



THE BUCKEYE INSTITUTE

Building a Better Higher Education System

Interested Party Testimony
Ohio Senate Workforce and Higher Education Committee
Senate Bill 135

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Chair Johnson, Vice Chair Cirino, and Ranking Member Williams, thank you for the opportunity to submit written testimony regarding Senate Bill 135.

My name is Greg R. Lawson, I am the research fellow at **The Buckeye Institute**, an independent research and educational institution—a think tank—whose mission is to advance free-market public policy in the states.

Senate Bill 135 may well be the most significant higher education reform legislation in recent memory. The bill refines Ohio’s higher education policy and will help thousands of Ohioans obtain the skills and education they need at prices they can afford.

Key features of Senate Bill 135 will dramatically assist community colleges and their students. Community colleges offer students a cost-effective first step toward a college degree, while offering others the technical training they need to advance their chosen careers. Despite the benefits and advantages of a community college education, these schools lack some of the policy support received by four-year colleges and universities. Senate Bill 135 helps correct that imbalance in several ways.

First, the bill creates the Second Chance Voucher, an innovative program that will help the **more than one million students** who have earned some college credit but have yet to receive a degree or a workforce credential. This program will reduce tuition and fees at community colleges and technical schools for eligible students who disenrolled from a state university in the past 10 years before earning a bachelor’s degree. The price reduction will make continuing their education more affordable for degree-seeking students.

Second, the legislation establishes partnerships between four-year state universities and community or technical colleges so that undergraduates may complete up to two years of academic credit at less expensive community or technical colleges while receiving counsel regarding how to complete a four-year bachelor’s program. Such partnerships offer students a less expensive option for pursuing their degrees and ease their transition from community and technical colleges to four-year institutions. Senate Bill 135 includes provisions for informing prospective four-year students of the available lower-cost options and use of transfer credits.

Finally, Senate Bill 135 leverages unused federal money to assist community and technical colleges help students seeking short-term certificates that can be completed in less than one year.

These significant programs and improvements will help Ohio’s community colleges do what they do best: provide workforce credentialing and training; and offer classes at a fraction of the prices charged by four-year schools. Three credit hours from Edison State, for example, cost less than half of what the University of Toledo and The Ohio State University charge, and one-tenth of what the University of Dayton charges. And as the nation’s unsustainable **\$1.7 trillion in student debt** attests, more affordable higher education options are desperately needed.

But Senate Bill 135 does more. The bill directs Ohio’s chancellor of the Department of Higher Education to suspend or limit enrollment in four-year bachelor’s programs that suffer low

completion rates. This limit will help guide students toward programs that offer better chances of success and higher rates of return on their education investment. It also directs the chancellor to approve nursing bachelor's programs at community and technical colleges, thus creating an affordable new path to a critical health care field that routinely battles **regional shortages**.

In addition to these improvements, Senate Bill 135 also confronts a common problem in higher education—a disregard for donor intent. Nonprofit institutions should spend donated funds consistent with their donor's intentions. Senate Bill 135 supports this seemingly axiomatic rule, helping donors ensure that colleges and universities spend education endowment funds according to the endowment's terms and consistent with donor intent. The bill aligns Ohio with national best practices and reforms the state's endowment contract enforcement in two ways.

First, Senate Bill 135 removes Ohio's misguided, irrebuttable presumption that universities spend endowment funds legally so long as they spend up to five percent of an endowment's value in a year. Ohio's full immunity regime is a national outlier—the only state in the country with this rule that invites abuse by allowing universities to spend some endowment funds however they like without legal consequence. Senate Bill 135 wisely aligns Ohio law with the Uniform Law Commission's recommendations in the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which offers no such presumption or immunity. Instead, UPMIFA makes legal remedies available if a university spends even a de minimis amount inconsistently with the endowment's terms. Requiring institutions to spend all endowment funds consistent with the donor's terms is good public policy and commonsense.

Second, as currently understood, Ohio law authorizes only the state attorney general to ensure that universities spend endowed funds according to donor intent. Senate Bill 135 gives donors a seat at the enforcement table. The bill gives the attorney general the first chance to file suit for alleged wrong-doing, but it also recognizes that the attorney general's and a donor's interests do not always align, and it allows donors to initiate suit if the attorney general does not.

Unfortunately, Senate Bill 135 does not resolve the potential for the attorney general's conflict of interest in some cases. The attorney general represents state universities, but must also vindicate the interests of public charities. Thus, the attorney general's and donors' interests may be especially misaligned whenever disputed endowment spending of public charity donations involves a state college or university. This Committee should examine this issue closely and consider statutory reforms that give donors greater authority and flexibility to bring suit in such cases.

Senate Bill 135 takes significant strides to reform Ohio's higher education policy and there is much here to support. But some other comprehensive reforms still remain necessary and deserve the Committee's attention.

The state, for example, should expand its use of Ohio College Opportunity Grants—or OCOGs—by reforming Ohio's flawed "**Pell-first**" policy. Currently, low-income community college students have practically no access to OCOG funding. The Pell-first policy deprives students of OCOGs when a Pell Grant covers anything beyond the cost of tuition. And because community

college tuition is so affordable, students are nearly always ineligible for OCOGs. But the Pell-first requirement ignores the additional costs that often keep lower-income students from pursuing associate degrees. OCOGs are also unavailable to students seeking required job training certificates for careers in car repair, information technology, supply chain management, and welding, for example. And Pell Grants cannot be used to cover the costs of such certificates. Senator Rob Portman is **working** to fix this problem at the national level, and the General Assembly should follow his lead and eliminate the Pell-first requirement and open the OCOG program to students earning job training certificates. Senate Bill 135 does not fix these OCOG limitations, but the General Assembly should.

Thank you for the opportunity to testify. I would be happy to answer any questions that the Committee may have.



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Founded in 1989, The Buckeye Institute is an independent research and educational institution – a think tank – whose mission is to advance free-market public policy in the states.

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