

INNOVATION OHIO

OHIO'S STATE BUDGET BILL

**Historically large investments
in higher education, not
enough yet to overcome
a decade of neglect.**



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EXECUTIVE SUMMARY

The July passage of House Bill 166, the state's two-year operating budgetⁱ, included record funding for higher education, but much work remains to make Ohio's public colleges and universities more accessible and affordable for more Ohio students, especially those from traditionally under represented populations most at risk for not exploring post-secondary educational options.

As we reportedⁱⁱ last year, Ohio faces large and widespread challenges to achieve its stated goal of 65 percent post-secondary degree or credential attainment by 2025. In response, we authored a report identifying 10 ways the state budget could help alleviate these barriersⁱⁱⁱ. House Bill 166 adopted many of those recommendations and put our state on a more hopeful path toward achieving this goal, helping to reduce barriers for students to attain these post-secondary degrees. However, much more needs done to move our state toward reaching the 65 percent goal on time.

Here are the primary benefits provided in the budget:

1. Ohio's Higher Education budget grew by 8.3% - a record \$220 million increase.
2. Of the 75 budget line items for higher education, 63 either stayed the same or increased. - Of the 12 line items cut, some were simply relocated elsewhere in the budget.
3. Ohio's State Share of Instruction (SSI) - the state's higher education funding formula - will see a two-year increase of 3.1 percent to \$2.04 billion a year, a strong reversal for a line item that had been funded at lower levels than 2010, adjusted for inflation.
4. The amount of funding provided to students who qualify for the Ohio College Opportunity Grant (OCOG) - the state's primary need-based aid program - will nearly double from a \$1,500 maximum award to \$2,500 by the second year of the budget thanks to a 51.6% increase.
5. In one of several examples of micro-targeting more investment to at-risk populations, a program focusing on educating rural, Appalachian members of the workforce will see a \$3 million a year increase, helping rural adults attain more certificates and degrees to aid in their career advancement
6. For the first time in state history, specific funding was set aside for state investment to increase the state's FAFSA completion rate, a key driver of college participation among lower-income students.

While many of these victories for Ohio students and families will undoubtedly make a difference in their ability to afford and maintain their post-secondary educational options, Ohio had fallen so far behind that it will take a concerted, well-coordinated, long-term effort to build upon these initial foundations. This budget, while signaling a welcome shift in higher education policy focus, remains well short of the investment necessary to achieve our state's lofty post-secondary attainment goal.

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Introduction

The July passage of House Bill 166, the state's two-year operating budget, included record funding for higher education, but much work remains to make Ohio's public colleges and universities more accessible and affordable for more Ohio students, especially those from traditionally under represented populations most at risk for not exploring post-secondary educational options.

As we reported^{iv} last year, Ohio faces large and widespread challenges to achieve its stated goal of 65 percent post-secondary degree or credential attainment by 2025. Among those challenges are the following facts:

- Ohio has the ninth lowest per student financial commitment to higher education in the United States - nearly \$2,100 less than the national average.
- Ohio's higher education enrollment drop of over 17% between 2011 and 2017 was the largest drop in the country. While Ohio's 2015 enrollment was higher than before the 2008-2009 Great Recession, the difference was only 0.8%, which was the nation's sixth lowest increase.
- Overall, 44% of Ohio adults aged 25-64 have at least an associate's degree or a high-quality workforce credential, compared to 47% of the country. Less than 7% of the Class of 2018 received industry recognized credentials, which can be an effective and far less costly alternative for non-college bound students.
- Over three decades, the state's investment in higher education has dropped by 25%, which, coupled with cuts to need-based aid, has made Ohio 45th in college affordability. This financial divestment appears to disproportionately impact college access for poor students in both urban and rural districts.
- Socioeconomic status impacts not just enrollment, but also completion. Students from poor school districts are twice as likely to fail to complete their programs. A similar gap exists between suburban and rural districts.

