
College Affordability in Ohio

A Status Report

September 2016



In 2011, Cleveland Mayor Frank Jackson established the Higher Education Compact of Greater Cleveland (the Compact) to increase the number of Cleveland residents with a postsecondary degree. Since its establishment, the Compact has worked in partnership with the Cleveland Metropolitan School District (CMSD), local colleges and universities and community organizations to improve student readiness for college, increase enrollment and accelerate degree completion among CMSD students.

These efforts – in conjunction with the implementation of the Cleveland Plan for Transforming Schools – have increased the number of high school students academically prepared for college and interested in earning a postsecondary degree. However, postsecondary enrollment among Cleveland students follows the national and statewide trend of decline.

In October 2015, the Compact convened a meeting of its Partnership Council to discuss this challenge. Attendees – consisting of college and university presidents – discussed the reality that even though Cleveland high school graduates are more academically prepared, larger numbers are struggling to find ways to finance their degree. Our peer organizations across the state face a similar situation. The Council asked Compact staff to produce a research brief on college costs in Ohio.

This paper is offered as a conversation starter as we more closely examine college affordability in Ohio and ways to support low and middle income students who aspire to earn a postsecondary degree. We hope it will spur both conversation and action.

Introduction

Never before has earning a postsecondary degree or credential been so important for individuals and communities. According to the Ohio Department of Higher Education, at least 64 percent of jobs will require a postsecondary credential or degree by 2020. To match anticipated demand, Ohio has set a goal to produce an estimated 1.7 million more adults with relevant, high-quality postsecondary certificates or degrees by 2025.

Even though Ohio's policymakers have taken steps to increase college enrollment and accelerate time to degree completion, Ohio ranks in the bottom third of all states in educational attainment. Only 37 percent of Ohioans have an associate's, bachelor's, advanced or professional degree, which places the State of Ohio in the bottom third of all states on educational attainment. When disaggregated by race, ethnicity and income levels, attainment rates are even more alarming – only 25 percent of African Americans and 24 percent of Hispanics in Ohio have a postsecondary degree, and nationally only 26 percent of high-achieving, low-income students graduate from college with a degree.

A key factor correlated to Ohio's disappointing educational attainment data is the affordability of college. The 2016 Affordability Diagnosis, a report published by researchers at the Penn Graduate School of Education and Vanderbilt University's Peabody College, ranks Ohio as the 45th least affordable state to attend college. While all states are less affordable now than they were in 2008, Ohio's ranking serves as concrete evidence that Ohio does not have sufficient policies aimed at increasing enrollment and degree completion. More must be done to put college within reach for all recent high school graduates and adults interested in earning a degree, regardless of family income, race, or ethnicity.

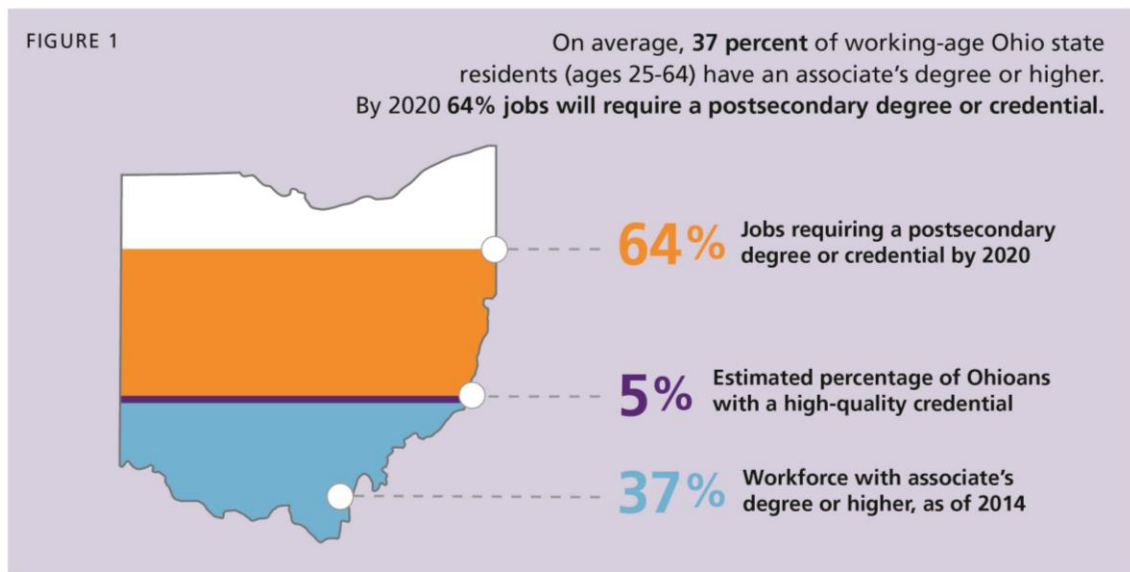
The economic impact on our state will be crippling if affordability of higher education is not comprehensively addressed. Significant action is needed now.

