

BEFORE THE HOUSE FINANCE SUBCOMMITTEE ON HIGHER EDUCATION

**REPRESENTATIVE JON CROSS
CHAIR**

**TESTIMONY
OF
BRUCE JOHNSON
PRESIDENT
INTER-UNIVERSITY COUNCIL OF OHIO**

MARCH 2, 2021

The Public Universities of Ohio

The University of Akron
University of Cincinnati
Miami University
Ohio University
Wright State University

Bowling Green State University
Cleveland State University
Northeast Ohio Medical University
Shawnee State University
Youngstown State University

Central State University
Kent State University
The Ohio State University
The University of Toledo

Chairman Cross, Ranking Minority Member Howse, and members of the House Finance Subcommittee on Higher Education, thank you for allowing me to provide proponent testimony today in support of House Bill 110 on behalf of the state's fourteen public universities, all of which are members of the Inter-University Council of Ohio (IUC). My name is Bruce Johnson, and I am the President of the IUC.

The IUC was established in 1939 as a voluntary educational association of Ohio's public universities. It is committed to ensuring affordable opportunities for the more than 300,000 students attending our member institutions without sacrificing the quality of their education or experience.

Ohio's fourteen public universities appreciate the continued support for and investment in higher education as proposed by Governor DeWine in the as-introduced version of the FY22-FY23 biennial operating budget. We thank the Governor and Chancellor Gardner for their strong support and advocacy on behalf of our state institutions of higher education across all sectors, for their recognition of the value of a post-secondary degree, and for their efforts to maintain the quality of academic programming and instruction we provide our students without compromising either access or affordability. We look forward to working with the members of this subcommittee, specifically, and the members of the General Assembly, more broadly, as you work to address your own priorities.

From our perspective, House Bill 110 represents a solid foundation in funding both in terms of state subsidy for higher education and for student need-based financial aid. These items are the IUC's top priorities for this operating budget and both directly affect access, success, and affordability.

State Share of Instruction

As I am sure you have noted, the state share of instruction (SSI) is the largest line item in the Ohio Department of Higher Education's (ODHE) budget. The reason for this is because it directly supports the operations of all public institutions of higher education – both state universities and community colleges. Because a state institution of higher education is maintained or “owned” by the state, the state has acknowledged it has an obligation to help fund its operation. The dollars appropriated to this line item are the fulfillment of that obligation.

The distribution of this funding to each institution is outcome-based. For public universities, the funding is distributed based on course completion, which comprises approximately 30 percent of the distribution; degree completion, which allocates 50 percent of the distribution; and certain set-asides, if applicable, for medical and doctoral programs, which comprise the remainder.

Total funding appropriated in House Bill 110 for this subsidy is \$2,056,678,116 in FY22 and \$2,075,761,402 in FY23. Those numbers represent an increase of 1.0 percent in FY22 over the FY21 appropriation, and 0.9 percent in FY23. Of that total amount, state universities, main and regional campuses, will receive \$1,582,613,811 and \$1,597,298,400 in each year of the biennium, respectively.

The state's share of instruction is important because it represents one side of the affordability equation – the other side being tuition. Both shape the cost of attendance for our students. As one changes, going either up or down, the other is affected. That is why the state's investment is so essential. You can see in the charts on the following page from the College Board – Trends in College Pricing 2020 Report – that Ohio's investment on a per full-time equivalent (FTE) student basis is below the national average.