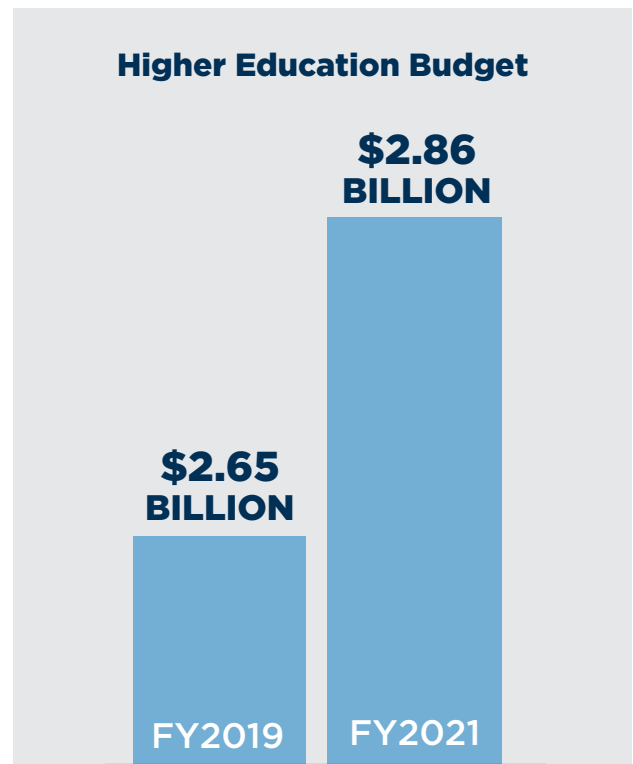
In response to these facts, we developed a report laying out 10 ways the state budget could help alleviate these barriers^v. Our recommendations included boosting SSI by 5 percent, expanding OCOG eligibility and making targeted investments in programs designed to help the most at-risk students from accessing and completing post-secondary options. Generally, our recommendations fell into 3 categories: overall investment, need-based investment, and micro-targeted investment.

Once enacted, the state budget made nearly all the investments IO recommended, though not all at the recommended levels.

Overall Investment Increased

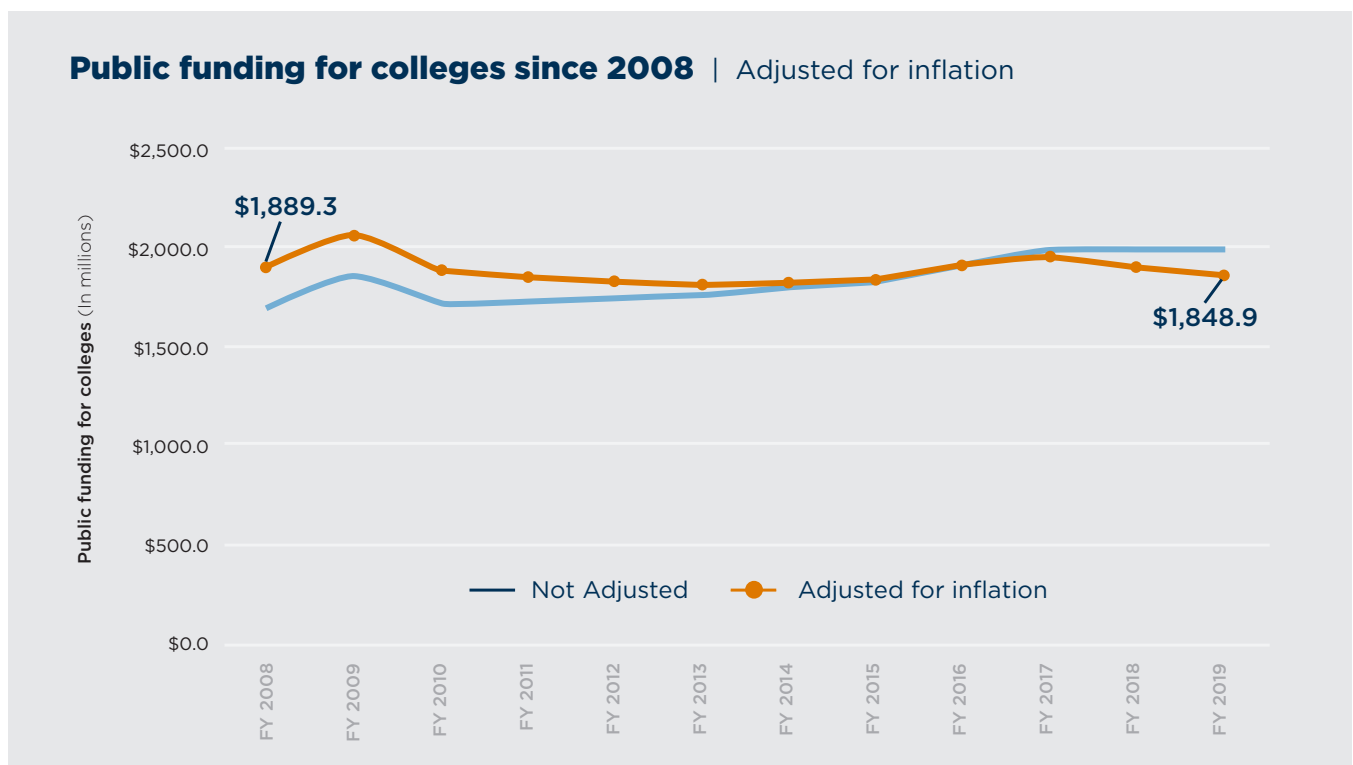
A record investment of \$220 million will be put into Higher Education line items by the second year of the budget – a 8.3 percent increase over the last budget year. This represents the largest dollar increase to higher education on record, which will surely help more students access and complete their higher education options.