The State of Educational Attainment in Ohio

Education Matters

In no other time in history has higher education mattered more. Higher education attainment leads to larger salaries, reduced unemployment rates, greater health status, and higher rates of productivity¹. More employers are demanding college degrees or postsecondary credentials and this demand will grow exponentially over the next several decades.

By 2020, 64 percent of jobs in Ohio will require some sort of postsecondary degree or relevant, high-quality credential (figure 1).



Adapted from the College Affordability Diagnosis: Ohio, p 1. (2016). Institute for Research on Higher Education.

To meet this challenge, Ohio has set a postsecondary attainment goal of 65 percent by 2025, which translates to an increase of 1.7 million more degrees or credentials².

Ohio Not Keeping Pace

Ohio lags behind the nation and its peer states on key educational attainment indicators. Only 37 percent of Ohioans have an associate's, bachelor's or advanced or professional degree. Broken down further, nine percent of Ohioans have an associate's degree, 18 percent have a bachelor's degree, and 10 percent have an advanced or professional degree. An estimated five percent of Ohioans have a high-quality credential³. Twenty-three percent of adults have some college but no degree, similar to national averages⁴.

¹ It's Not Just The Money: The Benefits Of College Education To Individuals And To Society. (2015). Lumina Foundation.

² Case for Ohio Attainment Goal 2025. (2016). Ohio Department of Higher Education.

³ College Affordability Diagnosis. (2016). Institute for Research on Higher Education.

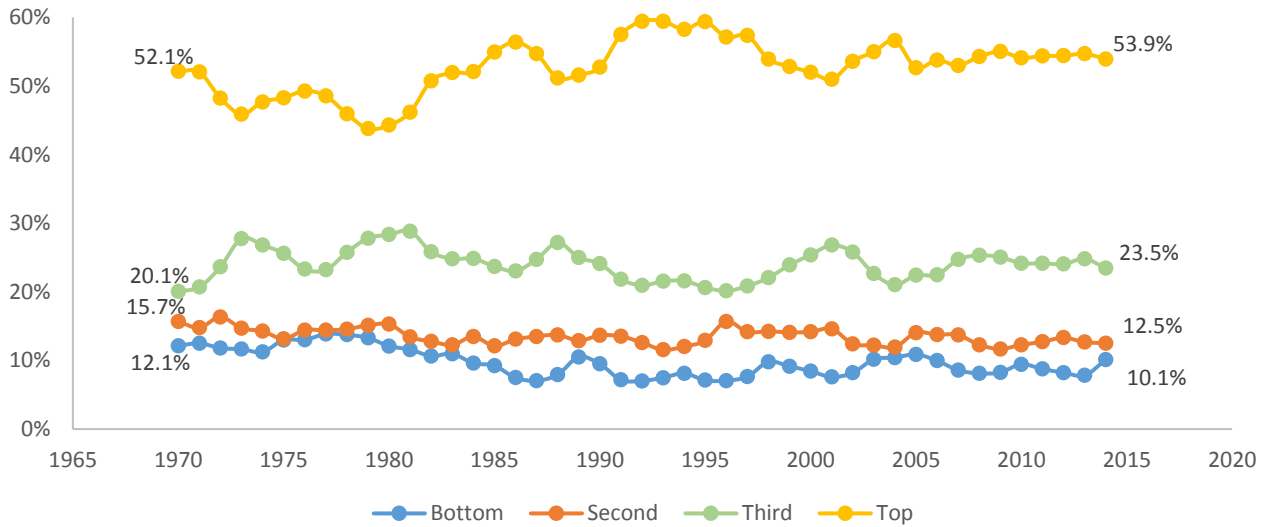
⁴ Blocking the College Door: Cuts to financial aid lock Ohio students out. (2014). Policy Matters Ohio.

These figures put Ohio in the bottom third of all states (rank 36 out of 50) in total educational attainment. More importantly, Ohio is not keeping pace with its Midwestern peers, a critical comparative group based on economic competitiveness. Ohio ranks sixth out of seven Midwestern states on associate’s degree attainment and higher for adults ages 25-64⁵ and fifth out of those same seven states on associate’s degree attainment and higher for adults ages 25-34⁶.

