



Testimony before the House Finance Higher Education Subcommittee HB 33 (FY 2024-25 Operating Budget)

Tuesday, March 14, 2023

Chair Manning, Ranking Member Jarrells, and members of the House Finance Higher Education Subcommittee, thank you for the opportunity to testify today. I am Jack Hershey, President of the Ohio Association of Community Colleges (OACC), which represents the trustees and presidents of all twenty-three of the state's public community colleges.

Let me start by saying that we appreciate and support the overall increase in funding for higher education proposed by Governor DeWine in this budget. Thanks to bold policy changes like the megaprojects tax credit and reducing bureaucratic hurdles, the DeWine-Husted Administration and the legislature are creating a business-friendly environment in Ohio that is transforming the state's economy into a leader in advanced manufacturing, technology, and healthcare industries. As Governor DeWine said in his inaugural address, "This is Ohio's moment, and we are seizing it!"

Community colleges stand ready to help Ohio deliver on this moment. But we also know that with this responsibility comes with intense pressure to produce more graduates to meet the needs of all our business and industry partners that we work with throughout Ohio. The overall level of investment in higher education that has been proposed can help us meet urgent challenge. However, as we have carefully examined the impacts of HB 33, we do believe that the overall investment is focused too heavily on 4-year degrees, rather than a more balanced approach that meets the immediate needs of delivering the skilled workers to fill the jobs that the Administration and JobsOhio have successfully attracted to Ohio.

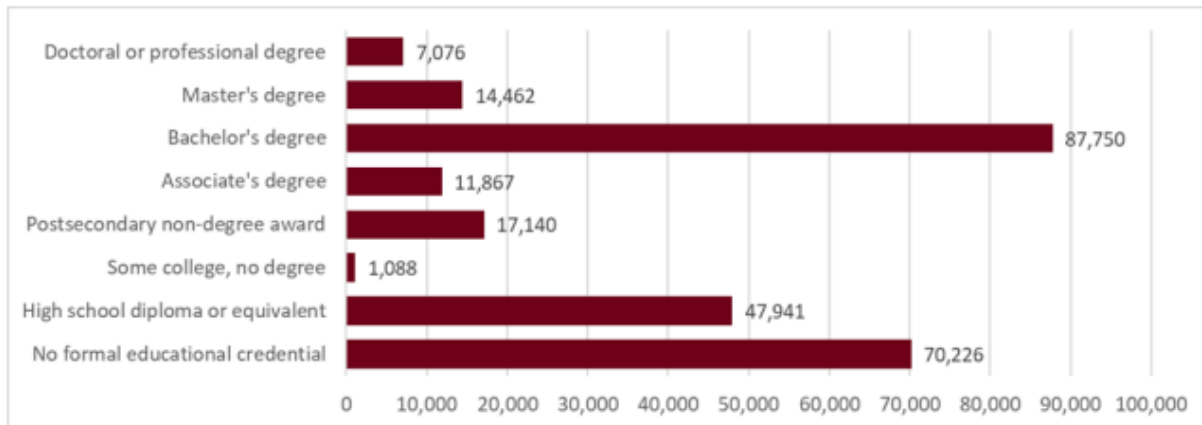
The reality is, both new and current employers will be creating tens of thousands of community college level jobs. If we are going to meet this urgent challenge, we need your help. As I will share with you today, OACC is requesting the State to target additional investments that will support students and provide resources for critical, responsive workforce education programs at our community colleges.

More than 70% of the proposed new spending for higher education will go towards supporting bachelor's degrees. What concerns us even more is the out-years costs needed to pay for the phase-in of these new or expanded financial aid programs that the next General Assembly will need address in the FY 2026-27 operating budget. According to OACC's projections, once these programs are fully phased in during the following biennium, we estimate that 80% of the proposed new funding would be targeted for bachelor's degrees. We simply would ask the committee to consider the question of does that feel like the right balance to you given the many conversations you have certainly had with employers in your districts who are desperately trying to fill their workforce needs today.

From our perspective, the balance does not seem right. Every day, leaders at our colleges are working with business and industry, local chambers of commerce, and local or regional economic development leaders on how to address their desperate need to hire qualified workers, and hire them quickly. None of this is meant to imply that the State should ignore the value and importance of bachelor's degrees; however, the reality is that the post-COVID labor market is moving away from the traditional reliance on bachelor's degrees towards one that places more value on in-demand shorter-term, skills-focused programs. We see this shift in demand not only from local employers, but from our students as well.