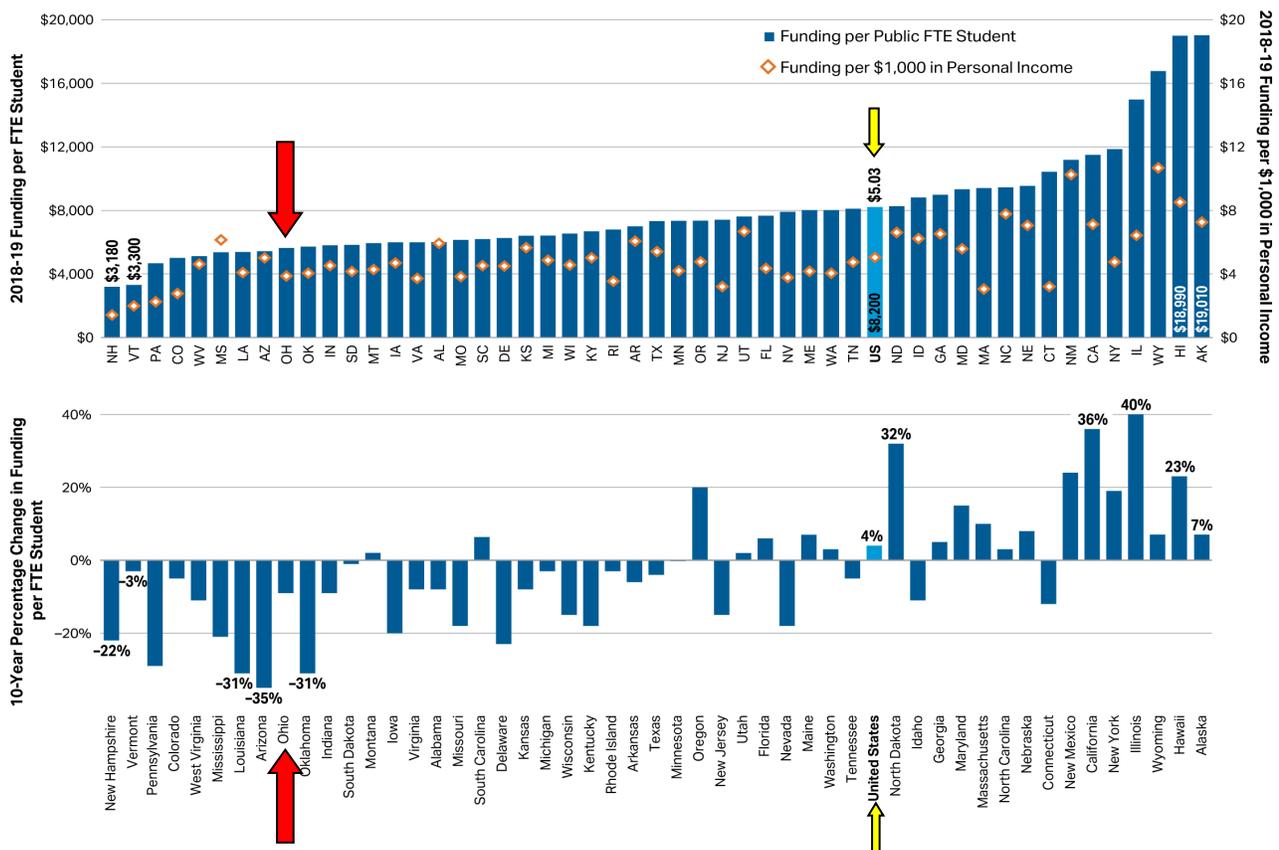
In 2018-19, state and local funding for public higher education averaged \$8,200 per FTE in the United States. It ranged from \$3,180 in New Hampshire to \$19,010 in Alaska. In Ohio, the subsidy was \$6,262. Over the last ten years, from 2009 to 2019, Ohio has seen a 14.5 percent decrease in its per FTE funding, going from a high of \$7,327 to the current level.

The IUC believes that the state should adopt a long-term policy that funds the SSI at the national average on a per student basis. If the state were to fund the SSI on a per FTE basis at the national average, then the total SSI funding, on an annual basis, would be \$3,184,010,800. This is based on a total FTE enrollment of 388,294 students in 2020 at Ohio’s public universities and community colleges.

We understand that appropriating \$6 billion over the course of the biennium may not be possible inside this operating budget and we do appreciate the increase in the state’s obligation to help fund the operation of its state universities as proposed by this budget. But to get us closer to the national average, we would respectfully request the Ohio House of Representatives to further increase the SSI line item in support of our students to reflect the current rate of CPI growth as determined by the Ohio Department of Higher Education (ODHE). The ODHE communicated to the IUC that rate as being 1.8 percent in each year of the biennium.