Attainment Gaps Persist

Not surprisingly, there are significant attainment gaps in the U.S. and in Ohio based on income, race and ethnicity. Fifty-four percent of individuals from families from the top income level obtained a bachelor degree by age 24 as compared to only 10 percent of individuals from the lowest income level⁷. As figure 2 below illustrates, this gap has remained consistent over the past 45 years. And lest one think this disparity has to do with merit, that is not the case. Low-performing, high-income students are more likely to earn a college degree than high-achieving poor students⁸.

Figure 2: Distribution of Bachelor's Degrees Attained by Age 24 by Dependent Family Members by Family Income Quartile: 1970-2014



Note. Adapted from Indicators of Higher Education Equity in the United States, p.1. (2016). Pell Institute.

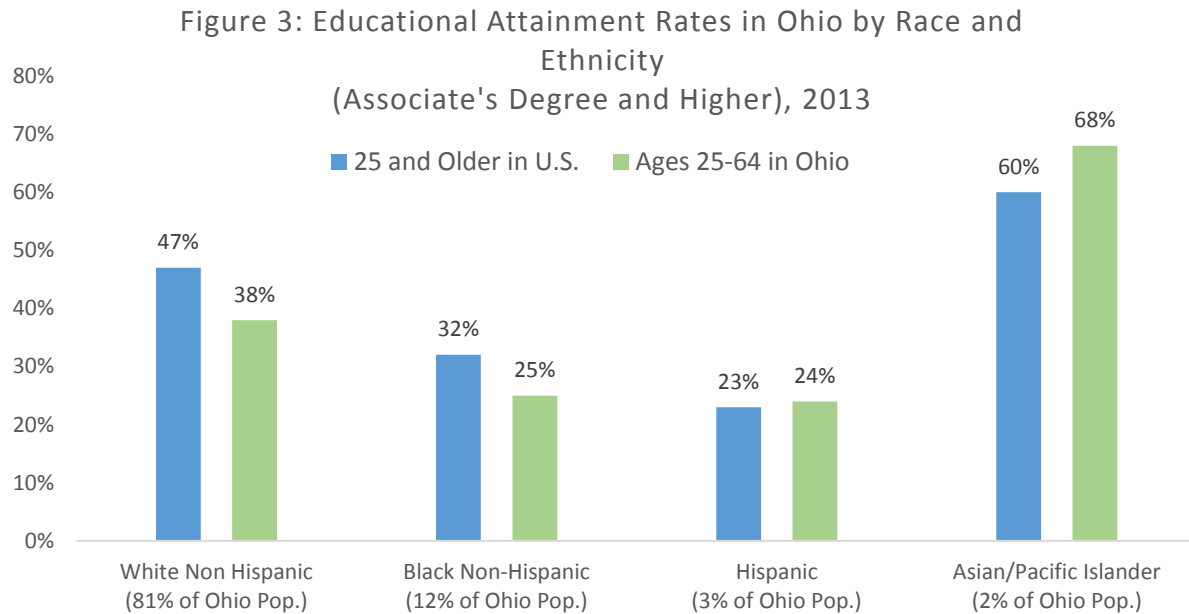
⁵ 37% of Ohioans (25-64) have associate’s degree or higher compared to Iowa (43%), Illinois (42%) Michigan (38%), New York (45%) and Pennsylvania (40%). Indiana (34%) has a smaller percent. National Information Center for Higher Education Policymaking and Analysis. (2014).

⁶ 40% of Ohioans (25-64) have associate’s degree or higher compared to Iowa (51%), Illinois (47%) New York (51%) and Pennsylvania (46%). Indiana (38%) and Michigan (38%) have a smaller percent. National Information Center for Higher Education Policymaking and Analysis. (2014).

⁷ Indicators of Higher Education Equity in the United States. (2016). Pell Institute.

⁸ Beyond Financial Aid. (2015). Lumina Foundation.

In Ohio, as in the rest of the nation, higher educational attainment gaps based on race and ethnicity are pronounced (figure 3).



Note. Adapted from A Stronger Nation Ohio Brief. (2016). Lumina Foundation.

