



**Department of
Higher Education**

Mike DeWine, Governor
Randy Gardner, Chancellor

Ohio House Finance Subcommittee on Higher Education

Governor Mike DeWine's Executive Budget

Ohio Department of Higher Education

Randy Gardner, Chancellor

February 23, 2021

Chairman Cross, Ranking Member Howse, and members of the House Finance Subcommittee on Higher Education. I am honored to be in this hearing room – after many years of serving here – to present Governor Mike DeWine's budget for the Ohio Department of Higher Education for the next biennium.

After serving in the House of Representatives for 20 years and the Senate for another 13 years, and now two years as Chancellor, this is the 18th state budget I've been involved with. Like the first DeWine-Husted budget two years ago, this one is student focused, with an additional intentional emphasis on workforce preparation. And while I believe this is a strong budget, I want you to know that I respect that the budget will change during the legislative process – you will have questions and ideas. To every extent when we can find common ground, I want to personally work with you in the weeks and months ahead.

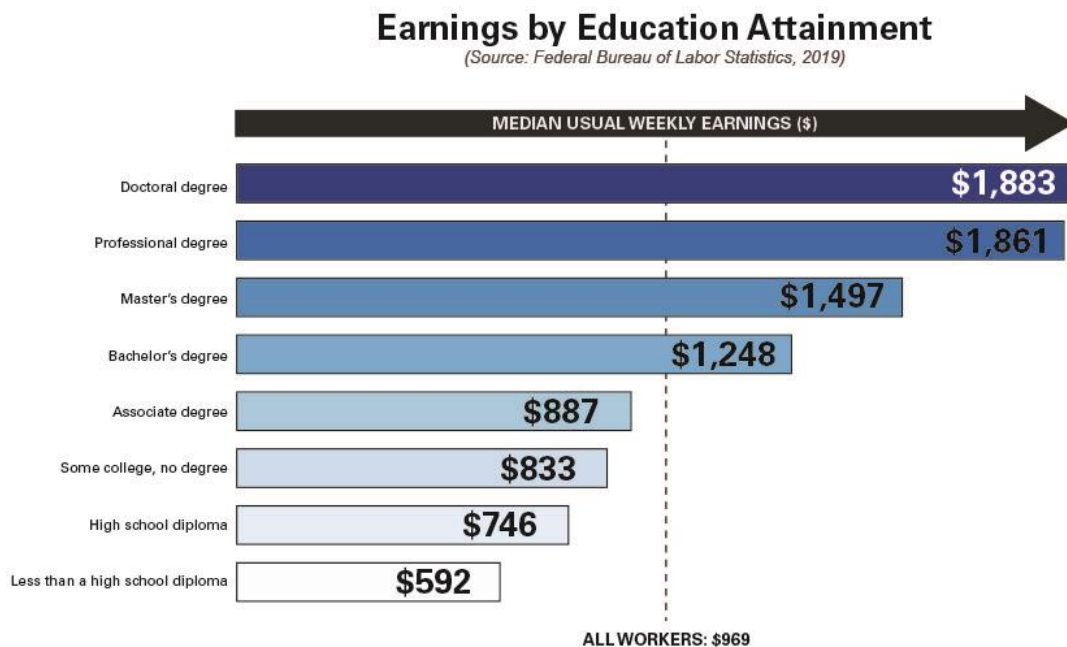
The Ohio Department of Higher Education (DHE) serves more than 635,000 students throughout the state at 14 four-year public universities, 24 public university regional campuses, 23 community colleges, 77 independent, not-for-profit colleges and universities, and more than 120 Ohio Technical Centers and Aspire (Ohio's basic literacy program for adult learners) program locations.

