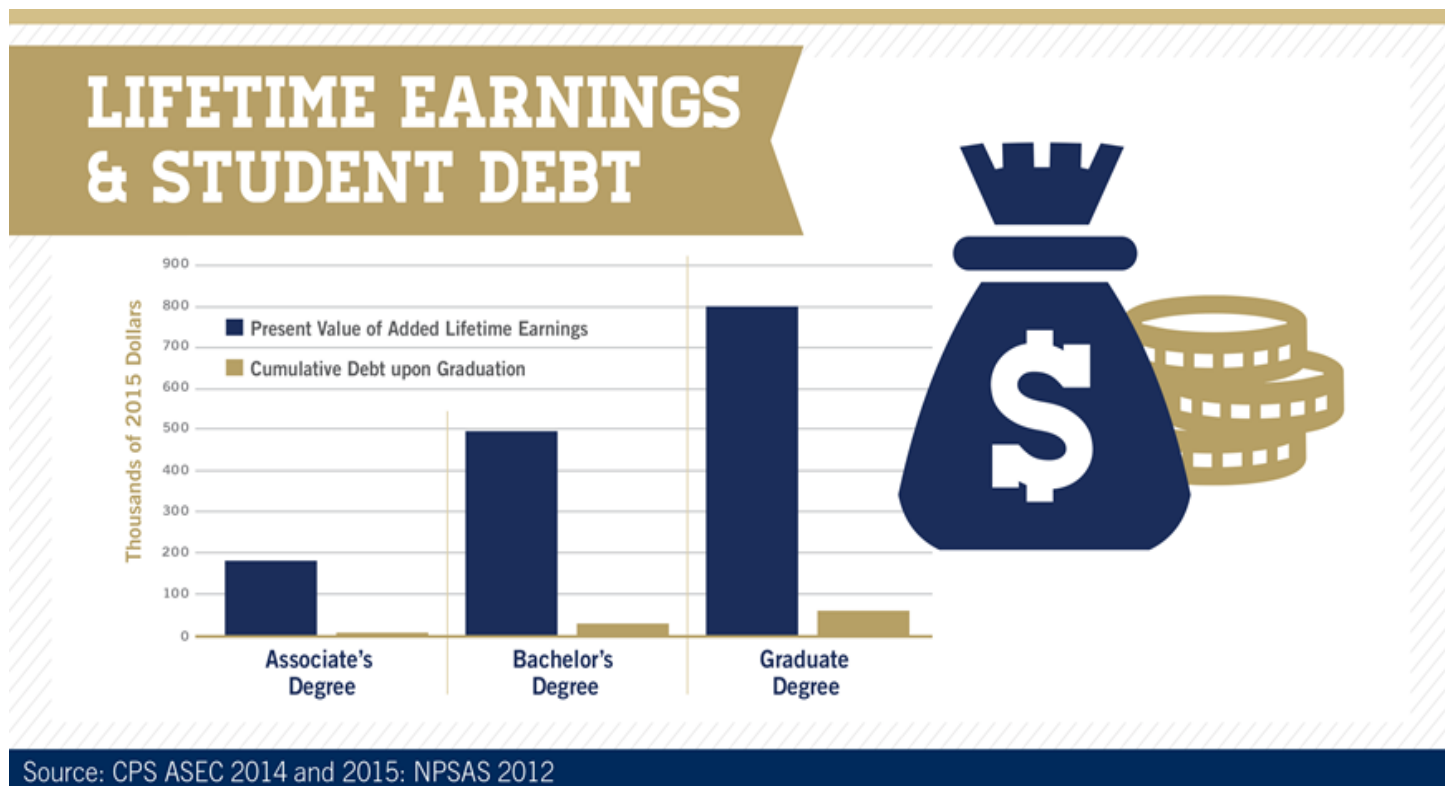


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### **The State's Attainment Goal**