Current Efforts Not Having Desired Impact

In recent years, Ohio policymakers have taken direct action to increase enrollment and completion rates. Examples include:

- The Complete College Ohio initiative which was convened by the Ohio Department of Higher Education to keep a priority on increasing degree attainment. Work includes local/regional taskforces, publishing reports and implementing best practices aimed at accelerating degree attainment.
- College Credit Plus, which allows high school students to earn college-level credits and puts them on an accelerated path to degree completion. The program has preliminary results surpassing previous participation in post-secondary enrollment options programs.
- The successful effort to change the funding formula for colleges and universities from enrollment-based to performance-based as measured by course and degree completion⁹.
- Local initiatives like the Summit Education Initiative (Akron, Summit County), the Higher Education Compact (Cleveland), Strive Partnership (Cincinnati), the Central Ohio Compact (Columbus) and Learn to Earn (Dayton) have organized to increase postsecondary attainment in their cities. These efforts utilize a collective impact model aligning the local school district, higher education, community partners and local funders to work together toward common college access and completion goals. Results of these community-wide efforts have been promising with increases in high school graduation rates and college persistence rates.

⁹Ohio House Passes Higher Education Portion of MB.R. (2014). The Ohio House of Representatives.

Despite state and local efforts, college enrollment is moving in the wrong direction. Overall, the number of college-going Ohioans declined in 2015 by one percent and has steadily declined for low-income students over the past five years. Furthermore, Ohio expects a decline of seven percent in the number of students that graduate high school from 2020-2028 leading to a smaller pool of candidates for college enrollment.

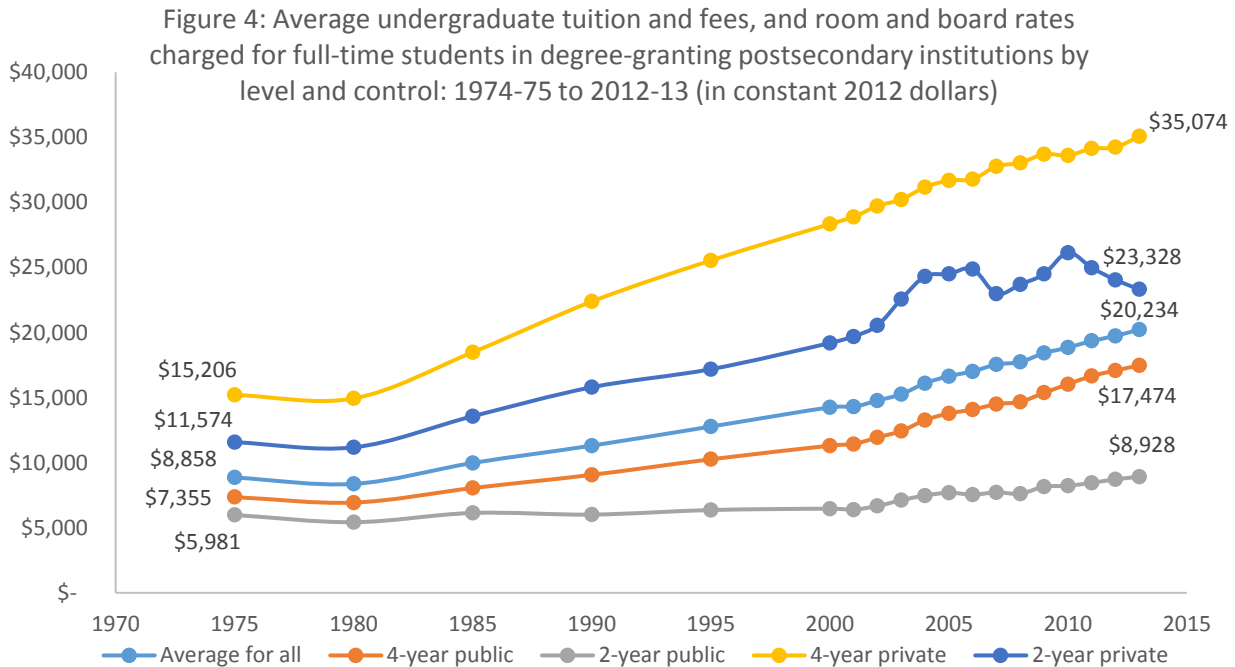
In order to reach the 2025 goal of 65% credential or degree attainment, more Ohioans, particularly those from low and middle-income families, must enroll and complete degrees.

College Affordability Must Be Addressed

College affordability — defined as the cost of tuition and living expenses minus all financial aid as a percentage of family income — is worse than ever before. According to 2016 *College Affordability Diagnosis*, college in all 50 states is less affordable now than it was in 2008. There are two factors that account for this: rising costs and a relative decline in student aid.