Of the state’s 75 higher education line items, all but 12 saw increases, and many of those reductions were the result of moving funds to other areas of the budget. The largest cut was in capital spending – a significant turn from the days when Ohio led the nation on capital spending and trailed the nation on classroom investment^{vi}.



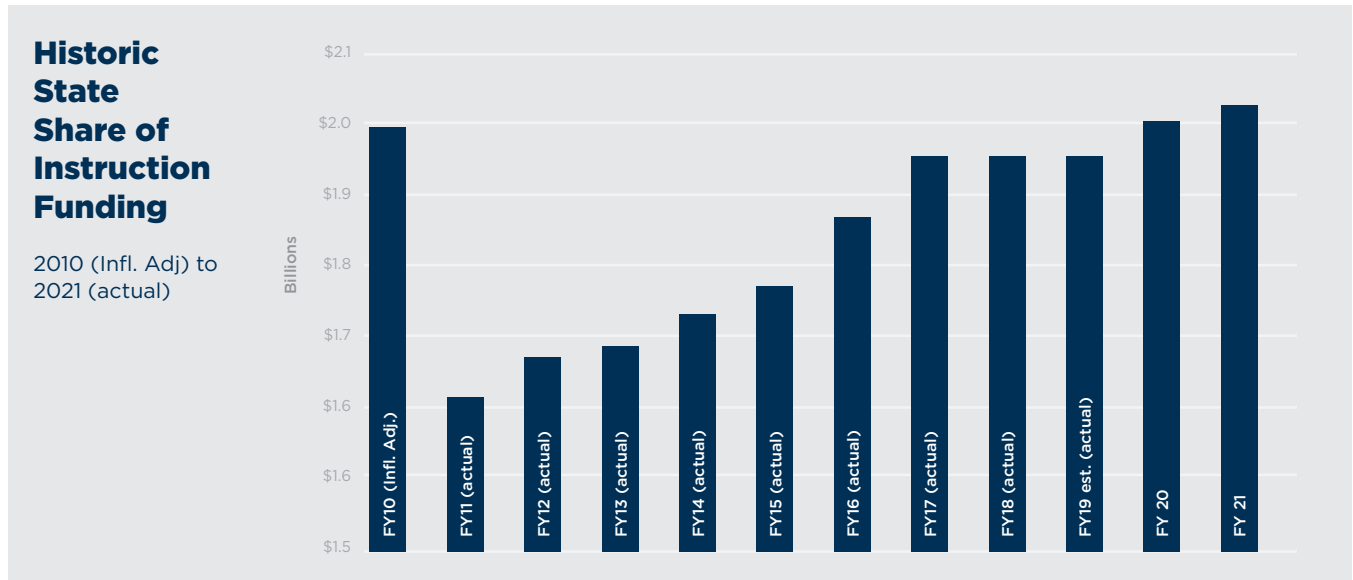
State Share of Instruction (SSI)

Ohio’s State Share of Instruction is the primary funding stream for many of Ohio’s public colleges and universities. Between 2008 and 2019, it had remained essentially flat funded, adjusted for inflation.