The graph below produced by the Ohio Bureau of Labor Market Information has been shared several times in testimony. Quite frankly, this chart has always confused us. Upon closer examination of the data behind it, it seems to classify multiple positions as assuming every job in that occupation will require a bachelor's degree, just because some people holding that job have a bachelor's degree. For instance, it would appear to classify every Registered Nurse as needing a bachelor's degree, when that is obviously not true as our institutions consistently produce RNs. This data classification decision likely leads to an exaggerated estimate of the number of bachelor's degrees needed, and an underestimate of the number of associate degrees and certificates needed by 2030.

Projected Net Job Growth by Education Level, 2020-2030



Source: Ohio Bureau of Labor Market Information

It is also important to note that it appears that this chart appears to not include any of the jobs that will need to be filled because of the amazing run of economic development successes that the DeWine Administration and JobsOhio over the past year.

For instance, the Ohio BLMI chart suggests that Ohio is projected to only need 11,876 new associate degrees by 2030. However, the two charts below show that simply accounting for the new advanced manufacturing jobs that JobsOhio has brought into the state with the semiconductor industry and its supply chain, combined with the Electric Vehicle Industry suggests that Ohio will need far more than those numbers of associate degree workers just in the manufacturing sector alone.



Retooling OHIO

Major EV-Related Investments in Ohio

Union, Shelby, and Logan Counties:

\$700 million

Honda's retooling of existing plants for EV production

327 new jobs

Shelby County:

\$915 million

SEMCORP building new facility to manufacture a key component of lithium-ion batteries

1,199 new jobs

Fayette County:

\$3.5 billion

Honda and LG Energy Solution to build battery plant

2,200 new jobs

Lucas County:

\$760 million

GM's EV propulsion units in Toledo

Lorain County:

\$1.5 billion

Ford's new EV manufacturing

1,800 new jobs

Trumbull County:

\$100s of millions

Foxconn manufacturing multiple EVs

\$2 billion

GM and LG Chem built Ultium Cells battery plant

Tuscarawas County:

\$40 million

Battle Motors' expansion and addition of an EV line

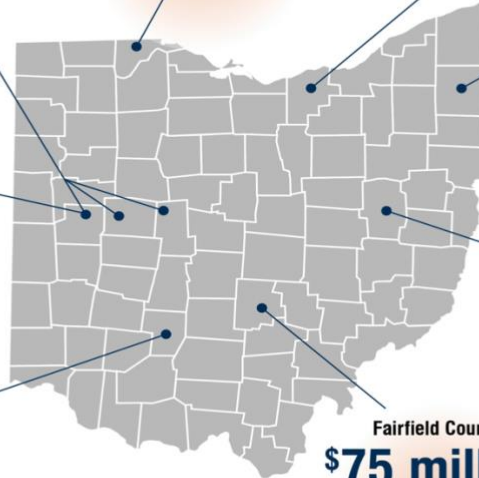
434 new jobs

Fairfield County:

\$75 million

Cirba Solutions to expand EV battery recycling facility

150 new jobs



The new #IntelOhio project will generate more than

20,000 jobs in Ohio.

3,000

direct Intel jobs with an average salary of \$135,000 plus benefits.



7,000

construction jobs over the course of the build.



Tens of Thousands

of indirect and support jobs.



An additional

\$2.8 Billion

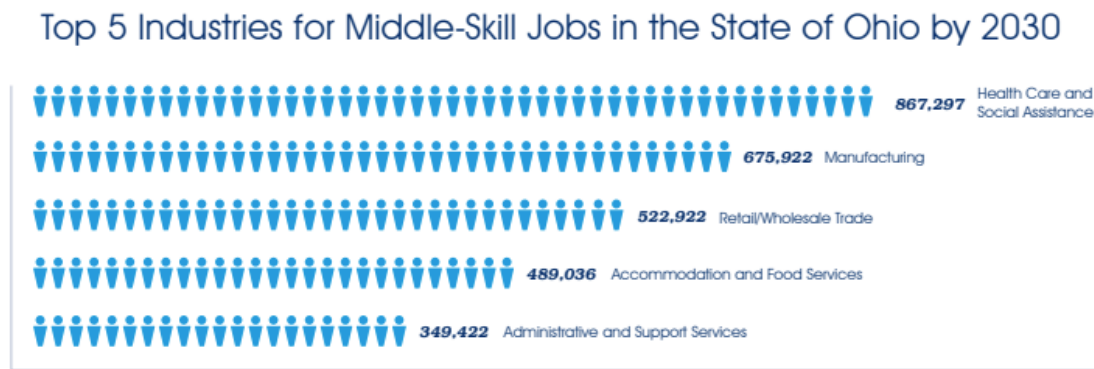
is expected to be added to Ohio's annual gross state product.