Rising College Costs

Over the last forty years (figure 4), average total cost (including tuition, mandatory fees, room, board and books) has grown steadily (accounting for inflation) for all types of postsecondary institutions. Specifically, the average total cost increased 130 percent at four-year private institutions, 140 percent at four-year public institutions and 50 percent at two-year public institutions since 1974-75.



Note. Adapted from Indicators of Higher Education Equity in the United States, p 42. (2016). Pell Institute.

In Ohio in 2015–16, the average tuition and fees at a four-year public institution was 11.5 percent higher than the national average while community college tuition was 14.5 percent higher than the national average.

Ohio's relatively high college costs stem, in part, from the state's relatively low expenditures on higher education: just seven percent of the state and federal expenditures are spent on higher education¹⁰. On average, other states spend ten percent of their total budget on higher education¹¹.

For many years, Ohio's public institutions compensated for low state support by increasing tuition. From 1996 to 2006, tuition at Ohio's public universities rose an average of nine percent a year¹². In 2006, tuition at Ohio's four-year institutions was 47 percent higher than the national average. Such increases have a negative impact - an annual increase of \$1,000 in the price of higher education translates into a 3 percent decline in enrollment¹³.

The General Assembly began addressing rising tuition directly in 2009 by more stringently capping tuition and fee increases at public institutions, keeping student costs relatively flat over five years. In the FY 16- 17 biennium budget, the General Assembly included a tuition and fee freeze at public two-year institutions and four-year institutions. In 2015 Governor John Kasich's budget request included a requirement that public colleges reduce the cost of a earning a degree by five percent, a request that was approved by the General Assembly.

To further counter these tuition increases, some larger colleges and universities have taken direct steps to increase the size of need-based institution aid grants for low-income students. This is especially true at private institutions that depend on much less state funding and are often able to raise more resources to be passed directly on to students.

These statewide efforts, while somewhat effective at slowing Ohio's skyrocketing tuition costs, have not fully addressed the dismal financial aid picture and have done little to shift the cost burden away from students and their families. Further, such institutional reforms are not universally found at Ohio's 85 postsecondary institutions. Higher education in Ohio remains unaffordable and out of reach for many Ohioans.

Declining Financial Aid

Federal Level

Since 1972, the Pell Grant has served as the primary source of federal support for needy students. It has helped more than 60 million low- and middle-income students pursue a postsecondary degree including 9.8 million students today¹⁴. The Pell Grant remains the federal government's largest need-based aid program. In spite of the Great Recession of 2008, the Pell Grant allocation grew from \$16.8 billion in FY 2008 to \$30.3 billion in FY 2015. In 2015–16, the average Pell grant was \$3,700 while the maximum Pell grant was \$5,735¹⁵.

¹⁰ Budget in Brief. (2015). Ohio Legislative Services Commission.

¹¹ State Expenditures Report. (2015). The National Association of State Budget Officers.

¹² Tuition caps at Ohio colleges rein in fee hikes. (2012). Columbus Dispatch.

¹³ College Affordability Diagnosis. (2016). Institute for Research on Higher Education.

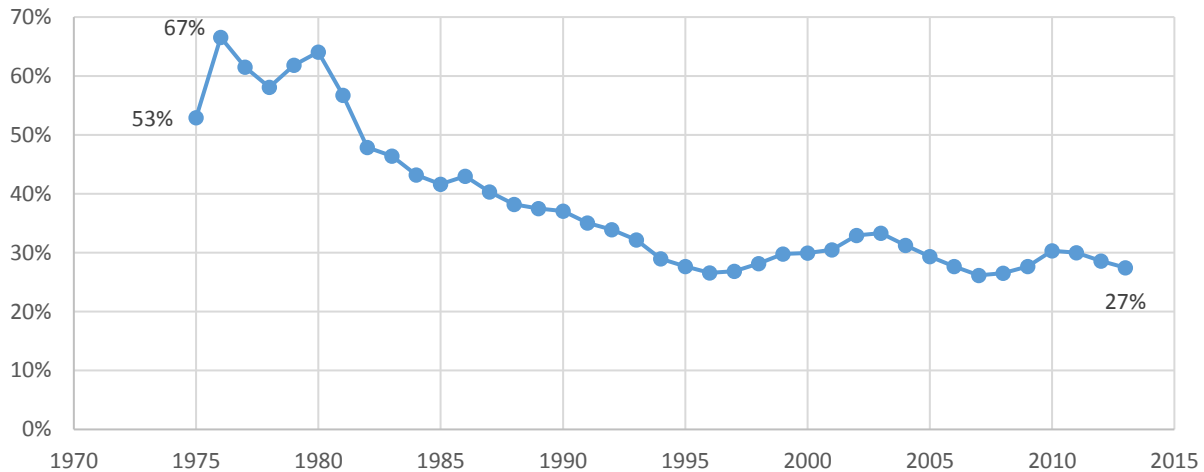
¹⁴ Reflections on Pell. (2013). The Pell Institute.

