



## Tax & Budget

### Testimony on HB 166 before the Senate Finance Committee

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Good morning, Chairman Dolan, Vice Chairman Burke, Ranking Member Sykes and members of the Committee. My name is Victoria Jackson and I am a researcher with Policy Matters Ohio, a nonprofit, nonpartisan organization with the mission of creating a more vibrant, equitable, sustainable and inclusive Ohio. Thank you for the opportunity to submit testimony. I am writing today to ask the committee to invest more in Ohio's public colleges and in low-income students.

Higher education can help build a strong middle class by giving people the skills they need to secure good jobs. It can prepare students for the economy of the future so they can give back to their communities. Ohio has world class network of public colleges and universities. However, Ohio's public colleges have high tuition and the state provides too little need-based financial aid. Ohio's network of public colleges are ranked 45th least affordable for families of low and modest income.<sup>1</sup> and Ohioans owe \$57 billion in student debt,<sup>2</sup> one of the highest per capita rates in the nation.<sup>3</sup> Policymakers set a college attainment goal of 65 percent by 2025. Only 44.6 percent of adults age 25-64 have a certificate or higher. Reaching this goal will require significant investment. Current funding levels and need-based aid policies are not enough to get us there.

#### State Share of Instruction

Ohio won't meet its college attainment goal without substantially increasing investment in higher education. But the investment trend is headed in the wrong direction. According to the Center on Budget and Policy Priorities, the state's per-pupil spending was 18.1 percent lower in 2018 than in 2008, adjusted for inflation, a bigger decline in higher education investment than 23 other states.<sup>4</sup> The high cost of Ohio's public colleges and universities will not come down unless the state restores its share of the cost of classroom instruction. The Senate Substitute Bill only increases SSI by 2.1 percent and 1 percent for fiscal years 2020 and 2021 for Ohio's 14 public universities, 24 regional branch campuses, and 23 community colleges. Over the next two budget years, SSI would increase 2.63 percent over the last two year budget, far less than the projected inflation of 4.2 percent. Adjusted for inflation, funding in FY 2021 would be less than FY 2006.<sup>5</sup> SSI should be increased 5 percent each fiscal year so colleges can keep tuition cost steady without sacrificing quality. Additionally, SSI should be indexed to inflation to ensure the quality of Ohio's higher education system does not decline over time.

#### Increase college affordability by expanding the Ohio College Opportunity Grant

We are pleased to see The Senate Substitute Bill for HB 166 increases OCOG by 21.2 percent for fiscal year 2020 and 21.2 percent for 2021, which would bring OCOG to \$148.2 million by the end of the biennium. The governor's proposal included \$3 million a year to OCOG for textbooks and instructional materials for students at community colleges and

<sup>1</sup> Institute for Research on Higher Education. (2016). College Affordability Diagnosis: Ohio. Philadelphia, PA: Institute for Research on Higher Education, Graduate School of Education, University of Pennsylvania. <https://bit.ly/2IOG3rT>

<sup>2</sup> "50 State Snapshot of Student Debt: A Nationwide Look at Complaints about Student Loans" (Consumer Financial Protection Bureau, October 2017), <https://bit.ly/2yeeUe6>

<sup>3</sup> Zack Friedman, "Student Loan Debt Statistics In 2018: A \$1.5 Trillion Crisis," Forbes, accessed September 18, 2018, <https://bit.ly/2PB50Js>

<sup>4</sup> Mitchell, Michael; Leachman, Michael; Masterdon, Kathleen and Waxman, Samantha, "Unkept Promises: State Cuts to Higher Education Threaten Access and Equity,"

Center on Budget and Policy Priorities, October 4, 2018 at <https://bit.ly/2DZfTny>

<sup>5</sup> "Table 2: State-Source GRF, LGF, PLF, LPEF Expenditures,\* FY 1975 - FY 2021 (Dollars in Millions)" (Ohio Legislative Service Commission, May 9, 2019), <https://www.lsc.ohio.gov/documents/reference/current/historicalexpendedrevenue/table2.pdf>.

regional campuses.<sup>6</sup> The Senate proposal does not include this important funding. This funding should be moved back to OCOG to strengthen the grant by helping low-income students pay for the actual cost of attending college. The increases in OCOG are important steps in the right direction, but they are not enough to bring OCOG back to pre-recession levels. In 2021, funding for OCOG would be \$74.8 million less than in 2008, not considering inflation.