The IUC believes that this rate is a reasonable measure of the increasing cost of doing business -- which is very much felt by public universities and a reasonable increase for this operating budget. A 1.8 percent increase to the OBM SSI estimate for FY21 as identified in the Red Book, would mean a new FY22 appropriation of \$2.073 billion or an increase of \$17.1 over the proposed FY22 appropriation. An additional 1.8 percent in the second year, FY23, on the new amount would increase the appropriation to \$2.111 billion or approximately \$35.3 million over the proposed FY23 appropriation. Taken together, this requested funding increase would add approximately \$52.4 million to the SSI appropriation over the FY22-23 biennium and help ensure the state’s public institutions of higher education can continue to offer a quality product with a meaningful return.

State and Local Funding for Higher Education Funding per Student and per \$1,000 in Personal Income and 10-Year Percentage in Inflation-Adjusted Funding per Student, by State



Source: The College Board, Trends in College Pricing 2020

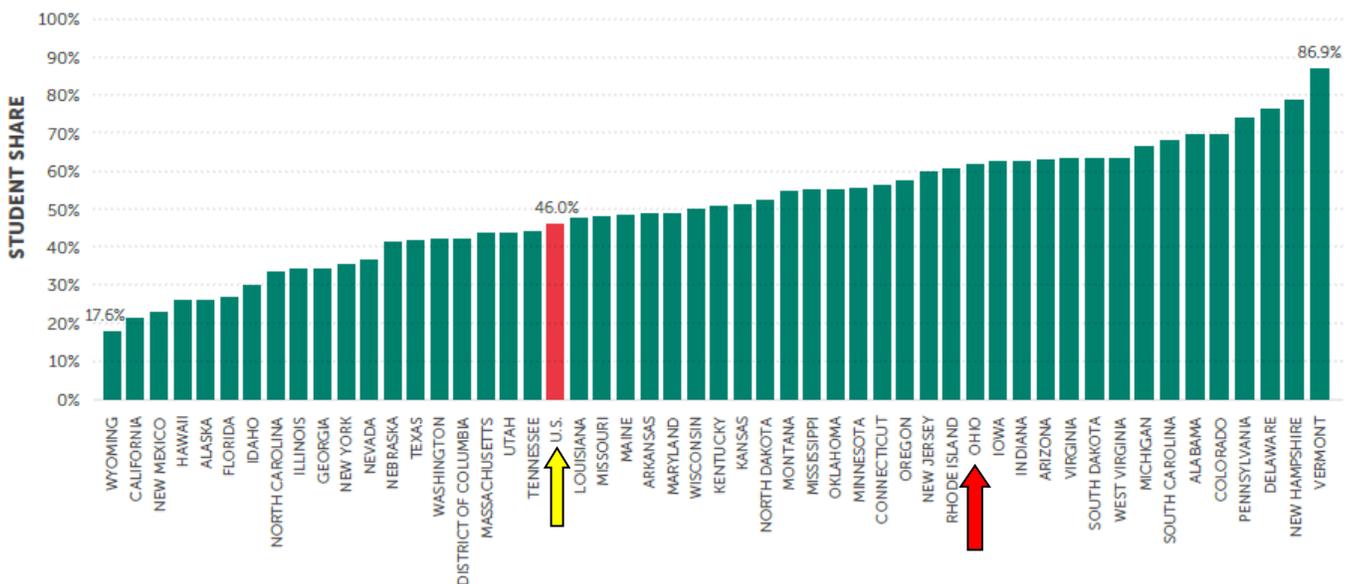
Holding the Line on Tuition

The other side of the equation, as mentioned earlier, is tuition – the price the student pays for the instruction provided by the institution. Just as there is a cost to the student in terms of attendance, there is a cost to the institution to provide a product of high-value and quality. State subsidy covers part of the cost, and instructional and general fees are charged to cover the remaining costs. Frequently, some portion of the tuition also is offset by financial aid.

According to the State Higher Education Executive Officers Association’s 2019 State Higher Education Finance Report, when identifying net tuition as a percent of total education revenue, over half of all states (26) had a student share above 50 percent. Three states had a student share above 75 percent: Delaware (76.1 percent), New Hampshire (78.3 percent), and Vermont (86.9 percent). Conversely, three states had a student share below 25 percent: California (21.1 percent), New Mexico (23.1 percent), and Wyoming (17.6 percent). The national average was 46 percent. Ohio’s share was just over 61 percent. Over the last ten years, the student share has increased in all but three states (Maine, Massachusetts, and North Dakota).