¹⁵ Pell Grants: Total Expenditures, Maximum and Average Grant, and Number of Recipients over Time. (2014). College Board.

Despite these increases, the purchasing power of the Pell Grant has actually decreased as the cost of tuition continues to outpace inflation.

In 1975–76 the Pell Grant covered 67 percent of tuition. Comparatively, in 2012–13, it covered only 27 percent: a decline of 40 percentage points (figure 5). Breaking it down by institution type, in 1979 the Pell Grant covered 77 percent of the cost of a four-year public institution and 36 percent of the cost of a four-year private institution; in 2013, the Pell Grant covered 31 percent of tuition at a four-year public institution and 14 percent of tuition at a four-year private institution¹⁶.

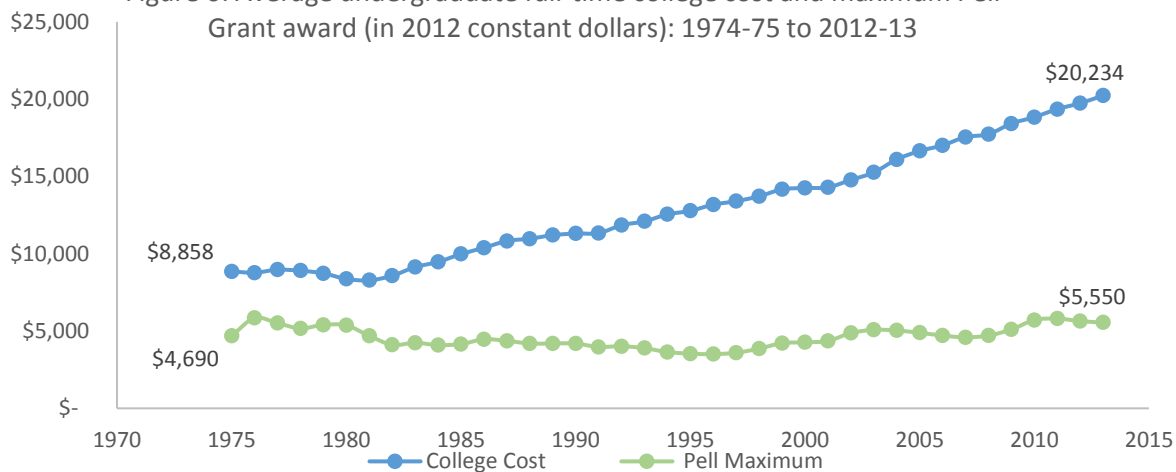
Figure 5: Percent of average college cost covered by maximum Pell Grant 1974-75 to 2012-13



Note. Adapted from Indicators of Higher Education Equity in the United States, p 45. (2016). Pell Institute.

To understand the enormity of this decline in coverage, in today’s dollars, the Pell Grant would have to amount to \$13,557 in order to cover two-thirds of tuition for which it was originally intended (figure 6).

Figure 6: Average undergraduate full-time college cost and maximum Pell Grant award (in 2012 constant dollars): 1974-75 to 2012-13



Note. Adapted from Indicators of Higher Education Equity in the United States, p 42. (2016). Pell Institute.

