Inter-University Council
of Ohio

10 West Broad Street, Suite 450
Columbus, Ohio 43215-7415
(614) 464-1266
fax (614) 464-9281
www.iuc-ohio.org

Before the Senate Finance Committee

Senator Scott Oelslager, Chairman

Senate Bill 5

Testimony
Of
Bruce Johnson, President
Inter-University Council of Ohio

April 25, 2017

Chairman Oelslager and members of the Senate Finance Committee, thank you for the opportunity to provide written testimony to you today in support of a very important piece of legislation. My name is Bruce Johnson and I am the President and CEO of the Inter-University Council of Ohio.

The IUC was established in 1939 as a voluntary educational association of Ohio's public universities. Today, the association represents all of Ohio's fourteen public universities. The IUC values providing access to a high-quality, affordable education. It is committed to ensuring affordable opportunities for the more than 330,000 students attending our member institutions without sacrificing the quality of their education or experience.

I would like to thank Senators Hottinger and Eklund for introducing this bill. The IUC supports Senate Bill 5 for the same reason it has consistently supported previous versions -- because it will increase the maximum state income tax deduction allowed for contributions to an Ohio 529 college savings plan from $2,000 to $10,000, creating an even greater incentive to save money to pay for a college education. This incentive attacks head on what is, arguably, the biggest issue facing students contemplating college today – relying too heavily on borrowing to pay for their college education and going into debt as a result.

The concept is simple. The more you save for your college education, the less you need to borrow, and the less you borrow, the lower your debt will be. The IUC believes that saving money is an appropriate and responsible approach to take when planning how to pay for college and is something that should be encouraged. The IUC also believes that savings, spurred by the enhanced incentive in this bill, will reduce the overall level of debt students may end up carrying.

This is important because the issue of student debt is not insignificant. According to the College Board, in a report entitled "Trends in Student Aid, 2016," total federal loans to undergraduates increased by 25% between 2005-06 and 2015-16, growing by 62% over the first five years of that period, alone. In 2015-16, loans from federal and nonfederal sources combined constituted 36% of the funds used by undergraduates to supplement student and family resources.

Consider the following:

- In the third quarter of 2016, the average outstanding federal student loan debt was $24,100. Averages were $15,900 for loans in default, $25,900 for loans in repayment, and $34,200 for those in forbearance. (U.S. Department of Education, Federal Student Aid Data Center, Federal Student Loan Portfolio)

- Nationally**,** almost 7 in 10 seniors (68%) who graduated from public and nonprofit colleges in 2015 had student loan debt, with an average of $30,100 per borrower. This represents a 4% increase from the average debt of 2014 graduates. (*The Institute for College Access and Success*)

- In Ohio, the average debt for graduates of public 4-year institutions and private non-profit 4-year institutions is $30,239 up from $29,090 the previous year, ranking Ohio 10th in the nation. The proportion of all graduates with debt is 66%, down from 68% the previous year, ranking Ohio 8th in the nation. *(The Institute for College Access and Success)*

Clearly, these numbers are challenging and the state must do everything it can to help alleviate the need to borrow. The same is true for the state's public universities. That is why we have held the line on tuition growth for our students, worked to meet the Senate Challenge to provide students the opportunity to reduce the cost of attendance by 5%, and are implementing the recommendations of the Governor's Task Force on Affordability and Efficiency in Higher Education to cut costs at institutions in order to pass those savings on to students.

Without question, the leaders of Ohio's public universities do not want their students to pay more than is necessary for a quality education. That is why our state universities have been working hard to reduce costs, save money, and share that savings with students by operating more efficiently. We have streamlined operations by reducing redundancies and increasing innovations in operations, academic program delivery, energy usage, IT, and procurement. We have utilized shared services to leverage assets and create economies of scale. We have identified efficiencies in a variety of areas, including academics – specifically the value of the degree, time to degree, program structure and delivery, and academic advising, all of which have direct benefits for the student.

But most importantly, we have successfully held down tuition growth for our students (*See Attachment 1*). The national statistics and data that often are used to indicate that Ohio tuition growth is out of control are an incorrect application of national statistics and are misleading when used to describe Ohio. Contrary to popular belief, tuition is not spiraling out of control. Over the last ten years, tuition for public university main campuses has grown at an annual average rate of 1.97%. When compared to the average annual growth rate of the state of Ohio budget over the last ten years, which grew at 4.45%, tuition is very much in control. According to the Ohio Department of Higher Education, the five-year percentage change in inflation-adjusted in-state tuition and fees was approximately 2%, while the national average was 12%. That number does not consider the fact we have just completed two years of flat tuition. According to The College Board's Annual Survey of Colleges, Ohio is among the national leaders in restraining growth of tuition and fees, having had one of the slowest rate of increase over the last ten years – from 2006-2007 to 2016-2017.

Further, we know and would strongly argue that college represents a sound investment -- for our customer, the student, and the state. It is well established that, over one's lifetime, the higher the educational level attained, the higher one's average income will be. According to a recent study by the Federal Reserve Bank of New York, a bachelor's degree is still a very good investment, returning on average 15% per year, even when the increasing cost of education is taken into account.

While the student borrowing and debt numbers are cause for concern, student loans and borrowing money for higher education are not inherently evil. In fact, student loans make it possible for many students who could not otherwise pay for college to gain the postsecondary experience they need to improve their life. The real problem is not planning appropriately by saving as much money as possible.

Senate Bill 5 is an excellent solution to this problem. Increasing the tax deduction on money contributed to a college savings plan will result in additional dollars that can be routed right back into the savings plan, right back into paying for the cost of a higher education. Families will save even more money thereby lowering the amount of money students or parents may have to borrow. The IUC believes that such an incentive will encourage more people to save by participating in a 529 plan – an option that more and more families are choosing. In fact, Ohio should be applauded for its 529 savings plan, CollegeAdvantage. Ohio is the fifth largest state sponsor of 529 plans in the country. The

CollegeAdvantage program has nearly $9.7 billion in assets under management and over 635,000 total accounts as of September 30, 2016. Owners contribute more than $900 million per year to save for college. That may sound like a lot, but we still need to do more.

Increasing the deduction also will go a long way towards putting us on equal footing with our neighboring states. Our neighboring states offer tax advantages for investing in a 529 college savings plan that far exceeded our own. Michigan, for example, allows a deduction of up to $5,000 for single filers and $10,000 for joint filers, while Illinois allows for a $10,000 deduction for single filers and a $20,000 deduction for joint filers.

Ohio’s public universities understand that there is a significant cost to attaining a higher education and are taking the necessary measures to mitigate that cost without sacrificing the quality and value of the degree earned by students. The IUC has consistently recommended that policy makers consider strengthening the tax benefits for college savings to assist students and to help lower the overall debt burden. This legislation will help make college not only more affordable by reducing long-term debt, but also accessible, enabling more young people to attend college, and giving those young people an opportunity they may never have had otherwise.

Mr. Chairman and members of the Committee, I ask for your support and favorable consideration of Senate Bill 5. Again, thank you for the opportunity to testify. I am happy to answer any questions you may have.