### OCOG’s flawed policies create inequities

Generally, OCOG is for Ohio residents who attend an Ohio college. To be eligible, a student must have an Expected Family Contribution of \$2,190 or less, as determined by the Free Application for Federal Student Aid (FAFSA).<sup>7</sup> Maximum OCOG awards are based on a student’s type of school and enrollment status (see Table 1).

Table 1				
OCOG awards 2018-19 by institutional sector and enrollment status				
Institution type	Full time	¾ Time	½ Time	¼ Time
Public colleges				
Community College	\$0	\$0	\$0	\$0
Regional campus	\$0	\$0	\$0	\$0
Central State University	\$252	\$189	\$126	\$63
All other public main campuses	\$1,500	\$1,125	\$750	\$375
Private colleges				
Allegheny Wesleyan	\$704	\$528	\$352	\$176
God’s Bible College	\$1,044	\$783	\$522	\$261
Grace College and Seminary	\$1,896	\$1,422	\$948	\$474
Trinity School of Nursing	\$2,664	\$1,998	\$1,332	\$666
Western Governor’s University	\$576	\$432	\$288	\$144
All other private, non-profit	\$3,000	\$2,250	\$1,500	\$750
For-profit colleges				
For-profit college	\$1,112	\$834	\$556	\$278
Pennsylvania colleges				
Eligible Pennsylvania colleges	\$600 or \$800	\$300 or \$400	\$300 or \$400	\$0

Source: Policy Matters Ohio based on Ohio Department of Higher Education

As shown in Table 1, community and regional campus students do not receive OCOG grants even if they qualify financially. Although Central State is a public university, the maximum grant available for Central students is only \$252 - \$1,248 less than all other public main campus university students. Because these institutions have lower tuition rates than other public institutions their students receive less OCOG. Ohio’s flawed OCOG policy creates this discrepancy. OCOG is a “last-dollar” grant for tuition and general fees only. This means other aid, like Pell Grants, must be applied to tuition and fees before OCOG awards are determined. The state of Ohio defines cost of attendance as tuition and general fees only, but colleges and the federal government define costs of attendance as tuition, books, transportation, and basic living expenses such as housing, food, toiletries, and other education expenses.<sup>8</sup> Ohio policy should account for the actual cost of college attendance. OCOG awards are determined by a formula: (average tuition and general fees

<sup>6</sup> Ohio Legislative Service Commission HB 166 Main Operating In Senate Finance <https://www.lsc.ohio.gov/documents/budget/133/MainOperating/S1/CompareDoc/BOR.pdf>

<sup>7</sup> Ohio Department of Higher Education, “Ohio College Opportunity Grant (OCOG),” accessed May 7, 2019, <http://bit.ly/30aCzIz>

<sup>8</sup> Information for Financial Aid Professionals, “Cost of Attendance (Budget)” (U.S. Department of Education, 2015-2016) <http://bit.ly/2JC9gJl>

charged by an institutional sector) – (the Pell grant maximum for the academic year)<sup>9</sup> = fixed number, which is capped at the appropriate maximum award. Awards can vary by college.

As a direct result of this policy, an estimated 92,000 otherwise eligible community college students and an estimated 22,000 regional campus students are excluded from OCOG. These students are denied a maximum grant award of \$1,500 per academic year. In a positive step, policymakers allow former foster youth, veterans, and some students who attend school year-round to receive OCOG. Even with the exemptions, only 374 community college students receive OCOG.

While community and regional campus students are denied OCOG and Central State students are shortchanged, students attending notoriously poor performing and predatory for-profit schools receive maximum awards of \$1,112.<sup>10</sup> Also, students attending private religious colleges have higher OCOG awards. For the 2017-18 academic year, there were almost as many OCOG recipients attending school in Pennsylvania as there were attending community college in Ohio, 324 and 374 respectively.<sup>11</sup>

### **OCOG policies result in racial disparities**

In general, too many students attend institutions ineligible for full state need-based aid. Regardless of the intent of OCOG policy, the outcome is a greater share of black and Latino<sup>12</sup> students are excluded from full OCOG awards than white students. Of Ohio resident undergraduates, 60.7 percent of black students and 51.6 percent of Latino students attending public institutions are at colleges not eligible for OCOG or for significantly less OCOG compared to 47.8 percent of white students.<sup>13</sup> This is concerning because of college costs are a bigger burden on black and Latino families.<sup>14</sup> Past and present policies and lending practices keep African-American families from building wealth. Structural racism in employment leads to higher unemployment and lower median wages for people of color.<sup>15</sup> In Ohio, the median hourly wage for black workers is just \$13.96 compared to \$18.75 for white workers – this equates to more than \$9,000 with full-time, year-round work.<sup>16</sup>