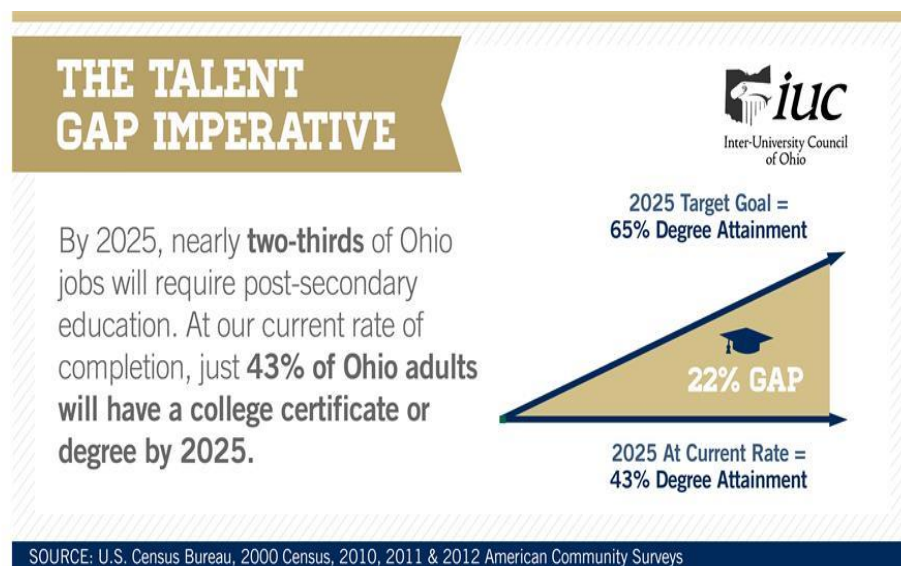
This budget issues yet another challenge to the state's public institutions of higher education. It comes in the form of an "attainment goal." It is a challenge we willingly embrace. The Administration correctly recognizes that a severe and well-documented talent gap threatens our state's continued economic competitiveness and growth. The threat is serious. According to the Georgetown Center on Education and the Workforce, 64% of Ohio jobs in 2020 will require a postsecondary education. A Lumina Foundation report shows that just 43.2% of working-age adults in Ohio have a postsecondary certificate or degree, which is slightly below the nation's overall postsecondary attainment rate of 45.3%.

The state's new goal is to produce, by 2025, an estimated 1.7 million more adults with high-quality postsecondary certificates or degrees. The goal is very worthwhile both for the state's economy and for the individual citizens who will seek these new degrees. Consider that the return on investment for a college credential is well worth the investment. According to the Federal Reserve Bank of New York, the return on investment for earning an associate's or bachelor's degree has remained steady at about 15% a year over the past decade, "easily surpassing the threshold for a sound investment," about 7% a year, the authors, economists Jaison Abel and Richard Deitz, wrote. Areas of specialization also influence earnings, the report said. Among workers with a bachelor's degree, engineering majors earn the highest average annual returns, 21%, while liberal arts majors post a 12% average annual rate of return.



Make no mistake about it; this is an ambitious goal. Consider that at Ohio's current rate of production, by 2025 almost 2 million Ohioans will lack the postsecondary education or training needed to be competitive in the labor market. Even if we improve Ohio's performance by increasing college access and increasing college credentials to the same level as leading states, we still will have a shortfall of hundreds of thousands of credentialed workers with the knowledge and skills needed to fill projected workforce needs in Ohio in 2025.

Clearly, urgent action is needed. A budget that supports this goal is needed. Unfortunately we are concerned that this budget may be counter-productive because it underfunds the innovative and effective performance funding formula, university and college completion plans, success initiatives, career services, and other institutional programs that benefit students on a daily basis. This budget also is counter-productive because it imposes new, costly mandates on public institutions of higher education.

