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**BEFORE THE SENATE FINANCE COMMITTEE**

**SENATOR CHRIS WIDENER  
CHAIR**

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

**MAY 12, 2011**

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

**The Public Universities of Ohio**  
Bowling Green State University  
Cleveland State University  
Northeastern Ohio Universities Colleges of Medicine and Pharmacy  
Shawnee State University  
Youngstown State University

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

Chairman Widener and members of the Committee, good afternoon. Thank you for the opportunity to testify before you today on the provisions of Amended Substitute House Bill 153 that impact higher education. 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. Our purpose is to facilitate the development of common interests among members and to assist in sustaining and improving the quality of public higher education. The IUC values providing access to a high quality, affordable education and is committed to efficiency and productivity for the more than 333,000 students attending our member institutions.

The Governor and the General Assembly expect Ohio's colleges and universities to be a ready resource for the ongoing technical training and lifelong learning required for success in today's workplace. You also expect the work we do, including university research, to support the state's economic development efforts and pay dividends in the form of innovation for competitive advantage, high-skill, high-wage jobs, and economic activity. These are expectations we strive to meet every day. The critical role that higher education plays as a primary driver of the economy is recognized by this General Assembly and the Governor, and for that, I thank you.

Chancellor Petro testified in the Ohio House and earlier today that Ohio's public research universities should be encouraged to bring innovations to the marketplace and given more flexibility and freedom from state regulations. The IUC supports these proposals and looks forward to working with the Chancellor to further develop these key policy initiatives.

My testimony today will focus on three key points. First, that continued financial support for higher education by the state of Ohio is imperative if we are to meet the expectations I just identified. State support is necessary to help our universities sustain and improve the quality of public higher education in Ohio. Second, that unnecessary state regulation hampers the effective management of our public universities. Our institutions always have sought to be as efficient and productive as possible, and for the most part we are. But we can do better. There are many regulatory mandates in state law that hamper our ability to operate in the most efficient and cost-effective way possible. The IUC believes that additional flexibility and relief from these burdensome and often antiquated regulatory mandates is necessary to fully unleash the creative potential on each of our campuses. And third, that the House made several significant changes to the higher education provisions introduced as part of the Governor's executive budget.

The IUC understands that the state is facing unprecedented budget challenges. We also understand that business as usual is not an acceptable response. We probably understand this better than any other area of state government when you consider that this proposed budget eliminates all federal stimulus funding appropriated to the state share of instruction (SSI) line item in the Board of Regents budget – the primary source of operating funds for higher education. While this was not completely unexpected and Ohio's public universities planned for this cut as best they could, the cost is still high -- federal stimulus funding appropriated in the current biennium totaled over \$618.6 million – a significant amount of money. This money replaced state money from the previous biennium, and the state money was reallocated to other parts of the state budget.

This budget appears to increase subsidy funding for instruction, but, in the aggregate, it does not. The budget eliminates the entire federal stimulus SSI appropriation, and appropriates a little more state GRF money, just over \$119.4 million, to the state share of instruction line item, 235-501. If you look at just that one line item, 235-501, the state appropriation increases from \$3.36 billion in FY10-11 to \$3.48 billion in FY12-13. But let me be clear, while we are grateful for that increase of state GRF money, at the end of the day total operating funding available for the state share of instruction decreases by just over \$499.1 million, from \$3.98 billion in FY10-11 to \$3.48 billion in FY12-13, which represents a cut of over 12.5%.

Clearly, Ohio's public universities are facing their own budget gap – and it's a gap that's been growing for more than a decade. The state share of instruction as distributed on a per student basis has consistently declined for the last 11 years and we expect it will continue to do so into FY12-13. The state educational appropriation on a per FTE basis peaked in FY 2001 at \$7,195. By FY08, the appropriation was \$5,049 and in FY09, \$5,210 – the two years the Legislature appropriated additional state GRF funds to compensate for holding tuition flat for that biennium. In FY10, the state share totaled only \$4,293, an even more dramatic drop.

Going back to the FY08-09 budget, there was a “compact” in that budget that served to underscore the bottom-line reality that the ability of Ohio's universities to keep tuition flat is tied directly to adequate levels of state SSI funding. The relationship was recognized again in the FY10-11 budget. That budget provided funding for operating costs but not to the extent of previous years. To help make up this difference, Ohio's public universities were authorized to increase tuition at main university campuses by no more than 3.5 percent in each academic year. And now, for FY12-13, the proposed budget has been reduced again and caps of no more than 3.5 percent in each academic year have been imposed. With these additional reductions to the SSI and with tuition caps set at the same point, Ohio's public universities will be hard pressed to maintain the quality programs students in Ohio deserve.

But why is this important? I would argue because a university education pays big dividends. It develops talent, maximizes human potential, builds competitive advantage, creates economic opportunity, and supports economic development. On average, a university graduate will earn about \$1 million more than a high school graduate over a lifetime. Consider that the median earnings of a person with an associate's degree are approximately \$42,000 and the median earnings of a worker with a bachelor's degree are \$55,700. It only increases from there – earnings for a master's degree are \$67,300, for a doctoral degree \$91,900, and a professional degree over \$100,000. It's also projected that 60% or more of all new jobs created during the coming decade will require some postsecondary education, and the unemployment rate for university graduates is consistently about half the unemployment rate for high school graduates – 4.8% compared to 9.8% in 2010. These statistics show that investing in Ohio's public universities will generate a positive return.