Our experience in working with these employers is that roughly 70% of those jobs will require either an associate degree or a short-term credential that can be completed in a year or less through a community college. In addition, the ODJFS chart does not seem to account for the growing trend of employers moving toward skills-based hiring rather than hiring based on minimum degree requirements. More and more employers are moving to hiring based on

specific skills sets, because it has been shown to lead to a better and more diverse pool of qualified candidates to choose from.

And all of this is not to ignore the stark reality that we already had a workforce shortage in middle skill jobs across almost every industry well before all of these new opportunities came to us. According to Lightcast labor market data forecasting, between now and 2030, Ohio will need to fill more than 164,000 middle skills jobs (defined as a position that requires less than a bachelor’s degree but more than a HS diploma) that pay more than \$50,000 each year. And this number does not even yet factor in the new jobs from more recent economic development announcements like Intel, Ford, or Honda. The chart below shows the top 5 industries with the highest projected concentration of middle-skills jobs in Ohio by 2030 from Lightcast:



Projected number of middle-skill jobs by 2030 per Lightcast. Labor market data.

The act of budgeting is always about projecting future needs, so as we look towards Ohio’s future, we simply cannot afford to ignore the enormous economic development success of the past year – a success rate that everyone tells us is only expected to continue in the coming years. We also can’t miss the mark by overly focusing on bachelor’s degree attainment, when the reality is that businesses need employees with all levels of education, and they need them as quickly as they can get them. Over the next two years, community colleges will be asked to dramatically increase the number of students we train and educate. As just one example, the Ohio Manufacturing Association is currently conducting a survey of overall industry needs that, based on early indications, will require community colleges to increase the number of graduates just in the engineering technology field alone by over 50% from what we are producing today.

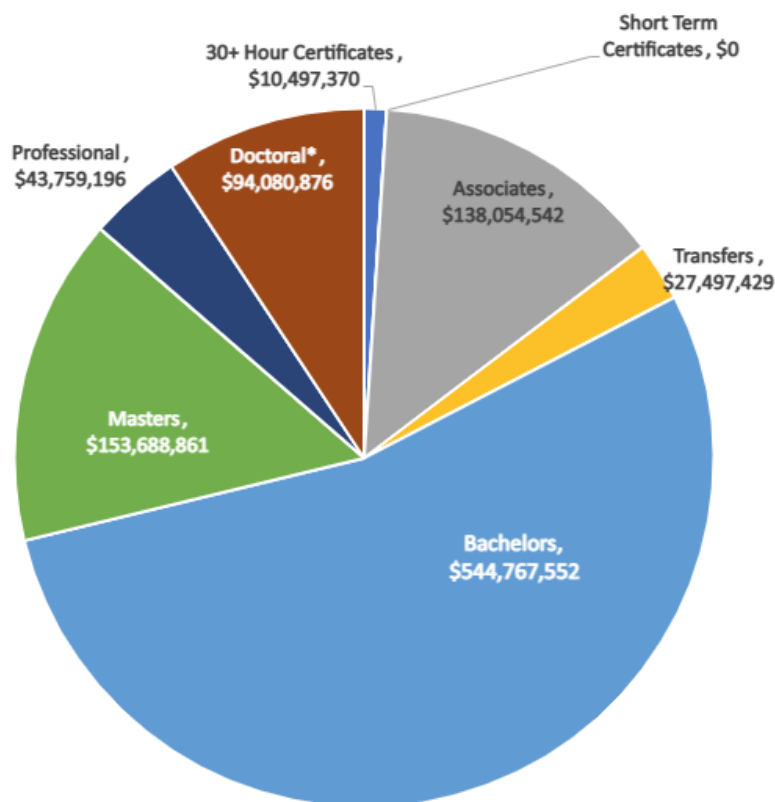
We are thrilled with what all this means for our state’s future. And we know that the Governor and JobsOhio are presenting us with an immense challenge and be assured these are the kind of problems we like to tackle. But we will need help – and more help than what is currently being proposed for us to meet these challenges for Ohio.

Chair Manning, while we certainly have opinions on many of the provisions in this budget, and we’d be happy to address any of those through questions, we will focus in this testimony on our “Top 5” requests of you during this budget process.