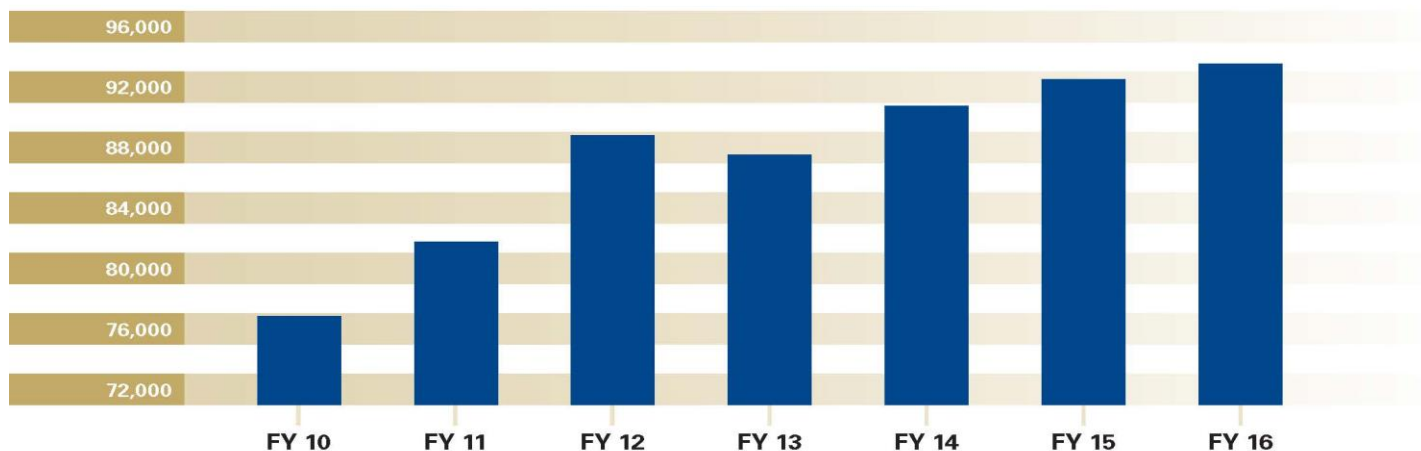


### State Share of Instruction (SSI) and Performance-Based Funding

The bill as introduced proposed a 1% increase in SSI in each year, or approximately \$59.5 million over the biennium. This increase did not compensate for the proposed tuition freeze and expansion of that freeze to all other fees, did not support or recognize the success and performance improvements public institutions of higher education have realized through the outcome-based funding formula, and was below the rate of inflation, which, according to the U.S. Bureau of Labor Statistics, was 2.1% for the twelve-month period ending December 2016.

## Postsecondary Degrees Awarded

FY 2010 – FY 2016



The impact of performance-based funding and other strategies focused on student success has led to a steady increase in the number of postsecondary degrees awarded.

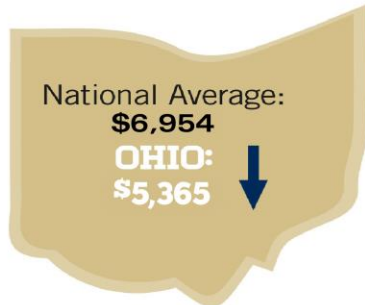
Source: Ohio Department of Higher Education, Degrees and Certificates Awarded by Ohio Public Institutions, January 2017

According to the Department of Higher Education, the number of degrees awarded across the system has increased over the last ten years. Just in the public university sector alone, the number of degrees awarded increased 21% while enrollment only slightly increased. In FY10, when the formula was first implemented, the number of college degrees awarded by public four-year institutions in Ohio was 61,653 and by 2016, that number had increased to 75,004. The SSI appropriation in this proposed budget is now flat, making the concept of a performance-based funding formula more myth than reality. We are concerned that there appears to be neither recognition of the work being done by public higher education, nor the willingness to fully invest in those services that have been proven to be effective in graduating more students.

## STATE SUPPORT OF HIGHER EDUCATION



### State Funding Per Student



Ohio is **23% below**  
the national average.

SOURCE: Center for the Study of Education Policy at Illinois State University / SHEEO, State Higher Education Finance: FY2016

The state of Ohio is already \$1,589 below the national average for state funding on an FTE basis. In addition, many costs on university campuses are beyond our control. Costs associated with new technology investments are rising, employment and healthcare costs are rising, and data utilization costs are exploding.