When it comes to postsecondary education attainment, Ohio must be an "all of the above" state. By that I mean we must provide education and training pathways that

simultaneously meet the needs and goals of students, families, and our state’s economic future. Perhaps more than any state in the nation, Ohio offers a **diversity of opportunity**, that includes our high school credit and credential programs, technical centers and adult career centers, our growing TechCred program, our community and technical colleges, and our four-year public and independent colleges and universities, some of which provide world-class research. My own family’s life experiences has instilled in me a belief in this diversity of opportunity. I have a son who received both his bachelor’s and master’s degree from an independent university, a daughter who earned her bachelor’s a master’s from a public university, my wife who is a community college graduate and a son who attended a community college for two years before finishing his business finance degree at a public university, where the community college foundation was a perfect match for his bachelor’s degree two years later.

THE VALUE OF POSTSECONDARY EDUCATION

Achieving postsecondary degrees and credentials is dramatically important today – more important than ever before for our nation, our state, and individuals who strive for a better future. This is evident based on quantifiable quality-of-life statistics as well as fundamental unemployment and wage rates. The chart below from the federal Bureau of Labor Statistics (BLS) is conclusive.



Bottom line: Increased education attainment most often leads to stronger employment opportunities and greater wage and income prospects.

The updated “education attainment unemployment gap” as published by the BLS has grown even wider during this challenged economy. Unemployment rates, as of December 2020, are as follows:

- Bachelor’s Degree and Higher: 3.8%
- Associate Degree and Some College: 6.3%
- High School: 7.8%
- Less Than a High School Diploma: 9.8%

The BLS, working in concert with the Census Bureau, tracks employment by educational attainment level. Actual data for the past decade illustrate the overwhelming advantage that those with a postsecondary credential have had in getting jobs. Employment of persons without a high school diploma declined over the last decade, while employment for high school graduates with no college experience increased only 1 percent. Employment of those with some college or an associate degree increased by 7 percent, while employment of those with a bachelor’s degree or above increased by over 32 percent.

U.S. Employment Levels by Educational Attainment, 2009-2019

EMPLOYMENT LEVEL	2009	2019	change	pct chg
Less than a High School Diploma, 25 yrs. & over	10,367,833	9,438,667	-929,167	-9.0%
High School Graduates, No College, 25 yrs. & over	34,493,667	34,836,500	342,833	1.0%
Some College or Associate Degree, 25 yrs. & over	33,892,500	36,281,833	2,389,333	7.0%
Bachelor’s degree and higher, 25 yrs. & over	43,536,500	57,655,417	14,118,917	32.4%
TOTAL	122,290,500	138,212,417	15,921,917	13.0%

Source: Bureau of Labor Statistics, Current Population Survey, Table A-4. Annual averages of monthly amounts.

As we look to the future, the percentage of jobs where postsecondary education is required or strongly preferred continues to rise. The Georgetown University Center on Education and the Workforce (CEW) predicted, back in 2013, that by 2020 there would be 63 percent of jobs that would require a postsecondary credential. In a soon-to-be-released report, the CEW will predict that by 2027, a full 70 percent of jobs will require postsecondary education.

As shown in the table below, employment projections by the BLS are that job growth over 2019-2029 for all educational attainment levels beyond the “some college, no degree” will be at least 1.5 times faster than the overall 3.7 percent increase.

Higher Education and Labor Demand

Table 5.2 Employment, wages, and projected change in employment by typical entry-level education (Employment in thousands)

Typical entry-level education	2019 Employment		Employment change, 2019-29 (percent)	Median annual wage, 2019 ⁽¹⁾
	Number	Percent distribution		
Total, all occupations	162,795.6	100.0	3.7	\$39,810
Doctoral or professional degree	4,412.8	2.7	5.9	\$107,660
Master's degree	2,633.9	1.6	15.0	\$76,180
Bachelor's degree	36,864.2	22.6	6.4	\$75,440
Associate's degree	3,601.6	2.2	6.2	\$54,940
Postsecondary nondegree award	10,093.2	6.2	5.6	\$39,940
Some college, no degree	4,085.0	2.5	-0.1	\$36,790
High school diploma or equivalent	62,410.0	38.3	1.5	\$37,930
No formal educational credential	38,694.8	23.8	3.3	\$25,700