Provide State Funding for Workforce Education Programs at Community Colleges

The most urgent policy change that we see is the need for the State to finally fund short-term workforce education at community colleges. The state of Ohio provides no operating support to community colleges for programs that take less than one year to complete or may be considered workforce education or job training programs. And yet you will find these programs being operated at every community college in the state, as we strive to find ways to meet the workforce needs of local employers, even if that means scraping together funds from a variety of different sources just to be able to offer limited programs. However, this is not a sustainable strategy that appropriately recognizes the workforce needs of Ohio.

As you can see from the chart below, through the State Share of Instruction (SSI), the state provides operating support by rewarding colleges and universities for undergraduate, masters, professional and doctoral degrees - and it has done so for decades through separate funding models for universities and community colleges. We believe the state can no longer wait to modernize its overall by finally providing state support for shorter-term credentials. Ohio can no longer afford to ignore the importance of funding these nimble workforce programs that can very quickly upskill Ohioans and get them a job.



NOTE: The University Funding Formula Weights Degree Completions More than the Community College Funding Formula.

Even without state funding, we are currently producing tens of thousands of credentials per year in this space, which is a number that we believe would grow quickly with more predictable support, because we are increasingly seeing students (especially adult students) gravitate towards these shorter length programs. We are requesting that we change the state's long-term narrative that this kind of workforce education and training is not of value by requesting an additional of \$150 million per year specifically to community colleges to finally provide operating support for these workforce programs. We know \$150 million sounds substantial, but it is an amount that would be nearly equal to what the state spends on doctoral and professional degree programs and less than 7% of the proposed annual funding for SSI. Ohio businesses and students have decided that these credentials have value, and it is time that the state support these workforce education pathways.

Replace Ohio College Access Grant with Ohio Work Ready Scholarship Proposal

Let me start with a few comments on the Ohio College Opportunity Grant (OCOG). During the Strickland Administration the OCOG program saw a significant cut in funding, and the implementation of the PELL First policy, which said that students must first use PELL grants to pay for the costs of tuition before an OCOG grant could be used towards any remaining tuition costs. The practical effect of that policy change was to remove community college students receiving any state financial aid, in essence penalizing these students for attending an affordable institution. It is a policy change that we have remained opposed to ever since, and one that both public and private universities have fought to maintain based upon lower funding levels in the program.

Leading up to this budget, we were asked by the Chancellor if community colleges would rather seek financial aid for our students in a different program outside of OCOG. Given the chance to finally get financial aid for our low-income students, and avoid another fight with universities over the OCOG program at the same time, we of course supported a new program, because that seemed to be in the best interest of our students. What we did not know is that this budget would effectively reverse the PELL First policy by changing how it would be applied by, as we understand it, allowing OCOG to be used first towards the cost of tuition, while also increasing funding by nearly 160%, resulting in funding levels that would far exceed the funding levels before the program was cut during the Strickland administration. These are important facts, because the universities have said year after year that if the state got back to those historic funding levels for OCOG, that they would then support reversing the PELL first policy and letting community college students back into the program.

To be clear, we are appreciative that Governor DeWine proposed the Ohio College Access Grant as a recognition that the state's current need-based aid program is fundamentally unfair to lower-income community college students. Whether that funding flows through OCOG, OCAG, or a different proposal as outlined below, is not as important to us as the overall level of support for our students, and the proposed levels seem dramatically unfair to our low-income community college students.

Under the proposed changes to OCOG, total funding for the program will be \$562 million over the next two years, including more than \$337 million in total new spending this

biennium. OACC estimates that the total new spending to fund the OCOG expansion will be over \$1 billion over the next four years as the new award amounts and students are fully phased in by FY 2027. By comparison, this budget recommends spending only \$40.8 million in OACG, which according to LSC estimates would equate to \$30 million in need-based aid for community college students. As these programs are phased-in, approximately \$60 million in need-based aid to assist students attending a community college compared to \$1 billion for university students. With this imbalance, it is hard to argue that community college students come out as winners.

While there are not many details on how the new OACG program will be structured, it will likely be modeled off the OCOG program, which community colleges have repeatedly stated is a program that needs an overall redesign. So, to be consistent with our previous position before this committee, we would ask that OACG be replaced with a more strategic and accountable financial aid program that is targeted to supporting students pursuing an in-demand degree or credential.