Ohio trends towards the higher side of tuition because its state share of reduction trends towards the lower side. Taken together, these graphics – the previous state funding per FTE and the one below on net tuition – present a clear picture of the relationship between investment by the state through its subsidy and tuition charged by the institution.

Net Tuition as a Percent of Total Education Revenue by State, FY19



Source: State Higher Education Executive Officers Association

The bill sets price controls on in-state undergraduate instructional and general fees by requiring all public universities to participate in the state’s tuition guarantee program and by limiting increases in in-state undergraduate instructional and general fees to no more than 2 percent over what the institution charged for the previous academic year. We consider this to be a reasonable approach.

Enrollment and Demand

Despite a global pandemic, enrollment at Ohio’s public universities, particularly on main campus, has remained relatively steady, as the next chart demonstrates. There has been an enrollment drop, but it has not been dramatic, and enrollment at some of our institutions is growing. The fourteen public universities, main campus, saw a 2 percent drop in enrollment over the last ten years and only a 1 percent drop in the last five years. The regional campuses have experienced a larger decline, but not over the last couple of years. Enrollment dropped by only 895 students across the twenty-three regional campuses from 2019 to 2020.

We believe this is because there is a strong demand by students for the high-quality education that we provide and because, in the job market, bachelor’s degrees are still very much in high demand. Students clearly see the value in a four-year bachelor’s degree. They know that with it, they will have a better chance of securing a job and earning more in that job than if they had a lower level of attainment.

Full-Time Equivalent Enrollment by Sector at Ohio Public Institutions in Academic Years 2010-2020

Table 1a. Full-Time Equivalent Enrollment by Sector at Ohio Public Institutions in Academic Years 2010 - 2020

Aggregation Level: Sector

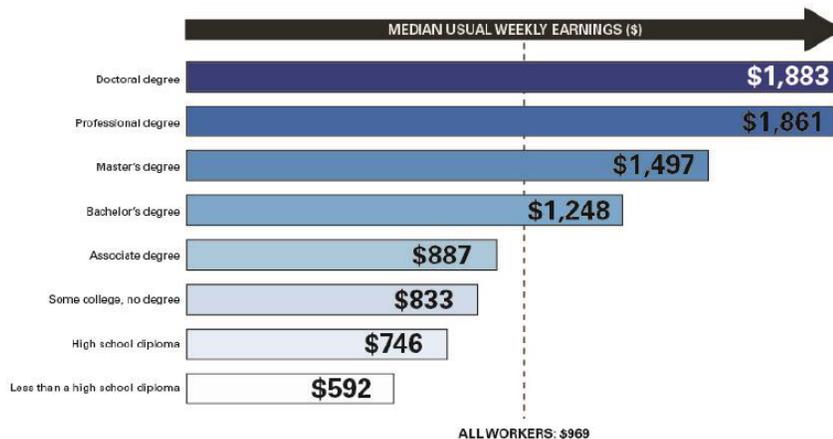
SECTOR	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	% Change 2010 to 2020	% Change 2015 to 2020	% Change 2019 to 2020
Community Colleges	144,251	149,844	142,884	126,432	124,497	115,168	108,067	104,625	103,179	105,088	108,661	-25%	-9%	3%
University Main Campuses	250,457	259,589	262,747	252,518	255,880	255,183	256,945	257,753	255,359	252,848	246,621	-2%	-1%	-2%
University Regional Campuses	41,555	43,961	42,649	39,489	38,622	37,287	35,980	34,993	34,271	33,907	33,012	-21%	-9%	-3%
Ohio Public Institutions of Higher Education Total	436,264	453,394	448,280	418,438	418,999	407,638	400,993	397,371	392,809	391,843	388,294	-11%	-4%	-1%

Source: Ohio Department of Higher Education, Full-time Equivalent Enrollment Trends by Ohio Public Institutions, Fiscal Years 2010 to 2020. December 2020

To the last point, the graphic below, borrowed from Chancellor Gardner’s testimony, demonstrates that the higher the attainment level, the higher the earnings. A four-year degree is the gold standard if the desired outcome is increased wages. Students want that and they are enrolling at our public universities to get it.

