

**Testimony of Bruce McPheron, Provost  
The Ohio State University  
Ohio Senate Workforce and Higher Education Committee  
Substitute Senate Bill 135  
May 26, 2021**

Chairman Johnson, Vice Chair Cirino, Ranking Member Williams and members of the Ohio Senate Workforce and Higher Education Committee, I am Bruce McPheron, executive vice president and provost of The Ohio State University. I appreciate the opportunity to present interested party testimony to the committee on substitute SB 135.

I want to thank the bill sponsor for working with the higher education community on the substitute bill. We are thankful for the open-door policy and availability of Sen. Cirino and his staff as we discussed components of the legislation. The Ohio State University agrees with Sen. Cirino's aims to drive down student debt and to increase post-secondary attainment in Ohio.

Ohio needs to continue its "all of the above" strategy for post-secondary attainment and training: certificates, career technical education, associate degrees, bachelor's degrees, graduate degrees, and professional degrees, as well as military and employer-sponsored opportunities. For our state's economy to remain strong and to be competitive with the nation and the world, education and skill development are necessary for our traditional college-age population and adults who are upskilling.

In addition to communicating to you about Sub. SB 135, I want to take this opportunity to give you some brief updates about Ohio State University:

Ohio State University has one of the most comprehensive academic programs in the nation, with nearly 68,000 students in our Autumn 2020 class being taught through 15 colleges on six campuses – Columbus, Lima, Mansfield, Marion, Newark, and Wooster. On May 9<sup>th</sup>, we held Commencement in Ohio Stadium and awarded degrees and certificates to more than 12,000 graduates who are heading into the workforce, creating entrepreneurial start-ups, or seeking additional education through advanced or professional degree paths. The future is bright for our Buckeyes.

Affordability is a pressing issue for higher education, as noted by Sen. Cirino in his sponsor testimony for SB 135. Ohio State University has added more than \$200 million in need-based financial aid since 2015. One initiative I'd like to highlight is the Buckeye Opportunity Program, which began at the

Columbus campus in fall 2018 and expanded to regional campuses in spring 2019. This program ensures that Ohio undergraduate students who qualify for Pell Grants receive an aid package that covers the full cost of tuition and mandatory fees. The university provides institutional aid to close any gap that remains after Pell Grants, Ohio College Opportunity Grants and other aid. Across all classes and all campuses, the Buckeye Opportunity Program has covered the full cost of tuition and mandatory fees for approximately 7,700 Pell eligible students from Ohio.

In addition to the Buckeye Opportunity Program, we have developed a comprehensive set of programs and approaches to financial aid that allow Buckeyes to attend college and graduate without excessive debt.

We are continuing the President's Affordability Grant program established in 2015 to provide up to \$2,250 to approximately 15,000 low- and moderate-income Ohio students annually.

Ohio State University started its undergraduate tuition guarantee program in 2017. By locking in the cost of college at the time of enrollment, Ohio undergraduate students and their families now have certainty for tuition, general fees, and room and board for their four years on campus.

Through these and other affordability initiatives, we are reducing the number of students who borrow and the amount they borrow. The percentage of undergraduate students graduating with debt has declined from 55% of our student population five years ago to 47% in 2019-2020. Additionally, the average amount of debt for those who graduate with debt has decreased 3.6% over the last two years to \$27,133.

We will continue to work to increase affordability and drive down student debt. In the February 2021 state of the university address, President Kristina Johnson announced that by the end of the decade, we want all graduating seniors to have the opportunity to leave our campuses debt-free. By dedicating more financial aid, creating work-study opportunities, and combining our efforts with federal and state need-based aid programs, we can reduce the amount of student debt.

Affordability is crucially important, but so is student success – another focus area at Ohio State. We are pleased to report that student outcomes are improving. In 2020, our undergraduate four-year graduation rate climbed to 68.7%, and our six-year graduation rate was 87.0%. Both are record highs. Despite this progress, we will always have room to improve and we are doing more to help our students succeed.

Our “Complete Ohio State” program supports undergraduate students who return to the university to fulfill their degree requirements after spending time away. This program helps undergraduates who are no more than 30 credit hours away from degree completion and hold a 2.0 GPA or higher. Students are eligible to receive financial support, assistance with the re-enrollment process, and specialized advising so they can complete their degree.

Ohio State’s Second-year Transformational Experience Program (STEP) was developed as a continuation of the university’s effort to redefine the student experience. STEP is designed to focus on student success and development and allows students the opportunity to engage in activities that cater to their individual interests and needs. A central feature of STEP is giving participants the opportunity to engage with faculty outside of the classroom in one-on-one meetings as well as in group settings. During their time together, STEP Faculty Mentors help students explore unique, educational, and enriching experiences. Students are also exposed to developmental opportunities that assist in their professional and personal growth, including financial wellness programming. This not only assists with student retention but contributes to post-graduation success. For example, the four-year graduation rate for STEP participants is 10% points higher than students who did not participate.

Philanthropic giving will be a key component of President Johnson’s debt-free initiative, as it is with many of our scholarships and affordability programs. I’d like to take this opportunity to address the “donor intent” language in SB 135, as well as some of the issues raised in last week’s testimony regarding Ohio State’s usage of endowed funds.