### **Many college students struggle to afford the basics**

Allowing students to use OCOG for living expenses is important because many student experience food and housing insecurity. A Wisconsin Hope Lab survey of 43,000 students at 66 four-year colleges and community colleges, including Ohio University, found that 42 percent of community college students and 36 percent of university students regularly struggled to afford safe and nutritious food. A previous survey with a larger sample size of community college students found 56 percent were food insecure. These rates are significantly higher than the food insecurity rate off campus, which is 12.3 percent nationally and 13.7 percent in Ohio.<sup>17</sup> The report also showed that 36 percent of university students and 46 percent of community college students have a difficult time paying their rent or utility bills; or have to move frequently. Nine percent of university students and 12 percent of community college students were homeless, according to the survey.<sup>18</sup>

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<sup>9</sup> The Pell Grant maximum for 2018-2019 was \$6,095. <http://bit.ly/2JwJSnW>

<sup>10</sup> Hannah Halbert, “Risky Business: For-Profit Education in Ohio” (Policy Matters Ohio, May 25, 2017), <http://bit.ly/30aANan>

<sup>11</sup> “Summary of Program Expenditures by Institution State Financial Aid 2017-2018 Academic Year, Fiscal Year 2018” (Ohio Department of Higher Education) <https://bit.ly/2vMVn2D>

<sup>12</sup> The Census category “Hispanic” refers to people with ancestral roots in Spanish-speaking countries. Latino refers to people with ancestral roots in Latin America, which can be slightly different (Spain is Spanish speaking but Spanish people are not Latino, Brazilians speak Portuguese but are Latino). Many activists now use Latinx because Latino refers to men and Latina refers to women while Latinx captures all gender identities. We use Latino here because it is more widely understood.

<sup>13</sup> National Center for Education Statistics Integrated Postsecondary Education Data System

<sup>14</sup> Michael Mitchell et al., “Unkept Promises: State Cuts to Higher Education Threaten Access and Equity” (Center on Budget and Policy Priorities, October 1, 2018), <https://bit.ly/2DZfTny>

<sup>15</sup> Lincoln Quillian et al., “Hiring Discrimination Against Black Americans Hasn’t Declined in 25 Years,” Harvard Business Review, October 11, 2017, <http://bit.ly/2Vf2qLF>

<sup>16</sup> Amy Hanauer and Grace Chu, “State of Working Ohio, 2018: Inequality amid Job Growth” (Policy Matters Ohio, September 2, 2018), <https://bit.ly/2CPlk7g>

<sup>17</sup> Alisha Coleman-Jensen et al., “Household Food Security in the United States in 2017” (United States Department of Agriculture), accessed October 9, 2018, <https://www.ers.usda.gov/publications/pub-details/?pubid=90022>.

<sup>18</sup> Sara Goldrick-Rab et al., “Still Hungry and Homeless in College” (Wisconsin Hope Lab, April 2018), <https://hope4college.com/wp-content/uploads/2018/09/Wisconsin-HOPE-Lab-Still-Hungry-and-Homeless.pdf>.

Students in Ohio are experiencing hunger and colleges are responding. The majority of Ohio’s 61 public college have food pantries. Some of these pantries also provide other necessities like hygiene products, winter clothes, and household necessities like toilet paper. The establishment of pantries on campus is an indication that students need help with living expenses. Most Ohio college students balance a job on top of their academic demands (see Table 2).

Table 2					
Hours worked per week by Ohio resident students 2016					
Institution Type	0 hours	1-20 hours	21-30 hours	31-40 hours	>40 hours
Public University	17.9%	32.1%	18.0%	23.7%	8.3%
Community College	17.4%	20.3%	13.4%	38.5%	10.4%
All institutions	18.0%	26.2%	15.7%	31.0%	9.2%

Source: Policy Matters Ohio based on U.S. Department of Education, National Center for Education Statistics, 2015-16 National Postsecondary Student Aid Study

Working more than 20 hours per week harms academic performance and reduces a student’s likelihood of graduating.<sup>19</sup> Also, hunger is higher among students who work longer hours.<sup>20</sup> If students can use OCOG to pay for living expenses they will better be able to focus on the task at hand: getting an education.