Earnings by Education Attainment

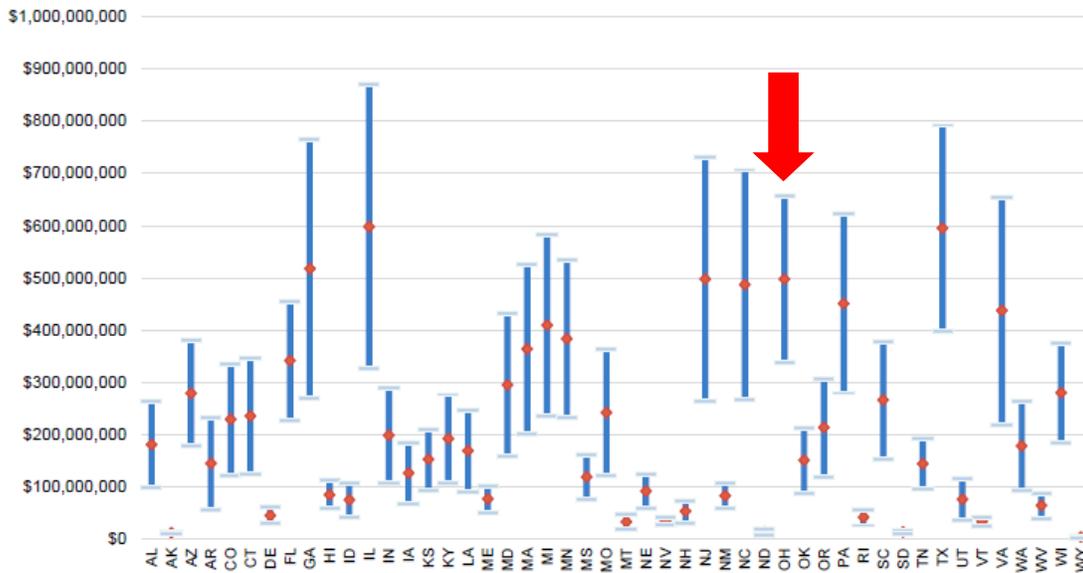
(Source: Federal Bureau of Labor Statistics, 2019)



It is choice that protects the student, and Ohio has many excellent choices. It should be the market and demand that determine price, what is affordable, and what is not affordable for each individual student.

In this relationship, it is the public university’s responsibility to provide its student with an accessible, valuable, high-quality product, which we believe is what the student demands. We take that responsibility seriously. And attainment is critical because, as the chart below demonstrates, not only do individuals benefit as they attain a higher level of education, but so does the entire state.

State-by-state Net Benefit Associated with a Five-Percentage Point Increase in Attainment



Note: To facilitate readability, we exclude California (\$1.4B - \$4.5B) and New York (\$690M - \$1.9B) from this graph.

Source: Ithaka S+R Issue Brief “It’s Complicated: The Relationship between Postsecondary Attainment and State Finances”, January 19, 2021

According to the issue brief from Ithaka S+R, the source for the chart above, for most states, an increase in attainment is associated with several hundred million dollars in increased tax revenue and decreased public expenditures. The research concluded that, not surprisingly, the difference between aggregate net benefits for a five-percentage point increase exclusively in bachelor’s degree attainment compared to a five-percentage point increase exclusively in associate degree attainment also grows with the size of the population.

This underscores the potential benefits to states for prioritizing longer degree programs in their attainment strategies. Our success as public universities, and as a state, will be based on enrolling more students, our students persisting, earning a degree, and finding a job in Ohio.

The data from the U.S. Bureau of Labor Statistics, also highlighted by Chancellor, makes such an important point, that I would like to address it again. In a very clear way, it demonstrates that, while there is very strong demand for jobs and degrees in every sector of the economy, growth rates and wage premiums are best for those who are more educated. The chart below, in the column entitled “2019 Employment”, proves that the number of bachelor’s degrees required for the economy is significantly more than for other educational attainment levels.