At the start of the Kasich Administration, Ohio's public universities and community colleges were challenged to develop and implement a performance-based funding formula that rewarded outcomes rather than inputs. This challenge led to a major change in how state support for higher education is allocated. We moved from a subsidy for enrolled students to a subsidy for successful progress of students toward course and degree completions and, for community colleges, success points. This represents a shift in focus from quantity to quality, which, in our opinion, is absolutely the right approach for the student, the institution, and the state of Ohio. With this change came the expectation and responsibility to provide additional student services to help ensure completion and graduation. Services like advising, guidance, and career coaching are offered to help students move towards that end goal of attainment. Those services came at a cost.

In this budget, public universities are taking the commitment to performance funding even further by recommending the inclusion of a new, first generation risk factor in our funding formula. Data shows that first generation students face greater challenges in persisting, completing, and earning a degree. It has become clear that they need special assistance. Because of the proposed IUC change in the formula, that assistance now will



be realized through the redistribution of existing state subsidy to institutions that help first generation students complete courses and graduate.

The formula is working. From FY10 to FY15, the number of college degrees awarded by Ohio's public universities in Ohio increased by 21%, despite the fact that enrollment remained relatively flat. Student retention and time to degree also have improved under the new formula. First to second year retention of first-time, full-time, degree-seeking students has increased every year since FY10 and is now just under 80% at any institution.

For these reasons, and to ensure the continued success of the funding formula, the IUC requests that the Senate restore the 1% funding increase in each fiscal year that was appropriated to the state share of instruction line item in the executive proposal.

## Five-Year Percentage Change in Inflation-Adjusted In-State Tuition and Fees

(Public Universities)



Affordability greatly increases access to higher education. In response to rising costs, university and Ohio government leaders have approached affordability on many fronts, beginning with one of the longest-running state-imposed tuition freezes in the nation.

Source: Ohio Department of Higher Education, Degrees and Certificates  
Awarded by Ohio Public Institutions, January 2017

### **Tuition Freeze and Flexibility**

Complicating matters on the revenue side for public universities is the fact that flat funding the state share of instruction does not adequately support higher education when put in the context of a broad new tuition freeze. Flat funding a tuition freeze violates the historical precedent, and sound public policy, of providing some additional revenue relief through state subsidy to offset the loss of tuition.

In FY08-09 when tuition was frozen for the first time, the General Assembly appropriated an additional \$118 million over the biennium to compensate for that lost revenue. In this current budget, the state share of instruction increased by 4.5% in FY16 and 4% in FY17 to compensate for the most recent freeze. Under the proposed budget, tuition again is frozen for two years, holding us flat four years in a row, but this time without any funding increase for the state share of instruction. As the only other source of revenue available to public institutions of higher education, and without adequate state support to compensate, freezing tuition puts the