The IUC believes it is the responsibility of each institution's Board of Trustees to determine and set tuition rates based on market forces at the local level. It is also the Board of Trustees responsibility to meet the educational expectations of its institution's student population. Our universities recognize that, in the current economic recession, the state lacks sufficient revenues to provide SSI funding at a level that would pay for freezing tuition again in both years of the upcoming biennium. We believe the answer is to give university trustees, rather than the state, the flexibility to raise tuition modestly to reflect their unique institutional missions and the specific markets they serve – coupled with a pledge to keep the price of a university education affordable. Trustees are in the best position to understand the market and pricing factors that must be considered in operating the institution.

Tuition flexibility will allow universities to set tuition policies that address both affordability and quality. It is imperative that the state continues to invest in quality – because quality is the key to attracting the best and brightest students, instructors, and researchers. We agree with Chancellor Petro's testimony regarding excellence. He said he wants to create a core of world class universities, a premier system that encourages greatness through freedom. Just this past week, Sandy Pianalto, President of the Federal Reserve Bank of Cleveland, stated in her speech in Cincinnati that one of the key economic development strategies for Ohio should be the development of world class research universities. Unfortunately in this budget, we now are expected to achieve this level of excellence with fewer state dollars and only marginally higher student tuition dollars. A one-size-fits-all tuition policy is unnecessarily restrictive and fails to reflect widely varying demands for university programs and services across the state. Tuition flexibility is a practical alternative that would allow each university to address affordability and quality – both of which are critical to Ohio's ability to achieve its ambitious goals for increasing the number of Ohioans who attend college and earn a degree.

And now to my second point, that unnecessary state regulation hampers the effective management of our state universities. Before I speak to that issue, however, I need to thank the members of the General Assembly who supported collective bargaining reform. In the context of the state's current budget crisis, freeing us from this excessive regulation will only enhance the public university's ability to fully and most efficiently utilize the scarce operating resources that we anticipate will be available next biennium. It is for this same reason that the IUC is seeking relief in other areas as well.

To unleash the full creative potential on our university campuses, we need additional operational flexibility through the elimination or modification of a range of unnecessarily burdensome regulations in areas such as human resources, facilities and construction, and purchasing. In particular, the IUC supports the concept of additional reform to Ohio's construction laws as proposed by the Governor, and then adopted by the House in Am. Sub. H.B. 153. The legislation eliminates the requirement that the multiple-prime contracting method be used by public universities and gives us the authority to choose that method or one of several alternative methods of construction delivery established by the bill, including construction manager at risk and design build – two methods available in the private sector. A change in state law as simple as this will afford public universities significant savings. We appreciate the flexibility this Administration seeks to provide us and the relief from a mandate in state law that is over 130 years old. We believe that this is a positive action the General Assembly can take to enable universities to operate more efficiently and effectively, and in a more fiscally prudent manner.

As positive as the language in the budget is on relief from regulatory mandates, it is a concern to the IUC that this budget, as proposed, contemplated intrusive government involvement in the management of academic affairs on campus, in particular – faculty workload policy and the three year completion period for baccalaureate degrees. The House of Representatives agreed with our perspective and amended the bill to delete the faculty workload provisions and modify the three year baccalaureate provisions.

The IUC believes the notion of Charter, or Enterprise, Universities is one way regulatory reform could be accomplished. To that end, the IUC has identified four principles that should guide any discussion of this issue. First, enterprise universities must remain completely committed to the people of Ohio and to the policy goals established in consultation with our elected officials. Second, all universities should be eligible to participate. Third, some state regulations and legal protection provide assistance to state universities and should be retained. Fourth, the IUC is committed to attaining state goals and individual efficiency through collaboration.

Finally, the House made changes to provisions in the budget impacting other higher education priorities identified by the IUC member institutions. One provision, in particular, is critical to providing a quality educational experience for the student. That program is the Ohio College Opportunity Grant Program (OCOG) which goes right to the heart of the affordability issue by providing need based assistance to Ohio students who may be facing tough economic times of their own.

Introduced in the 2006-2007 academic year, the OCOG program is Ohio's primary need-based financial aid source for students attending a college or university in Ohio. It is based on expected family contribution and is available to eligible students enrolled part- or full-time. In the current biennium, the ability for the grant to take into account the amount of a Pell grant award means university students eligible for federal and financial state aid will have more assistance available for tuition and fees, resulting in a lower loan burden. The as introduced FY12-13 budget funded OCOG at \$78.2 million in each fiscal year and earmarked \$37 million in each fiscal year for public institutions of higher education with the remaining \$41 million to be used by the chancellor to award need-based financial aid to students enrolled in private nonprofit institutions of higher education. The program was amended in the House to include private, for-profit colleges. This action further diluted the funds available for awards to public university students. At the IUC's request, additional funding was appropriated for this program to restore funding levels to the as introduced version of the bill.

Overall, Mr. Chairman and members of the committee, the state budget on higher education does not provide the necessary flexibility to ensure that there will not be unacceptable compromises to educational quality during the next biennium. And there are provisions that reduce restrictions on the operation of state universities like construction reform that we strongly support. These are changes that will move us forward to a better future. These are changes that will help us build an environment that encourages and rewards creativity, an environment that promotes productivity, and an environment that fosters efficiency. Would we like to see additional state support? Yes, and I would suggest that Ohio can do better. In fact, Ohio has historically underfunded Higher Education, and this budget will not correct this historical fact. But through tuition relief, regulatory reform, and additional autonomy, Ohio's public universities will step up with the energy and enthusiasm that this time in our history demands. We will confront the state's challenges head on and work with you to develop the world-class talent that attracts jobs, builds our innovation capacity, and strengthens our ability to compete globally. We look forward to your support of Ohio's public universities in that role.

Thank you again, Mr. Chairman and members of the committee. I would be happy to answer any questions.