The rate of growth is about the same for bachelor’s degrees and associates and for post-secondary non-degree awards. Your public universities offer all these degree levels. They also offer many non-degree certificate awards. We support all of them and believe that every Ohioan always will benefit from additional education. However, the wage premium is much higher for bachelor’s degrees, and the raw numbers required in the U.S. economy are much higher for bachelor’s degrees and higher.

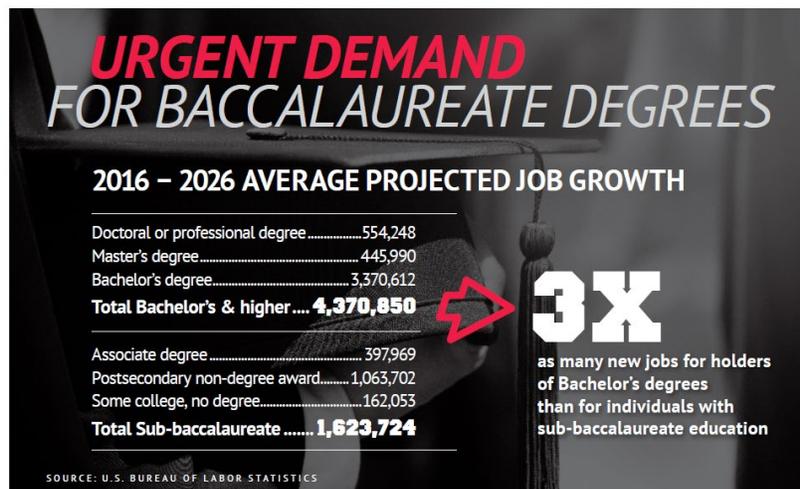
Higher Education and Labor Demand

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

Baccalaureate degrees are where the jobs are. According to the U.S. Bureau of Labor Statistics – which most believe to be a credible source – there is an urgent demand for bachelor’s degrees. In fact, there are three times as many new jobs for holders of bachelor’s degrees than for individuals with sub-baccalaureate education.



Because of our focus on student retention and graduation rates, significantly more students are graduating today than ten years ago. According to the Ohio Department of Higher Education report entitled “Degrees and Certificates Awarded by Ohio Public Institutions, Fiscal Years 2009-2018” published by ODHE in September of 2019, total bachelor’s degrees awarded by the state’s public university main and regional campuses increased by

30 percent. Associate degrees awarded were up by 37 percent, and master's degrees were up by 24 percent. Total all degrees awarded was up by 28 percent. Graduations continue to increase, but we can always do better.

Need-Based Financial Aid

The Ohio Department of Higher Education administers the Ohio College Opportunity Grant (OCOG) program which provides grant money to Ohio residents who demonstrate the highest levels of financial need. Need is determined by the results of the Free Application for Federal Student Aid (FAFSA). Currently, Ohio residents in an associate degree, first bachelor's degree, or nurse diploma program at an eligible Ohio institution with an expected family contribution (EFC) of 2190 or less *and* a maximum household income of \$96,000 are eligible for OCOG.

OCOG helps financially challenged students to cover those academic costs that the federal Pell Grant does not. Ohio College Opportunity Grant award amounts for students at public and private universities, private for-profit institutions of higher education, and community colleges are determined by the ODHE. For full time students on main campus at public universities the OCOG award amount for 2020-2021 is \$2,000. At private universities, it is \$3,500, and for private for-profits it is \$1,300. The maximum Pell Grant award for 2021-2022 is \$6,495. To stretch limited OCOG resources as far as possible, the state adopted a policy requiring students to apply the Pell Grant first.

The "Pell First" policy was implemented in 2009-2010 in response to the Great Recession and the dramatic cuts that were made to the OCOG program to help balance the state budget at that time. The rationale was to maximize the use of federal benefits (Pell) before using limited state resources (OCOG) for academic expenses. It was the most rational policy for the state to adopt at the time because, generally, federal Pell Grants alone are enough to cover tuition and fees at lower-cost degree-offering institutions, including regional campuses and community colleges. And it remains the most rational and expedient policy for the state because OCOG resources remain limited.