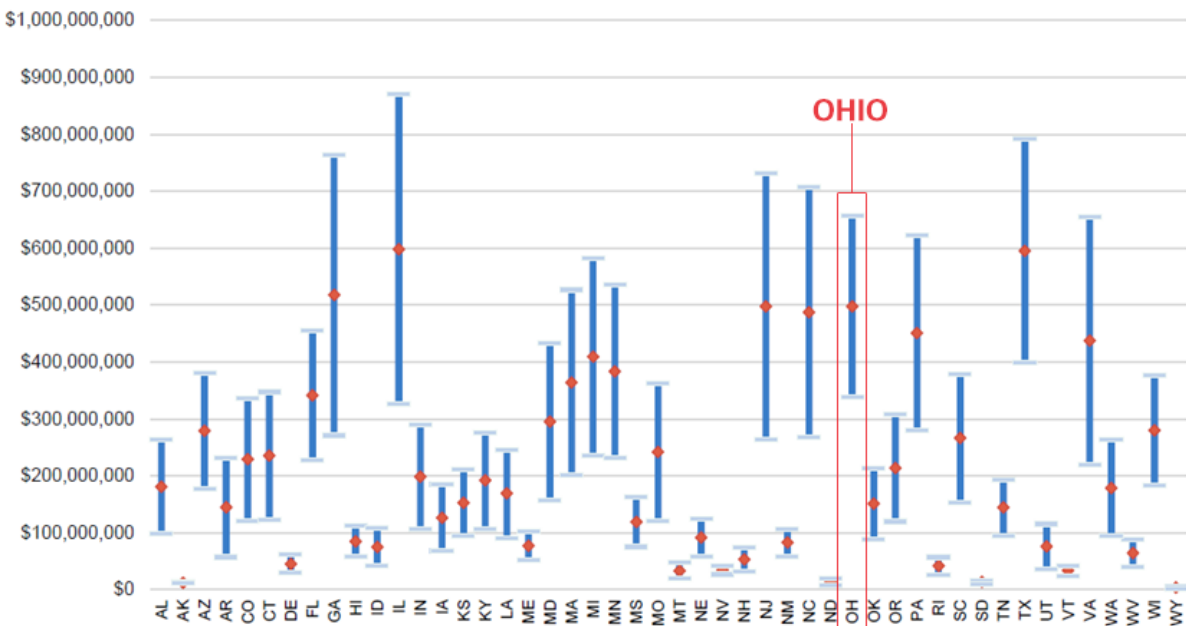
⁽¹⁾ Data are from the Occupational Employment Statistics program, U.S. Bureau of Labor Statistics. Wage data cover non-farm wage and salary workers and do not cover the self-employed, owners and partners in unincorporated firms, or household workers.
Source: Employment Projections program, U.S. Bureau of Labor Statistics

A recent report published on January 19, 2021 by Ithaca S+R, a national not-for-profit organization, estimates the fiscal benefits of higher education at the state level, from both increased tax revenues and reduced public assistance spending. The estimates are based on a hypothetical five-percentage-point increase in degree attainment. The lower bound reflects a conversion of those with only high school diplomas to associate degrees, equivalent to a five-percentage-point increase in the

share of residents with an associate degree. The upper bound reflects a conversion of those with high school diplomas to bachelor’s degrees, equivalent to a five-percentage-point increase in the share of residents with a bachelor’s degree. The midpoint (red dot) reflects a conversion of those with high school diplomas to both associate and bachelor’s degrees, equivalent to a five-percentage-point increase in the combined share and equally distributed across the two degree levels.

The midpoint estimate for Ohio is a net fiscal benefit of \$500 million per year, the 4th largest net benefit of all states included in the analysis.