Source: Policy Matters Ohio^{vii}

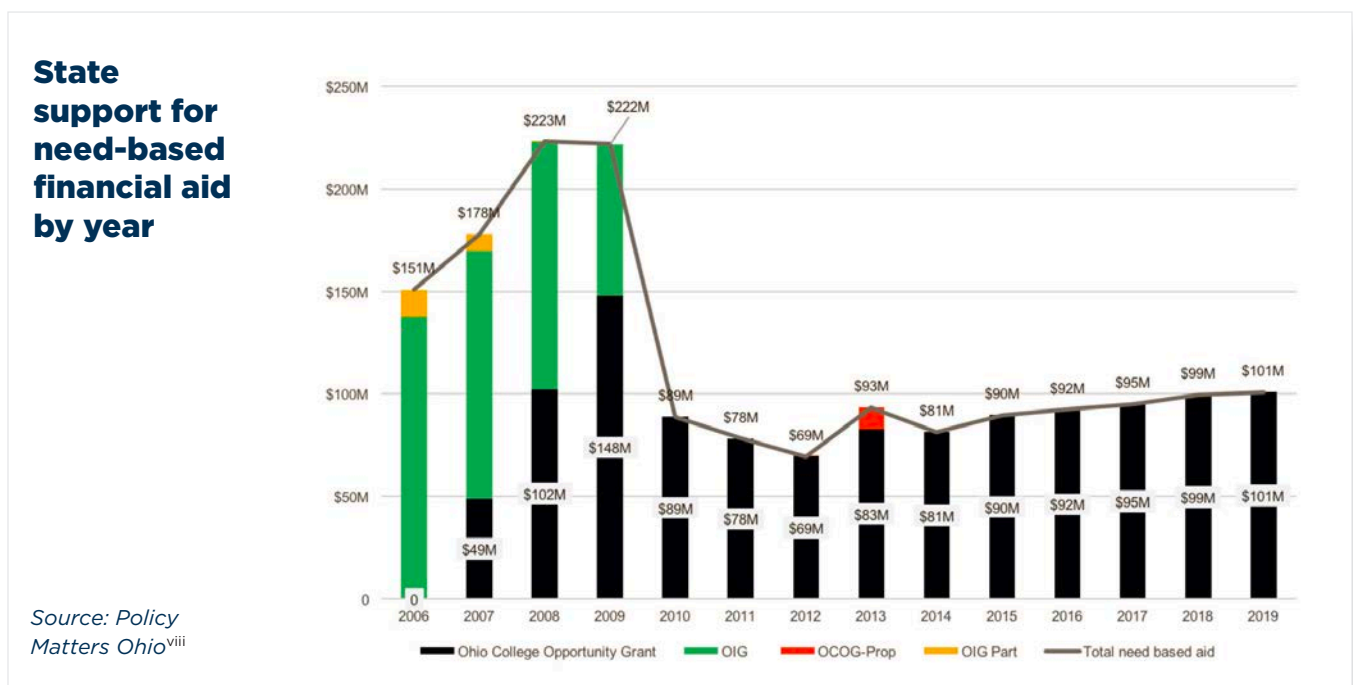
Specifically, IO called for a 5 percent increase in Ohio's State Share of Instruction (SSI) – the state's higher education funding formula—over the two-year budget. The SSI increase in the budget is approximately 3.1%, which grew from an initial 2.1% increase, to \$2.04 billion in the second year of the budget. This boost is a major win for a line item that was funded below 2010-2011 levels in each year prior to this budget. However, it should be pointed out that even with the increase, it is unlikely that tuition cuts will be seen as a direct result. The investment should help colleges and universities curb their fee and tuition increases over the next two years, but it will take significant additional investment to reverse our state's continued course as the nation's most expensive place to attend college.



Need-Based Investments

Need-based aid through the Ohio College Opportunity Grant (OCOG)

OCOG funding had been reduced dramatically over the last 10 years, starting in 2009.