Students at community colleges and regional campuses remain eligible for OCOG assistance under this policy and may receive OCOG funding if, after applying 100 percent of the Pell Grant, academic expenses remain. The state subsequently adopted an exception to allow some OCOG money for community college and regional campus students who exhaust their Pell Grant money by attending school year-round. The state continues to recognize and endorse the efficacy of the policy, which it has maintained in biennial operating budgets since its adoption, because it is good public policy and the most responsible use of taxpayer dollars. The state's public universities also continue to support the "Pell First" financial aid policy that prioritizes tuition reimbursement over other, non-academic costs of attending college – like childcare, groceries, and gasoline.

By applying Pell first, the state is not punishing any institution, but simply following a fiscally prudent policy to make more OCOG dollars, which are limited, available to students who have higher academic costs.

The IUC appreciates the funding appropriated by the Administration for OCOG in House Bill 110. It will go a long way towards helping students with financial need earn a degree. However, we believe that more should be done to restore OCOG funding to its previous levels – which in FY08 and FY09 totaled more than \$220 million in ***EACH*** year of the biennium for a total of \$440 million. As enacted in the current operating budget, before COVID cuts, the total OCOG appropriation over the biennium was \$270,460,500. The total funding proposed in House Bill 110 for the FY22 and FY23 biennium is \$211,256,352.

We believe funding should be increased to the level of funding that was last approved by the General Assembly for FY20 and FY21. The IUC recommends that the House of Representatives restore OCOG funding across the biennium to previous budget amounts approved by the Legislature in Am. Sub. H.B. 166 (133rd GA). To do so, and to help the state's neediest students stay in school and earn a degree, would require additional funding of \$59,204,148.

Free Application for Federal Student Aid (FAFSA)

Relative to financial aid, the IUC echoes and supports the Administration's emphasis on the importance of the FAFSA completion. By completing the FAFSA, students contemplating college will know if they are eligible to receive financial aid, what financial aid is available to them, and how much. Federal student aid includes grants, work-study programs, and low-cost loans.

The U.S. Department of Education uses the data from the FAFSA to determine eligibility for federal student aid and it also may be used to determine eligibility for state and institutional aid. The FAFSA is critical because it generates a student's EFC, which is an important number in the financial aid process and packaging. Generally, colleges determine financial need by subtracting the EFC from the cost of attendance.

The IUC supports the language in House Bill 110 to focus students, schools, parents, and the state itself, on how important it is to complete the FAFSA. The new initiatives in the bill require the Chancellor and the Management Council of the Ohio Education Computer Network to establish a data system to track FAFSA completion rates of students enrolled at the state's public and private schools. It allows for the expenditure of federal GEER funds to be used by ODHE for FAFSA completion initiatives and requires all school districts, community schools, STEM schools, college-preparatory boarding schools, and private high schools to enter into a data-sharing agreement with ODHE for purposes of operating the systems and provide their principals and school counselors with access to it to assist with efforts to support and encourage students to complete the FAFSA.

The Administration has put together an aggressive plan to address this challenge and it is truly necessary because the level of financial aid that students may be leaving on the table when they do not complete the FAFSA is significant. In a written request for the release of federal funds presented to the State Controlling Board for approval on December 14, 2020, the ODHE stated that recent estimates suggested that as many as 39 percent of Ohio high school seniors did not complete a FAFSA, leaving an estimated \$87 million in available federal financial aid unused. That is \$87 million in unnecessary student loans or financial hardship.

The Department made the point that while statewide FAFSA completion and college access efforts are always critical, they are even more important during periods of economic stress when college access is further strained, particularly for underrepresented student populations. The ODHE is right and the IUC could not agree more. Consider that, as of February 2021, FAFSA applications for the next academic year were down -9 in Ohio. The FAFSA completion among high minority and rural high schools was down even more dramatically.

The Effects of COVID-19

In concluding my testimony, I would like to touch on the public university experience relative to the current global pandemic.

Without question, the COVID-19 outbreak was and continues to be a major disruption to the state's public universities. We are doing everything possible on behalf of our students to minimize that disruption. Ohio's public universities never closed, they never stopped educating their students, and the quality of their academic programming was never compromised.