Figure 10: State-by-state net benefit associated with a five-percentage point increase in attainment



GREATER INVESTMENT IN STUDENTS

Our budget, respecting the needs in so many other areas such as early childhood education, fighting the opioid crisis, investing in clean water, and other priorities, increases the **State Share of Instruction** by \$38 million (1.9% increase) over the biennium, and requires that those new funds be targeted to need-based financial aid, counseling and student support services, and workforce preparation. In addition, Ohio has the most assertive performance-based funding formula in the United States, with positive incentives toward degree and course completion. The result? The number of postsecondary degrees and certificates awarded at Ohio's colleges and universities has increased by 29,829 (37%) from fiscal year 2009 to fiscal year 2018, and the first-to-second-year retention rate of students at Ohio's colleges and universities has increased from 72 percent to 81 percent from fiscal year 2011 to fiscal year 2018.

This budget includes a notable adjustment to the community college SSI formula to incentive co-requisite instruction, rather than traditional developmental education. Co-requisite instruction is a model in which students who have been assessed as not yet ready for college work receive extra help while they take a college-level course instead of receiving a traditional, prerequisite remedial (developmental) course. Ohio's community colleges are committed to replacing developmental education and transitioning to co-requisite instruction, which is proven to deliver better learning outcomes, including greater student retention. This policy change will have a particularly positive impact on underrepresented student populations. We support this student-centered adjustment and look forward to working with our 23 two-year colleges to implement in the upcoming biennium.

I have been asked by committee members, what is higher education's share of the budget vs. other departments and programs? GRF spending for the Ohio Department of Higher Education is lower today than 12 years ago, not including an inflation factor. According to data compiled by the Legislative Service Commission, higher education is expected to account for 7.8% of total state and federal GRF expenditures in FY21; in FY09, higher education's share of total expenditures based on this same data source was 10.4%.

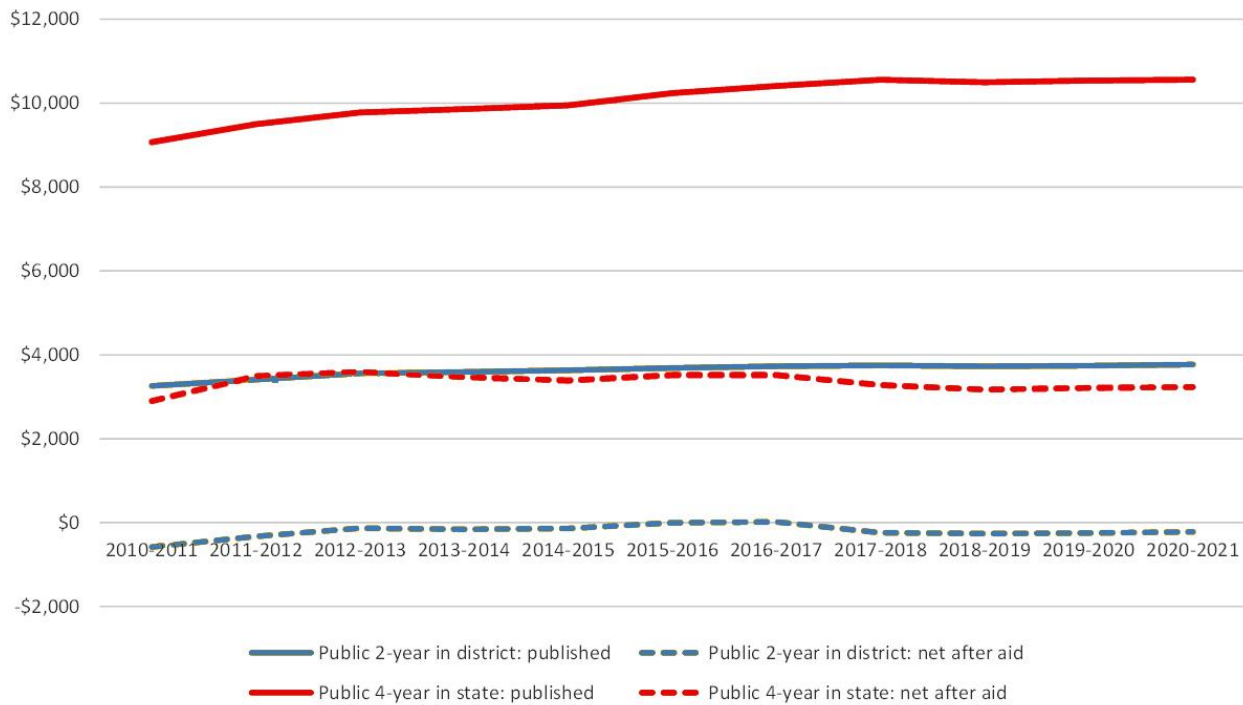
Need-Based Financial Aid: The new budget provides enough funding to increase the Ohio College Opportunity Grant by \$500 per student over the next two years. Combined with a similar increase in the first DeWine-Husted budget, eligible students will receive \$1,000 more per year by the 2022-23 school year – a 44% average increase in student aid under Governor DeWine’s governorship.