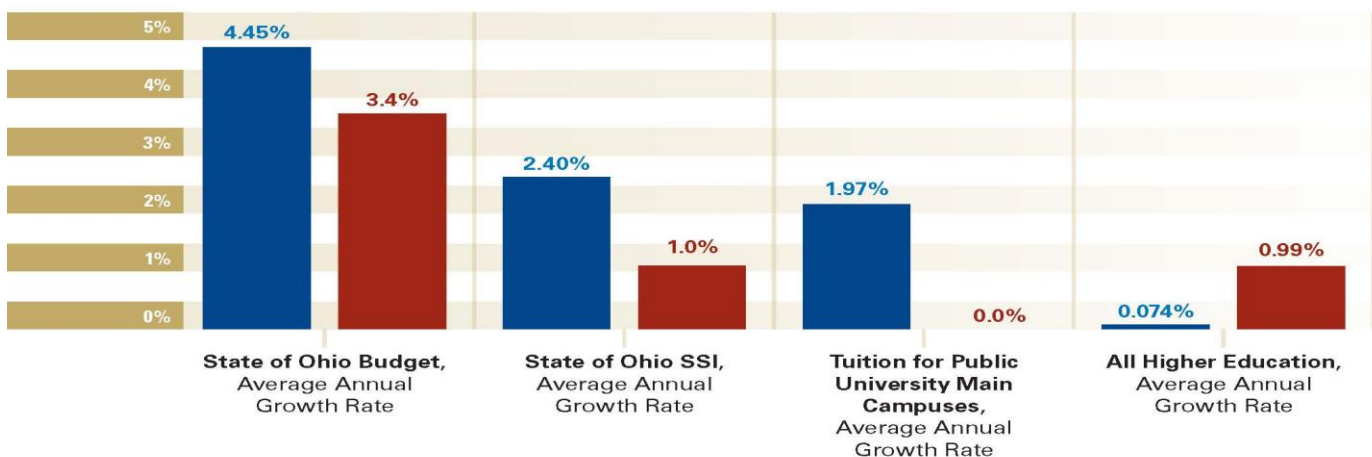
state’s public universities in an untenable financial situation. As a result, academic programming is likely to be affected, effective student services are likely to be cut, and public university employees are likely to be laid off.

### **Tuition Flexibility for Undergraduate Tuition Guarantee Program**

The IUC appreciates the House’s initiative to provide additional tuition flexibility under the Undergraduate Tuition Guarantee Program by removing the limit on the one-time tuition increase permitted under the program. This program is groundbreaking in that it permits public universities to freeze general and instructional fees for four years. It locks in a student’s price, guarantees that price for four years, and sets the standard for students and parents by taking the guesswork out of budgeting for college. The program is a cohort based, level-rate general and instructional fee model that assures students and their families a set of comprehensive rates for the pursuit of an undergraduate degree at any public university that chooses to develop and submit a plan to the chancellor of higher education for approval. Currently, both Ohio University and Miami University offer guarantee plans that include tuition, housing, dining, and other additional fee rates established at enrollment that remain unchanged for twelve consecutive semesters.

## **Average Annual Growth Rates**

2007–2017 (Actual) and 2018–2019 (Proposed)



■ 2007–2017 (Actual) ■ 2018–2019 (Proposed)

Source: State of Ohio Biennial Budgets, 2007–2019

Finally, contrary to popular belief, tuition is not spiraling out of control. Over the last ten years, tuition for public university main campuses has grown at an annual average rate of 1.97%. In the proposed budget, that growth rate is zero. When compared to the average annual growth rate of the state budget over the last ten years, which was 4.45%, tuition is very much in control.

According to the ODHE, the five-year percentage change in inflation-adjusted in-state tuition and fees was 2%, while the national average was 12%. That number does not consider the fact we have completed two years of flat tuition. Even when “caps” higher than zero were permitted under the law, not all institutions increased fees

to the maximum permitted by the cap. Ohio's public universities have demonstrated restraint in the past and will do so in the future.

I hope this information helps dispel the myth that Ohio's tuition costs are out of control. Further, I would suggest to you that these numbers demonstrate that there is room for the Legislature to grant institutions of higher education some flexibility on tuition, at least to the rate of inflation, especially in light of the flat funding proposed for the state share of instruction in House Bill 49.

### **Mandate Relief**

Over the last seven years, in the continual quest for cost-savings and ever-increasing efficiencies, state institutions of higher education have been challenged by a host of administrative requirements and mandates in state law, executive orders, and "recommendations" in various reports. Many of those challenges have been redundant and duplicative. Ironically, many of these "new" requirements also have increased administrative responsibilities and workload and, perversely, increased institutional operating costs. Ohio's public universities appreciate the intent behind and recognize the value of some of these mandates and requirements. We have been responsive. Taken in their uncoordinated entirety, however, the burden has become substantial, to say the least. If the mandates continue unabated, imposed without any kind of strategic consideration by the state, we will be hard pressed to continue operating with the high degree of efficiency and effectiveness we currently do.