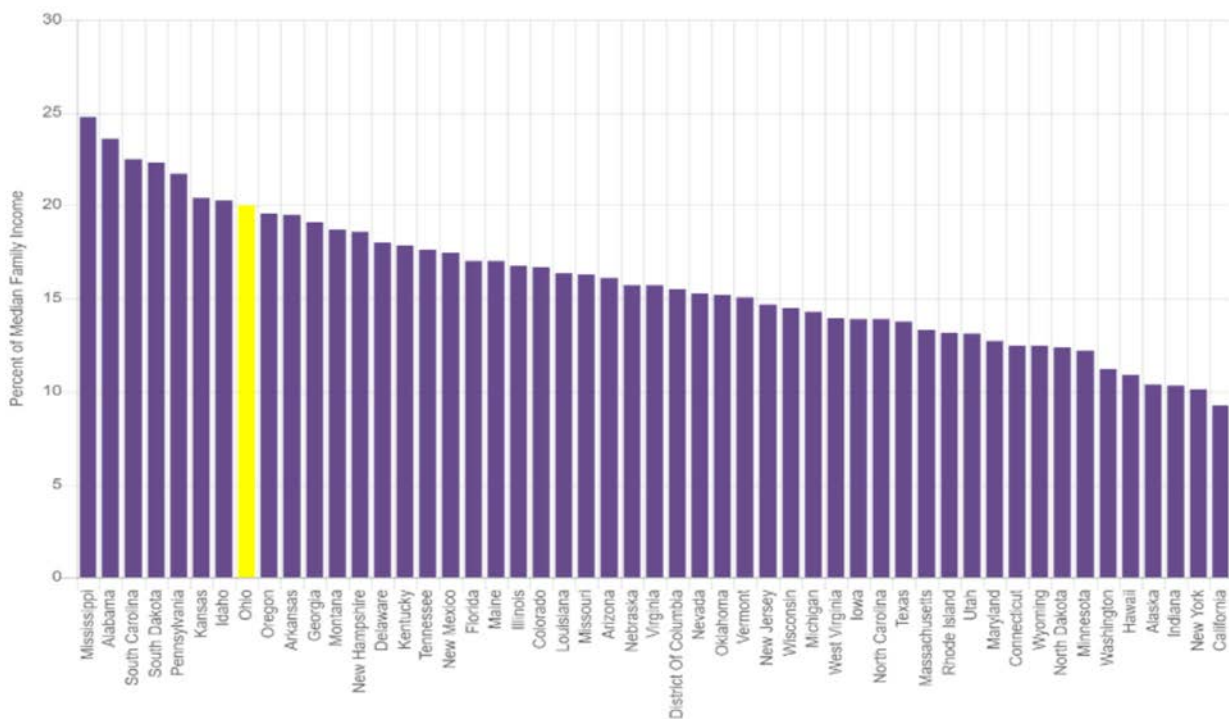


Our budget priorities called for an increase in the number of students who would qualify for the state’s primary need-based aid program, as well as expanding the list of things the money could be used for beyond just tuition – a result that has made it all but impossible for students to qualify for OCOG funding at community colleges or Central State – Ohio’s historically black college.

While lawmakers didn’t adopt our recommendation, they did nearly double the maximum award students could receive from \$1,500 to \$2,500 by the second year of the budget, thanks to a 51.6% increase increase in its line item to \$148.2 million.

Work remains to be done to ensure more students can use OCOG funding for more things than just tuition – attending college costs students far more than just tuition, which is why it’s more expensive to attend college here than nearly any other state. In future budgets, expansion of OCOG recipients and uses of the money should be a key policy focus for advocates and legislators.

Average Net Price of Attendance at Four-Year Public Colleges



Source: The Education Trust ix

Micro-targeting programs for at-risk populations

There were several examples of these kinds of investment boosts in the budget. One was for the Appalachian New Economy Workforce Partnership, which seeks to help adults in the Appalachian region re-train and better prepare for the new economy. The state will invest another \$3 million in that program in the second year of the budget, which is even more than what IO had suggested in our 10-point plan.

Other micro-targeting efforts included:

- A 39 percent increase over the amount spent last school year in the state's Nursing Loan program
- A \$27.7 million boost to the Choose Ohio First Scholarship that will focus the increase in career readiness
- A 12.4 percent increase in Ohio's Gear Up Scholarship, which is designed to get more at-risk students into colleges and universities
- Using federal dollars to potentially expand a student retention program at Lorain Community College that doubled that school's completion rates⁵.
- For the first time in state history, the state will invest in actively seeking to improve Ohio's rate of FAFSA completion – the key to ensuring more at-risk and poor students can obtain the student financial aid to achieve their post-secondary dreams.