AFFORDABILITY REMAINS A PRIORITY

Even though Ohio has restrained tuition better than most other states in the nation since 2007, according to College Board data, tuition and fees and unpredictable college costs have remained an Ohio challenge. **No more.** Our budget two years ago required that by the fall of 2019, all incoming freshman students at four-year public undergraduate universities in Ohio would have their tuition and general fees frozen – **guaranteed** – so what they pay for their first year will be the same for the next three consecutive years following admission to the university. Ohio ensures that all 13 undergraduate universities are “guarantee institutions,” providing predictability and transparency for students, parents, and families into the future. In addition, more than 90% of all continuing students (in-state, undergraduate sophomores, juniors, and seniors) will have **no tuition increase in the fall of 2021 and beyond.** We have reviewed “guarantee” programs in other states, and we believe Ohio has the best guaranteed tuition strategy in the nation.

In addition to restraining growth in tuition better than most other states in recent years, financial aid provided directly to students by colleges and universities has increased, meaning that **the amount ultimately paid by students is significantly less than the published rates** – as displayed in the chart below derived from College Board data. This is one of the many reasons why we believe it is critical for students to complete the Free Application for Federal Student Aid (FAFSA). Completing the FAFSA is a critical step in exposing the full range of postsecondary opportunities available to students. FAFSA is not just to qualify for aid to traditional colleges but also for technical colleges, and for aid to pay for certificates and credentials. We are thankful to the Controlling Board for approving our request in December of 2020 to utilize a portion of the Governor’s Emergency Education Relief (GEER) Fund to strive to increase FAFSA completion across Ohio. This effort will be focused on those most significantly impacted by COVID-19 and have a particular emphasis on equity – reducing gaps for underrepresented populations.

Published and Net Tuition and Fees, Public Institutions, 2010-2020
 Amounts in constant (2020) dollars



Source: College Board, Trends in College Pricing 2020

The notable difference between published and net tuition and fees is similarly true of independent not-for-profit institutions, where the average net tuition and fee amount is \$15,990, significantly less than the average published rate of \$37,650, according to College Board data.

FAFSA POLICY SUMMARY:

The following memo I provided to Ohio education and community leadership last week summarizes new budget language establishing FAFSA completion as a high school graduation requirement and outlines our FAFSA 21 strategy plan, funding for which was previously approved by the Controlling Board. I thought it important to provide the Subcommittee with this correspondence.



TO: OHIO LEADERSHIP
Education and Community

FROM: RANDY GARDNER
Chancellor

RE: FAFSA and EDUCATION ATTAINMENT

The pandemic appears to be widening existing gaps in education attainment in our state and the nation. It is a problem that can negatively impact the lives of hundreds of thousands of Ohioans and threatens our state's economic future. We must do more to stop this trend -- reverse it -- and utilize the diversity of postsecondary opportunity to improve the lives of younger students and adults who want a better future.

First, the value of postsecondary education is unmistakable. Facts confirm those with a college degree or credential earn more in wages and are more likely to be employed than those without.