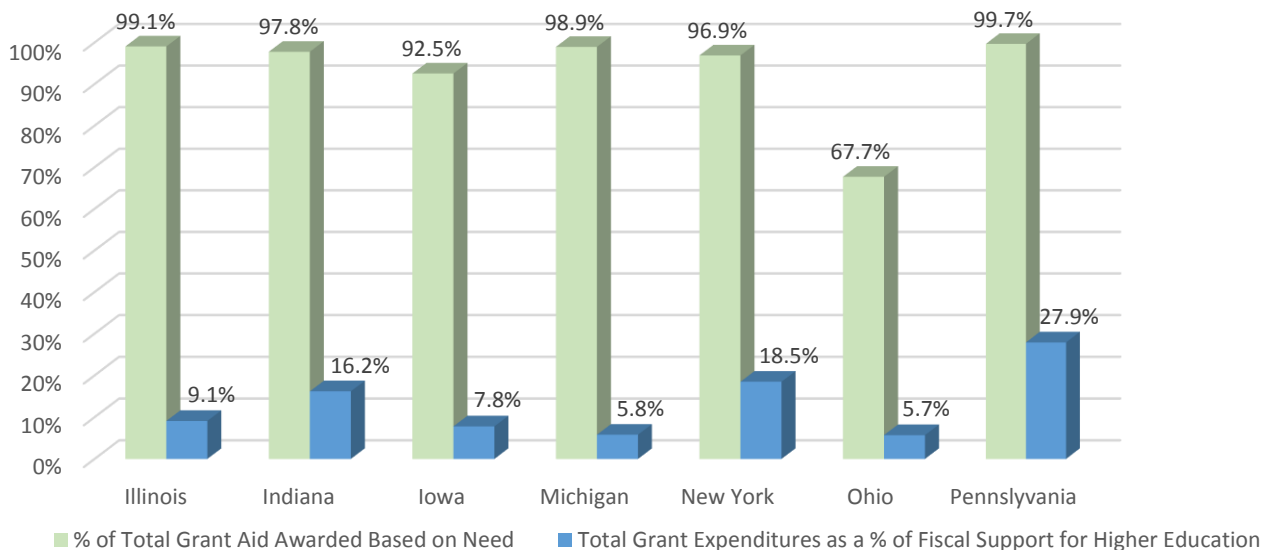
¹⁶ College Affordability, Upfront. (2014). Inside Higher Ed.

Unfortunately, further changes to the Pell Grant in 2011 and 2012 drastically limited eligibility for students¹⁷. This included eliminating the summer Pell Grant and lowering the income threshold to qualify for the maximum Pell Grant from \$30,000 to \$23,000¹⁸. In 2015-16 the income threshold to qualify for the maximum Pell Grant was \$24,000¹⁹.

State Level

As stated earlier, only seven percent of Ohio’s budget is spent on higher education. Of this total allocation, Ohio directs only 5.7 percent of this funding to need- and merit-based financial aid grants (figure 7). Only two-thirds of these dollars are allocated to students based on need, the lowest percentage in the Midwest.

Figure 7: Allocations of Grants to Students Based On Need, 2013-14



Note. Adapted from NASSGAP Survey Report 13-14, p 5, p 25. (2014). National Association of State Student Grant and Aid Programs

Ohio’s only current need-based aid program is the Ohio College Opportunity Grant (OCOG). This grant was established in 2006 when the Ohio Instructional Grant and part-time aid programs were phased out. The grant began as the gold standard for need-based aid, but funding for the program was drastically reduced from \$223 million in 2007–08 to \$69 million in 2011–12²⁰. While funding has slowly increased since 2009, current appropriations are only at 60 percent of what OCOG was at its peak in 2007–08²¹ (figure 8).

Recent eligibility requirements further restrict OCOG use, making the grant significantly less flexible and accessible to students. These restrictions include banning its use at community colleges and earmarking OCOG funds based on school type (i.e., \$2,832 at private institutions; \$1,416 at four-year public institutions; \$1,056 at proprietary institutions; and available only for summer term at community colleges)²².

¹⁷ Pell Grant Eligibility Changes. (2011). American Association of Community Colleges.