While these relatively small investments will likely have minimal overall effects on Ohio's lagging attainment rates, they will have a significant impact on the access and completion rates for students in the programs. Build up enough of these investments and the state could see meaningful movement of its post-secondary attainment rates.

Conclusion

In short, the state budget provided historic levels of higher education investment, putting more money into the overall system, its need-based aid packages and micro-targeting investment to help boost access and degree completion for at-risk populations of students. However, Ohio has a long way to go to overcome the last decade plus of neglect on higher education funding and commitment.

So while HB 166 will be an important starting point, if Ohio wishes to climb up the post-secondary attainment ladder, it will need to treat HB 166 as a beginning, not the end of the state's new found appreciation for post-secondary learning.

Here are a few policy changes that should be adopted, as well as ways for higher education advocates to fight for them.

1) Continue increasing investment in SSI – SSI is the state's primary funding stream for all public higher education institutions. Increasing funding to SSI is a relatively small investment, considering the overall size of the state budget, but it can have tremendous economic and social benefits for our state. Increasing the budget line item from \$2.04 billion to \$2.5 billion, along with requiring tuition cuts should be the goal for the next budget.

2) Expand OCOG recipients and uses – OCOG is the state's primary need-based aid program. Students in greatest need of financial assistance should be able to use these funds for life costs, not just tuition. Ohio is the most expensive state to attend college, not just because its tuition is so high, but also because those with low means have to pay so much more for life costs here than other states. Next budget's goal should be to increase this line item to the \$375 million a year it is estimated it would cost to ensure every student who qualifies for federal Pell grants would also qualify for OCOG (currently, a substantial size of Pell recipients aren't eligible for OCOG⁶) and allow those students to use those funds for costs other than just tuition.

3) FAFSA completion – The state's investment in trying to boost FAFSA completion among Ohio students and families is critical to help lower the cost for these families. While \$75,000 a year is a tiny fraction of the state's overall budget, increasing that funding allotment to \$500,000 a year would beef up the necessary infrastructure in our most vulnerable communities to ensure those students most at risk of not attending or completing college can do just that.

4) Student-led advocacy – The engagement of students and student-focused organizations during this budget process was a shift from previous higher education budget advocacy. Continuing to have events at college campuses, as well as student-led direct advocacy of legislators and executive branch officials will be key to hold the interest of those leaders during the next budget cycle.

Endnotes

- ⁱ All budget figures come from the Ohio Legislative Service Commission's Appropriations Spreadsheet with actual FY 2019 expenditures located here: <https://www.lsc.ohio.gov/documents/budget/133/mainoperating/en/appropriationspreadsheet-hb166-en-with-fy2019actuals.xlsx>
 - ⁱⁱ <http://innovationohio.org/2018/12/10/higher-education-new-report-sheds-light-on-post-secondary-challenges-facing-ohioans/>
 - ⁱⁱⁱ <http://innovationohio.org/wp-content/uploads/2019/04/Ohio-Higher-Ed-Budget-Recommendations-1.pdf>
 - ^{iv} <http://innovationohio.org/2018/12/10/higher-education-new-report-sheds-light-on-post-secondary-challenges-facing-ohioans/>
 - ^v <http://innovationohio.org/wp-content/uploads/2019/04/Ohio-Higher-Ed-Budget-Recommendations-1.pdf>
 - ^{vi} <https://www.newspapers.com/newspage/170430546/>
 - ^{viii} <https://www.policymattersohio.org/research-policy/quality-ohio/education-training/higher-education/ohio-promise-equitable-free-college>
 - ^{viii} <https://www.policymattersohio.org/research-policy/quality-ohio/education-training/higher-education/ohio-promise-equitable-free-college>
 - ^{ix} https://edtrust.org/wp-content/uploads/2013/10/PricedOutFINAL_2.pdf
 - ^x <https://www.prnewswire.com/news-releases/mdrc-showcases-lorain-county-community-colleges-sail-program-for-more-than-doubling-graduation-rates-in-three-years-300764150.html>
 - ^{xi} <http://innovationohio.org/wp-content/uploads/2019/04/Ohio-Higher-Ed-Budget-Recommendations-1.pdf>
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