It is time for a targeted approach to raise wages, reduce unemployment, and strengthen Ohio's economy through enhanced education attainment and workforce preparation:

- **FAFSA Completion:** A year ago, only 64.3% of Ohio's high school seniors completed the Free Application for Federal Student Aid (FAFSA), which can qualify students for federal aid and some additional financial and merit-based aid at Ohio colleges, universities, technical centers, and other postsecondary institutions. While Ohio ranked 15th in the nation last year, we can do better. Even a 10% increase in FAFSA completions would yield 12,000 more students receiving federal grants totaling \$27.6 million annually. More aid will result in greater postsecondary access, higher education attainment and better employment and wage outcomes.
- **Ohio FAFSA 21:** FAFSA 21 is Ohio's strongest effort yet to support higher FAFSA completion rates. In December, the Ohio Controlling Board voted to accept the DeWine Administration's request to invest at least \$2.7 million in FAFSA completion strategies, with a particular focus on those impacted most significantly by COVID-19. We look forward to launching this comprehensive effort in the days ahead -- as soon as next week -- and working with you to implement strategies that include: 1) Grants to college access

organizations and community groups to encourage increased high school FAFSA completion; 2) Data management upgrades to track FAFSA completions; and 3) Funding to support awareness, professional development, counselor training, and other support initiatives.

- **FAFSA Graduation Standard:** Governor DeWine has requested in his proposed FY 22-23 budget bill to have Ohio join several other states to require that each student will have a FAFSA form completed and on file to qualify for graduation from high school. This action will dramatically raise awareness of the value of the FAFSA and qualify many thousands of additional students for financial aid. Parents or guardians may sign an exemption form in choosing to opt out of this requirement.

We cannot talk about the value of college degrees and credentials without doing even more to enable greater access to achieving education attainment. FAFSA 21 and the new graduation standard can make a significant difference.

Each of you has a significant role to play in partnering with us as we strive to elevate the value of postsecondary attainment and introduce all Ohioans to the full range of opportunities available to them. We will be sharing additional details in the very near future as we launch the initiative, and I look forward to working with you as we move forward together.

FAFSA Graduation Requirement:

(3) Provide evidence of having completed and submitted the free application for federal student aid, unless either of the following apply:

(a) The student's parent or guardian has submitted a written letter, in a manner prescribed by the department, to the district or school stating that the student will not complete and submit the free application for federal student aid.

(b) The district or school has made a record, in a manner prescribed by the department, describing circumstances that exist which make it impossible or impracticable for the student to complete the free application for federal student aid.

Late in 2019, Governor DeWine doubled down on Ohio's efforts to attract and keep young talent in Ohio. Without a mandate, new funding or a change in the law, he requested that all undergraduate public institutions provide in-state graduate

degree tuition rates for students who received their bachelor's degree at an Ohio college or university, no matter if they were originally Ohio residents when they began college. While this negatively impacts the bottom line at institutions in reduced tuition revenue, every university said yes to the governor's request. Why? Because university leaders agreed with the governor that keeping students in Ohio longer to earn their graduate degree gives us an even better chance to keep them in Ohio to be part of our economy.

In addition, we continue to strengthen and provide more flexibility in the **College Credit Plus (CCP)** program, which allows students to earn college credit while in high school, thereby reducing the time and cost to a college degree. College Credit Plus has resulted in an estimated **\$725 million** in tuition savings for students and families over the past five years, with 969 certificates and 2,666 associate degrees earned for free by CCP students in academic year 2019-2020 alone.

This budget proposes a key change to the CCP student eligibility criteria outlined in ORC 3365.03, adding the following to the list of options a student can satisfy to qualify for participation in the CCP program: Meet an alternative remediation-free eligibility option, as defined by the chancellor of higher education, in consultation with the superintendent of public instruction, in rules adopted under this section. We need to ensure that all students have equal access to take advantage of the many benefits associated with the CCP program, and the inclusion of this language will allow the Superintendent and I to work together with the goal of shrinking equity gaps among those who participate.