Under the substitute bill, the donor intent language now applies to all charitable institutions in Ohio, not just public colleges and universities. From discussions our government affairs staff have had with Sen. Cirino and his staff, the intent of this language seems to be a broad policy whereby donor intent is met for all endowments, and donors have a clear understanding of how their gifts will be used. We strongly support those policy goals, which are already codified in existing law and reflected in Ohio State’s practices.

As written, however, the bill undermines a donor’s ability to fully control how his or her donation is used by giving the donor’s family members and professional administrators the right to reinterpret the donor’s intent after he or she has passed away. The bill presumes that a donor’s interest is necessarily the same as the interests of that person’s surviving family members and professional administrators, which is often not the case.

Additionally, the provision removes the Attorney General – an objective body that is in the business of regulatory oversight – as the exclusive authority to enforce a donor’s intent and replaces it with the donor’s surviving family members and professional administrators. These individuals, which could be numerous, may not even agree with one another on the donor’s true intent. This undermines donors’ agency and imposes a significant burden on Ohio’s charities, which will be forced to respond to the demands of each donor’s family members in perpetuity. Based on our experience with donors, we believe that many donors would not want their original intent to be reinterpreted by relatives once they have passed.

We acknowledge and appreciate that the substitute bill addresses the issue inadvertently created under the introduced version of SB 135 that could have jeopardized donors’ federal charitable tax deductions. Thank you for this change.

However, we respectfully suggest that the newly proposed revisions to Ohio’s Uniform Prudent Management of Institutional Funds Act statutes are unnecessary in that they undermine donors’ right to be the exclusive voice in how their donations are used, depart from the nationally accepted standard of having states’ attorneys general enforce donor intent, and will impose a drastic increase in administrative and litigation expenses for all of Ohio’s charitable institutions.

I’d also like to address last week’s testimony regarding Ohio State’s use of its endowed funds, and Michael Moritz’s gift specifically. The incredible generosity of Ohio State donors like Michael Moritz funds student scholarships, teaching and learning, groundbreaking research, and world class medical care. Our donors continue to support the university in record numbers and have committed \$500 million to date in fiscal year 2021. Their giving provides crucial financial support for the university’s core mission of education and research, and we are grateful for their ongoing engagement.

Ohio State manages all endowment funds in accordance with state law, which is consistent with the uniform endowment law that has been adopted by 49 states. The university does charge a modest 1% development fee against its endowed funds in order to support its fundraising operations, which are a critical component of the university’s overall funding. Without fundraising, the university would not be able to fulfill its land grant mission of education and research. Development fees are recognized in Ohio law as prudent and are a respected practice among universities and charitable institutions – in Ohio and nationally. Ohio State has been transparent about our development fee, which has been in place since 1994, and was first reviewed and approved

while Michael Moritz himself was a member of The OSU Foundation board of directors.

I know that you have been told that many funds are “underwater,” or are worth less than when they were originally donated, but this is untrue. According to a recent review, each of the university’s 5,868 gifted endowed funds, including all Michael Moritz’s funds, are worth more now than when the funds were gifted.

Those seeking details about our endowment and how it is administered can find details at [busfin.osu.edu/endowment-administration](https://busfin.osu.edu/endowment-administration). Information about our Long-Term Investment Pool can be viewed at [busfin.osu.edu/investments](https://busfin.osu.edu/investments). In addition, anyone can search our online portal at any time and find the current value of nearly any fund. We are committed to operating our advancement operation openly and transparently.

Last week you heard testimony from several individuals with regards to Michael Moritz’s 2001 gift to our college of law that now bears his name. As noted in that testimony, Michael Moritz created endowments for several purposes, and a portion of those funds are to be used for student scholarships. Endowed gifts are designed to provide ongoing investment income in perpetuity. From the beginning, Ohio State has used all of the distributions from the Moritz gift for the purposes delineated by Michael Moritz. The portion of the gift given for scholarships, even at inception, was not enough to fund the desired number of scholarships through investment income alone. Presently, Ohio State has supplemented Mr. Moritz’s gift funds with other unrestricted funds so 30 scholarships are now funded.

The Moritz College of Law and its students have benefited enormously from Michael Moritz’s generosity. Three hundred and fifty (350) students have been awarded full-tuition scholarships through the Moritz Merit Scholars Program, and the four holders of chairs endowed by his gift have been leaders in their fields and have brought national prominence to the college’s programs. The Dean’s Excellence fund enabled by the gift supports classroom technology and moot court renovations, the launch of the nation’s leading program in election law, and additional scholarships, grants and programs, while the Moritz Leadership Scholarships recognize outstanding student accomplishments each year.

Ohio State is forever grateful to our donors, including the late Michael Moritz.

I want to again express my gratitude for Sen. Cirino’s willingness to work with the higher education community on this legislation. We look forward to



continued collaboration with the senator and his office on SB 135 as the bill moves forward.

Thank you for the opportunity to present testimony today, and thank you for the work this committee does on behalf of higher education, workforce development, and the state of Ohio.