The Ohio Workforce Ready Grant proposal would instead provide higher grant amounts to community college students, but only if they are pursuing in-demand credentials, certificates, and degree programs where there are open and available jobs in their community waiting to be filled. Rather than providing financial aid to students to study anything they want as the OCOG program allows, more precisely targeting the state’s funding should not only produce a better return on the state’s investment, but will also help to ensure that our students have numerous job options available to them upon graduation (or sooner). Additionally, to ensure a positive ROI on the state’s investment and to identify whether our students are successful in meeting the goals of the program, we would welcome improved data reporting requirements, which is currently not required or readily available under the OCOG program.

Improve the Transparency of the State Share of Instruction

Ohio has the single most aggressive outcomes-based funding formula in the nation, which has driven significantly higher completion rates at both community colleges and public universities since it was first adopted approximately a decade ago. The Executive budget provides \$184 million in new support to the State Share of Instruction Line Item, but the exact distribution of those new funds is buried within the 4,311 pages of the budget bill. The exact distribution is as follows:

	<u>FY 2024</u>	<u>FY 2025</u>
SSI - Universities	\$1,643,678,352	\$1,693,034,872
SSI - Community Colleges	\$492,355,899	\$507,240,399

For the past several years OACC has said that we believe the state should be more transparent with the overall funding within SSI. To allow the public and legislature to better understand and consider funding levels for community colleges, we would respectfully request the House split the SSI line item into two separate line items – SSI Universities and SSI Community Colleges, using the exact same amounts currently earmarked in HB 33.

Community colleges operate with half of the tuition rates and receive just 23% of the total SSI funding as the state’s public universities. Our position is that community colleges are

already under-resourced and believe it is fair to consider whether more investments should be made in our colleges at a time when we are being asked to dramatically increase our production in high-demand fields.

Better transparency will help better inform decisionmakers about priorities and implications of funding decisions. For example, we estimate that once the massive OCOG expansion is fully phased-in in by 2027 that it will require the state to spend more on OCOG than the entire amount of SSI support for all 23 of our community colleges. In our opinion, that is a terrible statement about the state's overall priorities. We believe that it is time to have a more strategic discussion on where we spend the state's resources within higher education, and splitting the SSI line item is the first step in that process.

Create a College Credit Plus Statewide Innovative Waiver Pilot Program

With more than 77,000 students participating each year, College Credit Plus program is an undeniable success. Since its inception, CCP has provided more than \$1 billion in tuition savings to Ohio taxpayers and bringing access to the opportunity to earn college credit while in high school to hundreds of school districts who never were able to offer that opportunity before. We applaud recent efforts by Chancellor Gardner to provide greater opportunities for underrepresented students; however, the program still is mostly geared toward students who want to follow the "traditional" college pathway towards a bachelor's degree. Under current law, the Chancellor has authority to provide limited admission waivers for specific partnerships between a school district and college or university that allows some students to participate in College Credit Plus.

Given the overwhelming need to produce more graduates in fields like Engineering Technology, we would request that the Chancellor be given new authority to approve a limited number of statewide innovative waivers for pathways that are developed with in-demand industry partners. This pilot program would ensure that students who might not meet traditional university college readiness standards, but show skills in other areas, are allowed to participate in the program and pursue credentials that lead directly to the workforce after completion.