TechCred, a program designed to qualify workers for new jobs in the technology-infused economy, has already supported more than 15,000 new credentials and certificates. Most of Ohio's higher education institutions – 10 public universities, 21 community colleges, and 30 Ohio Technical Centers – have served as education providers for the TechCred program to date. While this program is not a line item in the Department of Higher Education's budget, we're involved as we certify that the approved credentials meet quality standards and meet the needs of Ohio's employers.

Re-Entry and Attainment

We must engage in a more vigorous conversation about how Ohio can remove barriers to attaining post-secondary credentials and degrees. Whether changes should be made in our state's transcript withholding rules and procedures is but one component for consideration. I intend to begin now, this week, to engage with higher education leaders on options before us to encourage those with some college to return to a college campus or technical center. There are approximately 1.5 million Ohioans with some college experience but no credential or degree. If we can find incentives to invite even 10% of these Ohioans back to class, we can make significant strides in increasing our attainment levels – raise our state's GDP, increase wages and salaries of Ohio workers and drive down our unemployment rate, all resulting in additional tax revenue and reduced pressure on social services.

Transcript Withholding

Sec. 3333.0417. (A) The chancellor of higher education may adopt rules regarding when a state institution of higher education, as defined in section 3345.011 of the Revised Code, may withhold official transcripts from a student, including when a student owes money to the institution.

(B) In adopting rules under division (A) of this section, the chancellor shall consider all of the following:

(1) Promoting the state's postsecondary education attainment goals;

(2) Workforce goals;

(3) Helping adult students complete their education, whether at the same institution or another state institution of higher education.

Workforce preparation includes supporting STEM (Science, Technology, Engineering, Mathematics) education through the **Choose Ohio First Scholarship program**. The budget proposes a significant increase in support for Choose Ohio First to \$28 million in FY23, allowing us to serve more students than ever before, with emphasis on first-generation and lower-income students. It is important to note that the Choose Ohio First program provides scholarships to public university, community college, and independent college students. As some of you know, this program was established under the vision and leadership of then-Speaker of the House Jon Husted. This is one of a number of state programs where our department is specifically asking our higher education partners for feedback regarding the status of the program. Are there reforms that can make Choose Ohio First even more effective? The answer is yes. We added computer science certificates a year ago and this budget provides an additional work-based learning requirement that will strengthen student connections with the workforce and a commitment from institutions to increase total graduates in STEM disciplines through their participation in the program.

Choose Ohio First Underrepresented Populations:

The chancellor shall determine which proposals will receive awards each fiscal year, and the amount of each award, on the basis of the merit of each proposal, which the chancellor, subject to approval by the controlling board, shall determine based on the extent to which a proposal recruits underrepresented populations in the fields of science, technology, engineering, and mathematics or science, technology, engineering, or mathematics education, along with one or more of the following criteria.

Ohio Technical Centers are an important asset in our efforts to grow the Ohio economy and prepare our workforce. Our budget two years ago achieved a meaningful increase in the technical center line item, and the new budget raises funding to \$20.8 million in FY23, a 26% increase over the past four years. OTCs provide postsecondary career and technical education at 54 sites across Ohio, in collaboration with secondary career centers, high schools, and joint vocational schools. OTCs are positioned to respond quickly to the needs of business and industry by providing customized training and business consultation services to companies to assist with meeting Ohio's workforce goals.

Not long ago, Ohio lost many of its high school graduates to other states and found fewer students coming to Ohio for college. Now, Ohio retains more students annually while attracting approximately 6,400 more recent high school graduates to Ohio than it loses to other states. This statistic speaks to both Ohio's affordability and quality. As this trend continues and expands, the Buckeye State will have the opportunity to retain more talent to bolster Ohio's economy.

The Ohio Department of Higher Education strives to operate efficiently. Since 2010, the number of employees at the department has declined by over 22%, from 81 employees to 63 today. The department will continue to administer its programs and provide needed services to our higher education constituencies in a cost-effective manner.

Mr. Chairman, members of the committee, it has been an honor to present the Ohio Department of Higher Education's budget, and I am glad to answer any questions you may have.