In direct response to the pandemic and the state's health orders, most in-person classes, except for some clinical courses and essential research operations, were canceled early on and academic programs were converted to online instruction. Those courses were still taught by accredited faculty with the same rigor as they would have been taught in the classroom. In a matter of weeks, we converted a residential, in-person, on-campus experience to one that was virtual. New technologies and capabilities were added, and existing technology was upgraded to continue providing a meaningful education to our students. Everything that was done was done with the safety of our students, faculty, and staff foremost in mind and done so that the student would be able to continue working towards their degree with as little interruption as possible.

The pandemic changed nearly every aspect of college life, from admissions and enrollment to collegiate athletics. Sporting events were canceled. Enrollment dropped. Residence and dining halls were emptied as students went home. The unexpected costs and reductions in revenue have created a time of considerable fiscal instability and uncertainty which still exists almost a full year later. The State of Ohio found itself in the same situation. The state budget was cut across all agencies, including higher education, which saw the state share of instruction reduced by over \$76 million in FY20 and the Ohio College Opportunity Grant program cut by almost \$9 million in FY20, or by 7.8 percent. Other programs were reduced as well. As a result of these budget reductions and the pandemic, we continue to have both immediate and long-term financial challenges.

Fortunately, Ohio’s public universities are resilient, creative, and have been the recipient of federal stimulus funds. But even those funds do not fully cover the cost incurred by the state’s public universities in responding to the pandemic. The chart below shows the aggregate cost – in terms of both expenses and lost revenue – of the pandemic for all fourteen public universities, both actual, through 2020, and projected for 2021. Expenses include such things as installing environmental controls, upgrading existing and adding new technology, purchasing PPE, protective barriers, cleaning supplies, performing testing and contact tracing, and many others. Lost revenue includes refunds of course, program, parking, dining, room and board, and many other fees. The offsetting grants represent the total federal stimulus received by the fourteen public universities.

Aggregate - all universities	Mar-Dec 2020 actual	Jan-June 2021 projected	Total March20-June21
COVID Expense Impact	\$ (224,031,176)	\$ (176,833,147)	\$ (400,864,323)
Lost Revenue	\$ (522,947,337)	\$ (303,214,982)	\$ (826,162,319)
Offsetting Grants	\$ 324,460,519	\$ 238,732,219	\$ 563,192,738
Total Financial Impact	\$ (422,517,994)	\$ (241,315,910)	\$ (663,833,904)

We appreciate the federal assistance and have put it to good use, but it does not make up for the total financial impact of the pandemic which is why your support in this budget for the funding recommended in it for all programs is so critical. It is also why we believe that our request to increase funding for the state share of instruction by 1.8 percent in each fiscal year, consistent with the rate of inflation, is reasonable.

I also would like to note that the COVID-19 crisis has highlighted the need to support world class research and commercialization. Vaccine research, effective medical treatment therapies, and clinical trials have been highlighted over the past year. That research and those trials are largely conducted by public and private universities around the world in conjunction with private entities. If Ohio is to succeed in the innovation economy, then we must strive to develop and attract world class talent. Ohio’s public universities are doing their part to ensure our success.

In conclusion, Mr. Chairman, and members of the Committee, we believe higher education will play a critical role with respect to the economic resurgence that lies ahead. Our public universities are the economic engines of towns and communities across the state; they are the producers of talent to fuel essential workforce pipelines; and beacons of opportunity drawing individuals to our great state from across the nation and the world in search of the opportunity that accompanies a postsecondary credential.

As our campuses seek to re-engage in more normal operations, the health and safety of students, faculty, staff, and campus visitors will always be a priority. But it should never overshadow our highest priority – and that is our students who are the foundation of Ohio’s future. Ensuring their success and their attainment will benefit not just the individual but the entire state of Ohio. Any obstacle to increasing the number of Ohioans with the knowledge and skills needed to succeed in college or the workplace is a threat to our economic competitiveness and to their opportunity to pursue their dreams. That is why we need to ensure that college is accessible and affordable for those students who chose to attend. I am happy to answer any questions you may have.