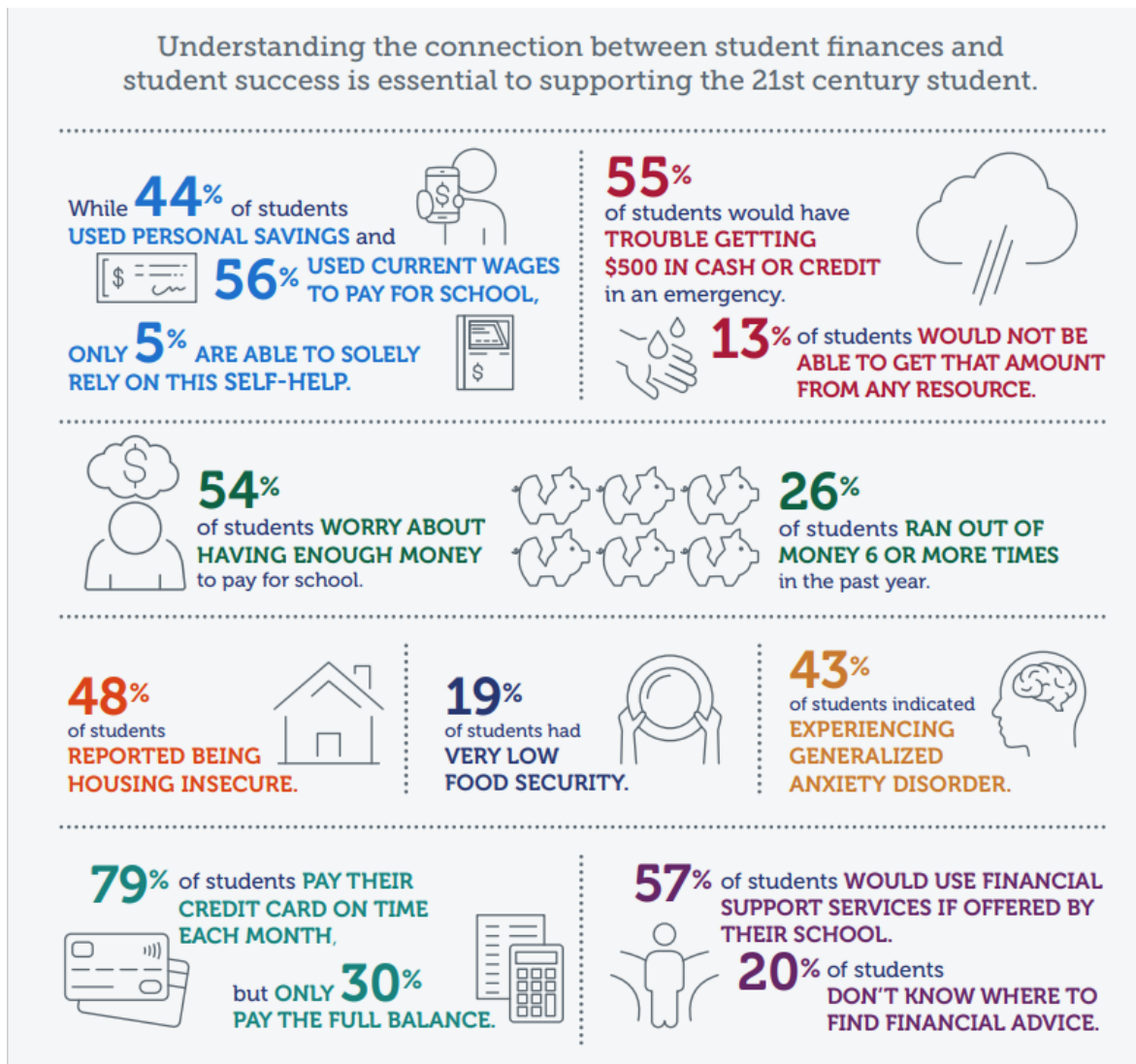
In addition, the Governor's Merit Based Scholarship only awards students in the top 5% of their class rank, which is again a ranking that predominantly revolves around students seeking a "traditional" college pathway. Our view is that student who wins the high schools Robotics Competition for example and can complete a college certificate and/or degree before graduating high school under this statewide waiver is every bit as talented as the student who is deemed talented based solely upon class rank, and should be eligible for this scholarship.

Support for Wrap-Around Services Funding in the Executive Budget

Community colleges have been laser focused on increasing completion rates over the last decade. We have learned that providing purposeful, strategic wrap-around support services are one of the most successful strategies to improve completion. We don't often build these services ourselves, but rather in partnership with community-based organizations, as we value their expertise in their particular fields and find it a far more efficient way of helping our

students. Even while realizing these efficiencies, there are still certainly costs associated with providing these new services to students, and we are extremely appreciative that the Executive Budget contains new funding for the Access Challenge and continued funding for mental health services for our students.

Last year, Trellis, a national research company, did a statewide survey of Ohio community colleges meant to measure the overall financial wellness of our students. As you can see in the summary below, an overwhelming number of students on our campuses are struggling both financially and emotionally in addition to experiencing both housing and food insecurity.



If we are to help bring these students out of poverty or close to poverty like situations, we must be able to treat the whole person, not just the student. These additional dollars to provide wrap around services that can provide the difference between a student stopping out of their studies and continuing are critical if we want to help more individuals move into careers with self-sustaining salaries.

Conclusion

Thank you, Chair Manning and members of the subcommittee, for your time. As I hope you understand, our students will need help to get them across the finish line, and our community colleges will need help to get them through completion and into the workforce. The Executive Budget was a great start in helping Ohio respond to the generational shift in our economy. We appreciate your consideration of OACC's additional requests that we believe will better align the state's investments with the workforce needs of our students and employers.

I would be happy to answer any questions that the committee may have.