In an August 2016 letter to Ohio State University President Michael Drake, then Senate President Faber wrote that all 37 of Ohio's public college and universities responded positively to the 2015 challenge to reduce student costs by five percent, and in many cases, exceeded the challenge with total savings in the 10-12% range. He also stated that our answer to the challenge was a significant step forward in addressing a plea for help from Ohio families and our current and future students. While we continue to strive for even greater efficiency and affordability, it is clear we are meeting our challenges and obligations not only to graduate more students, but also to be more affordable.

Am. Sub. H.B. 64 of the 131<sup>st</sup> General Assembly required the chancellor to maintain an Efficiency Advisory Committee, composed of members from each of Ohio's public institutions of higher education. In the 2016 Efficiency Advisory Committee Report, the chancellor stated that the total estimated cost savings or avoidance reported for FY16 alone was almost \$250 million. In recognition of our progress he said, "I am proud of the work our colleges and universities have done thus far to fulfill this vision." The report documents that the aggregated amount invested by state institutions to reduce the total cost of attendance – which includes tuition, fees, room, board, books, and materials – was over \$25.5 million. Institutions invested \$55.8 million for student financial aid, and over \$8.5 million for student success services related to completion and time to degree. So not only are we meeting the challenge to be more efficient, but we are providing students with a significant financial benefit as a result.

Governor Kasich also has challenged public higher education to become more efficient and affordable. On February 10, 2015, Governor Kasich signed Executive Order 2015-01K establishing the Ohio Task Force on Affordability and Efficiency in Higher Education. Consisting of private business leaders from around the state, legislators, and higher education professionals, its purpose was to review and recommend ways in which public institutions of higher education could be more efficient, offering an education of equal or higher quality while at the same time decreasing their costs. The challenge was for institutions to become more efficient and productive in the use of their assets, personnel, and resources.



The Task Force issued a report On October 1, 2015 with a host of recommendations on how our state institutions of higher education could operate more productively. Each institution was required to submit a plan by August 1, 2016 to the chancellor explaining how it would implement those “recommendations.” That was done and now all public universities and community colleges are making progress in implementing the Governor’s recommendations according to their plans to become more productive and efficient, and more importantly, how best to pass along those savings to students. Once again, the Governor issued a challenge, supported by the General Assembly, to respond to the recommendations of the Task Force. We have done so by submitting individual institutional plans.

Looking back on these challenges and accomplishments, I think it would be very difficult for anyone to argue that Ohio’s public institutions of higher education have shirked their responsibility and not been responsive. As Governor Voinovich used to say, we are doing more with less, and in this case, much more with much less.

However, at some point, we will experience the proverbial straw that breaks the camel’s back, which is why we are seeking mandate relief in this budget – a budget that imposes more than its fair share of new mandates and requirements on state institutions of higher education. For public universities, mandate relief is about lowering administrative costs. It is about allowing the institution to do its job as best it can and allowing decisions to be made at the local level, by a board of trustees entrusted by the state with a fiduciary responsibility to Ohio taxpayers and appointed by the Governor. Simply put, mandate relief is about flexibility and trust.

Earlier this year, Senate President Obhof issued a press release where he stated, “Ohio has made important progress in recent years, as we have cut taxes, eliminated unnecessary red tape and regulation and made significant improvements to our civil and commercial laws.” It is significant and encouraging that he tied progress to eliminating unnecessary red tape and regulation. And again on March 14, in a press release on the passage of Senate Bill 10, he said, “Senate Bill 10 will remove an unnecessary and expensive mandate from our local boards of elections. This commonsense change will save hundreds of man hours and hundreds of thousands of taxpayers’ dollars.” Clearly, the Senate President understands the value and importance of mandate relief.