### Community College Accelerate Program

In the Governor’s budget and the Budget passed by the House there are provisions to increase coordination between the Ohio Department of Higher Education (ODHE) and the Ohio Department of Job and Family Services (ODJFS). Both propose starting a Community College Accelerate Program to enhance the financial, academic, and personal support services to students in need support from local social service agencies.<sup>21</sup> This program would be modeled after the very successful City University of New York Accelerated Study in Associate Program (CUNY ASAP). This would ensure eligible student have access to wraparound services, likes transportation, books, childcare, that improve college retention and completion rates. The planned source of funding is the SNAP E&T dollars. The Senate substitute Bill does not include this provision. This is an important program that would help Ohioans graduate from community colleges.

## Recommendations

### Increase funding for Ohio’s public colleges and universities

Ohio’s insufficient support for higher education does not align with the state’s 65% attainment goal. High tuition deters students from pursuing a degree or credential. It makes it difficult for students attending public colleges in Ohio, especially low-income students to complete their degrees. The state can raise the revenue to invest in higher education by reversing tax cuts for the wealthiest and closing unproductive tax loopholes. At a minimum, state policymakers should consider funding higher education at an additional 5% per fiscal year and indexing SSI to inflation. Getting a post-secondary degree is not only good for students, the benefits spill out to our communities and across the state. Ohio’s budget should reflect this and make public colleges and universities a priority.

### Increase funding for and expand access to the Ohio College Opportunity Grant

The proposed additional \$47.3 million increase is a marked improvement but more is needed for OCOG to meet the needs of low-income students, whether attending a community college, historically black university or regional campus. Deep investment in OCOG and better policies can make the grant more effective. We recommend four changes to improve equity and make the program meet the needs of Ohio’s growing college population.

<sup>19</sup> Institute for Research on Higher Education. (2016). College Affordability Diagnosis: Ohio. Philadelphia, PA: Institute for Research on Higher Education, Graduate School of Education, University of Pennsylvania. <http://www2.gse.upenn.edu/irhe/affordability-diagnosis>

<sup>20</sup> Sara Goldrick-Rab et al., “Still Hungry and Homeless in College” (Wisconsin Hope Lab, April 2018), <https://hope4college.com/wp-content/uploads/2018/09/Wisconsin-HOPE-Lab-Still-Hungry-and-Homeless.pdf>.

<sup>21</sup> Edward M. Millane, “Redbook LBO Analysis of Executive Budget Proposal Department of Higher Education” (Ohio Legislative Service Commission, April 2019), <https://www.lsc.ohio.gov/documents/budget/133/MainOperating/redbook/BOR.PDF>.

### How to improve equity

1. **Change the state’s definition of “total state cost of attendance” to include all fees, books, housing, food, transportation, child care, and other education expenses.** The OCOG formula should mirror the federal definition of attendance instead of only considering tuition and general fees.
2. **Make OCOG a first-dollar grant to ensure all eligible Ohio students receive it.** Making OCOG first dollar means it will be applied to a student’s cost of attendance before all other aid such as Pell Grants or other scholarships. The cost to expand OCOG to community college students and increase the grant for Central State students is estimated at \$106 million a year.

### Investment needs

1. **Increase OCOG to the initially planned \$250 million per year and set an inflation adjustment so OCOG keeps pace with rising costs.** Invest an additional \$149.1 million a year in OCOG.
2. **Eliminate OCOG for for-profit institutions.** By providing OCOG to students at for-profit colleges, Ohio encourages people to attend them, even though for-profit institutions have poor outcomes and engage in predatory practices. In fiscal year 2018, the state sent \$3.4 million to for-profit colleges.<sup>22</sup> This money should be invested in the more effective public institutions, like community colleges and regional campuses.

### Maintain the provision creating the Community College Accelerate Program

Policymakers should maintain the House’s proposal to create the Community College Accelerate Program, which helps low-income community colleges student complete their certificates and degrees. Ohio would be able to leverage federal SNAP Employment and Training SNAP 50-50 funds, which cover 50 percent of SNAP E&T costs, to help pay for the program.<sup>23</sup>

Ohio built a world-class system of public colleges and universities, and created financial aid programs to help a previous generation attend. College has become increasingly essential for securing jobs that pay a family-sustaining wage and for making sure working people have the skills to succeed in today’s economy. It is essential that we help today’s young people afford college to build a better future for all of us.

Thank you for the opportunity to testify.

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<sup>22</sup> “Summary of Program Expenditures by Institution State Financial Aid 2017-2018 Academic Year, Fiscal Year 2018” (Ohio Department of Higher Education) <https://bit.ly/2vMVn2D>

<sup>23</sup> “What is SNAP E&T? | SNAP to Skills,” accessed June 11, 2019, <https://snaptoskills.fns.usda.gov/about-snap-skills/what-is-snap-et>.