For the very same reasons he cites, the IUC is seeking relief from all new mandates and requirements put upon state institutions of higher education in this budget

### **Other Issues**

1. *Textbook Cost Study*. The House removed the textbook purchase mandate provision and replaced it with a requirement that a state institution of higher education annually report to the state’s Efficiency Advisory Committee on its efforts to reduce textbook costs and conduct a study to determine the current cost of textbooks and submit that study to the chancellor. This change recognizes the administrative burden and cost-prohibitive nature of the executive proposal. The IUC supports this change.
2. *Western Governors’ University*. The House substantively changed this section from the “as introduced” version of the bill to permit the chancellor to recognize or endorse all state and private institutions of higher education, along with Western Governors’ University, as eligible to develop competency-based education programs. The IUC supports this change.
3. *Ohio College Opportunity Grant (OCOG)*. The House reduced overall funding in the traditional OCOG line item from the “as introduced” version of the bill by \$2 million in FY18 and \$3 million in FY19.

The total appropriation across the biennium is now \$197 million, essentially flat-funding the program at the current level. The IUC supports restoration of recession-era funding for OCOG. In addition, the House created a short-term certificate program that qualifies for assistance students who are enrolled in a program at any state institution of higher education that may be completed in less than one year and for which a certificate or industry-recognized credential is awarded in an in-demand job. The House appropriated \$5 million for this program. The IUC supports workforce development programs but believes that OCOG funding should be kept whole and that the \$5 million reduction across the biennium, which apparently pays for this new certificate program, should be reallocated to the traditional OCOG program.

## Ohio Student Need-Based Financial Aid Funding History

FY2008-FY2017

**Total State General Revenue Funds Allocated for Need-Based Financial Aid Programs:  
Ohio Instructional Grants and Ohio College Opportunity Grants**



4. *Clinical Teaching.* The House reduced funding for all clinical teaching programs by 10%, or approximately \$4 million. It also consolidated all of the clinical teaching and other medical related line items into a single line for FY19. Clinical training is a fundamental component in the education of physicians and other health care professionals. Areas of subsidized training include medicine, nursing, pharmacy, physical and occupational therapy, and medical technologies. These are some of the fastest growing “in demand” fields in Ohio. A significant majority of the students receive some clinical experience each year. The IUC supports restoration of funding for the clinical teaching lines and the unbundling of those programs back into their separate lines, essentially returning to the “as introduced” version of the bill.

5. *Bachelor's Degrees at Community Colleges.* The bill as introduced required the chancellor to establish a program under which a community college may apply to the chancellor for authorization to offer applied bachelor's degree programs. The parameters were broad and applied degrees were not defined. The House amended this section to provide a definition of applied bachelor's degree as a bachelor's degree that is specifically designed for individuals who have an associate of applied science degree and is based on curriculum that incorporates both theoretical and applied knowledge and skills in a specific field. The House also removed the 30-mile radius provision, permitting the chancellor to approve only programs that are not offered by any state university or private college, regardless of where the program will be offered. The IUC supports these two changes. However, the House also added a provision creating a second pathway for program approval, under which the chancellor may approve a program that does not meet the bill's prescribed conditions if the program clearly demonstrates a unique approach, as determined by the chancellor, to benefit the state and its higher education system. The IUC believes that authority is overly broad and negates the purpose of establishing any conditions in the first place. It should be removed. The IUC also requests that the efficacy study language, included in the initial iteration of this proposal that was part of the last budget bill and agreed to by all parties, be added to House Bill 49.
6. *3+1 Agreement Model.* The House did not change the executive proposal requiring the chancellor to develop a model for "3+1" baccalaureate degree programs for state universities and state community colleges. The IUC believes that this requirement is unnecessary because of the strong support for and popularity of the more traditional 2+2 programs and because of the potential enactment of the provision permitting community colleges to offer bachelor's degrees at their institutions. The IUC prefers that this new requirement be removed from the bill.
7. *College Credit for Comparable Courses.* The House added a new provision prohibiting state institutions of higher education from refusing to accept college credit earned in Ohio in the past five years as a substitute for comparable coursework. The IUC believes that the state already has a robust transfer and articulation policy, and that this language is confusing and unnecessary. We believe that improved transfer student mobility will help achieve the goals of increasing student satisfaction, degree completion, and the efficient use of tax dollars. To advance these goals, existing state policy includes provisions to maximize the acceptance and application of credit for college-level prior learning and equitably treat students who transfer and articulate that learning for credit. The IUC does not believe the language in this section as passed by the House is necessary. If it remains in the bill, it should be amended to reflect existing state transfer and articulation policy.
8. *College Credit Plus Textbook Cost-Sharing.* The House passed version of the bill removes the requirement that a school district pay for the cost of a participating student's textbook. It modifies the executive proposal to remove the \$10 per credit hour reimbursement option and replaces that with an option that specifies the secondary school pays the college 50% of the cost of required textbooks for each participant. While 50% may be better than \$10 per credit hour, the IUC still opposes this provision on principle. Under current law, the state institution of higher education already is 100% responsible for paying the cost of any fee related to the course the college credit plus student is taking. That is not unreasonable. What is not reasonable is to be required to bear the additional cost of purchasing textbooks for these students on top of the fee costs for which public universities already are responsible.

State institutions of higher education should not be forced into the book-buying business, which not so long ago they were encouraged to get out of for efficiency reasons. The administrative burden associated with that business will be costly and a distraction from the institution's core mission. The IUC supports removal of this requirement from the bill and a return to current law.

9. College Credit Plus Assessment Fees. The House passed version of the bill adds a new provision requiring the college to which a potential college credit plus student applies to participate in the program to pay for one assessment, the ACT or SAT, for example, to determine the student's eligibility to participate. The IUC appreciates the House's effort to negate an Ohio Department of Higher Education rule interpretation that would have institutions of higher education paying for unlimited assessments, but it still opposes paying for even one assessment. Our opposition is based on the fact that the student taking the assessment has not yet been approved to participate in college credit plus. It is the state's policy that a college credit plus student should bear no cost as a participant in the program. Whether or not that is the right policy is debatable, but logically, this policy cannot apply to students who are not yet determined to be college credit plus eligible and, therefore, have not yet been admitted to the college. In other words, if they are not college credit plus students, then they can and should be responsible for certain costs. In addition, the state of Ohio enacted a policy requiring schools to administer the state-funded ACT or SAT to all grade 11 students, who entered grade 9 after July 1, 2014. The state of Ohio will pay for the ACT **or** SAT one time for all eligible high school juniors during the state administration of the exam in the spring of their junior year. The district or student will pay for the cost of additional administrations of the exam (prior to or after the state-sponsored administration). The state is already picking up the cost. It is duplicative and unnecessary for state institutions of higher education to do so again. The IUC believes current state policy is sufficient.

Mr. Chairman and members of the Subcommittee, I will conclude my testimony by saying that the greatest strength of Ohio's higher education system is its ability to be innovative and creative in the delivery of a high quality education. Our research expertise and the many educational options available to students buttress this strength. There are low cost options, access institutions, private and public institutions, and even high-cost options. Students have choices and choices are good. Ohio's public universities work hard to provide a quality education at an affordable cost, to provide students a variety of services they want and pay for, and to help them attain their educational goals. This budget does not do as much as it could for higher education in Ohio. In fact, the mandates, cost constraints, and other requirements imposed by House Bill 49 will limit those choices and services. They will limit our ability to be innovative and to stand up world-class, high quality curricula and research programs. They will discourage rather than encourage students from attending our public universities.

If the goal is to close the attainment gap and to attract the best and brightest students from around Ohio, the country, and even the world, then under this proposed budget, we may fail. Failure is not an option, however. We must do more and we must do better. Higher education continues to be one of the soundest investments we can make in Ohio's future. Postsecondary, college-level learning is the key to economic opportunity and prosperity for individuals and for the state. Ohio's public four-year universities play a pivotal role in building the state's innovation capacity and strengthening our ability to compete globally for investment, talent and jobs. If that is to remain the case, then we need your help to make this a better budget.

Thank you Mr. Chairman. I am happy to answer any questions.