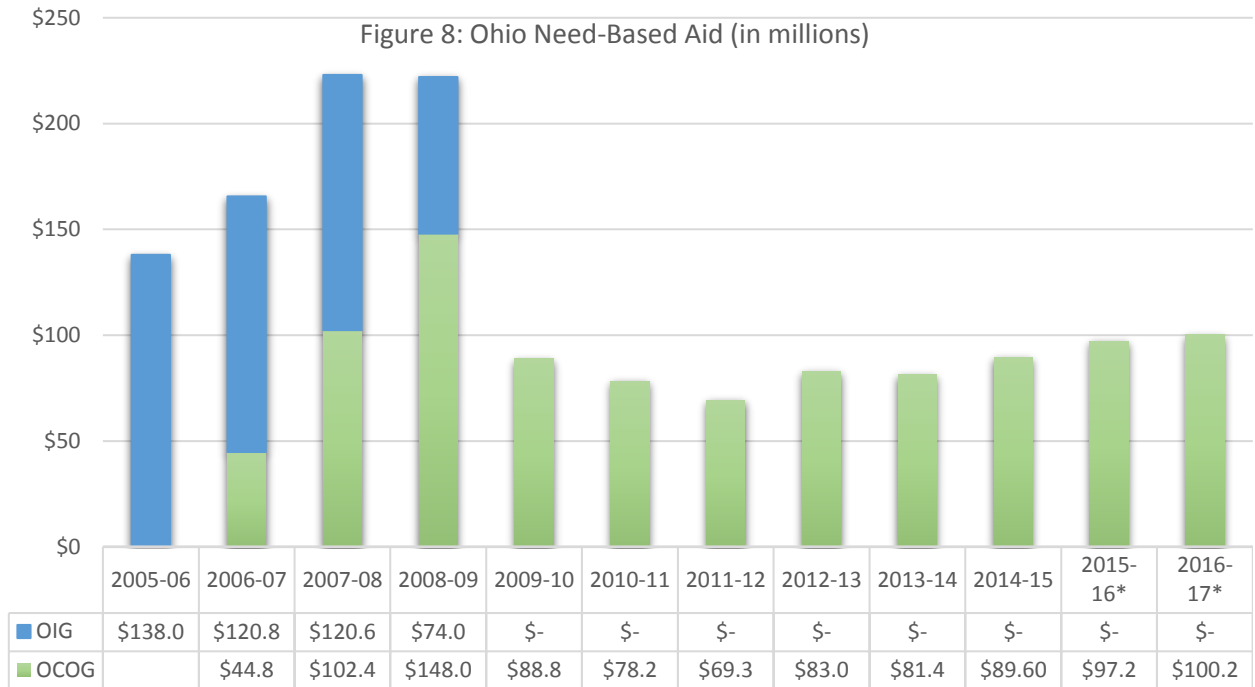
¹⁸ Need-Based Financial Aid: A tool for supporting Ohio’s education and workforce goals. (2013). Community Research Partners.

¹⁹ The EFC Formula 15-16. (2016). <https://ifap.ed.gov/efcformulaguide/attachments/090214EFCFormulaGuide1516.pdf>.

²⁰ NASSGAP Survey Report 13-14, p 9. (2014). National Association of State Student Grant and Aid Programs.

²¹ Catalog of Budget Line Items. (2015). Ohio Legislative Services Commission.

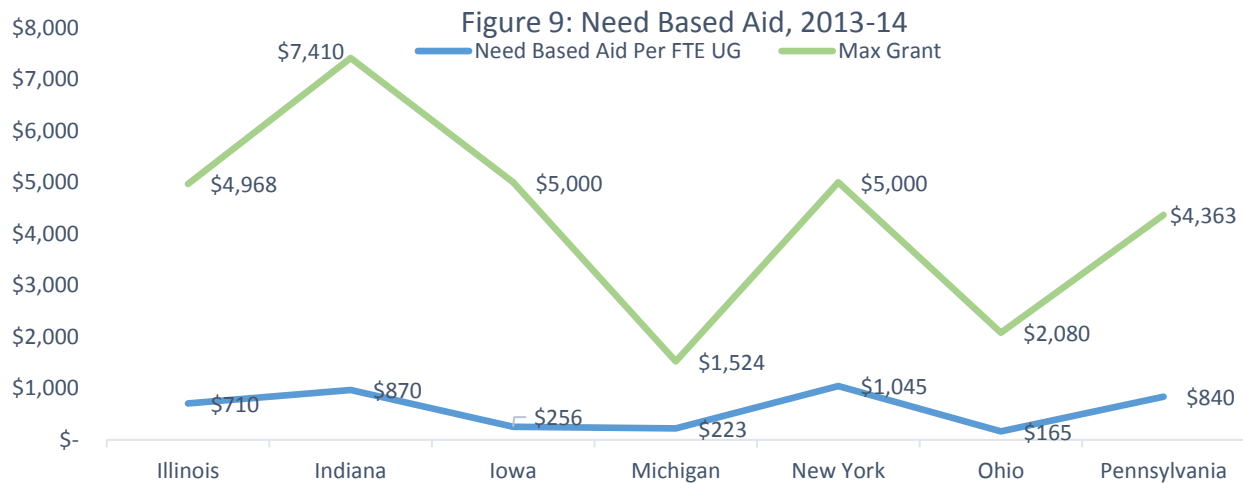
²² National College Access Network. (2016).



OIG Includes Ohio Instructional Grant and the Part-time Student Instructional Grant, which were phased out beginning in 2005-06. OCOG refers to the Ohio College Opportunity Grant.

Note. Adapted from Catalog of Budget Line Items. (2010, 2013, 2015). Ohio Legislative Services Commission. Not adjusted for inflation.

Based on the state’s low investment in higher education and need-based aid, in 2013–14, Ohio ranked last in the Midwest on the availability of need-based aid per full-time student with a paltry \$165 per student (figure 9).

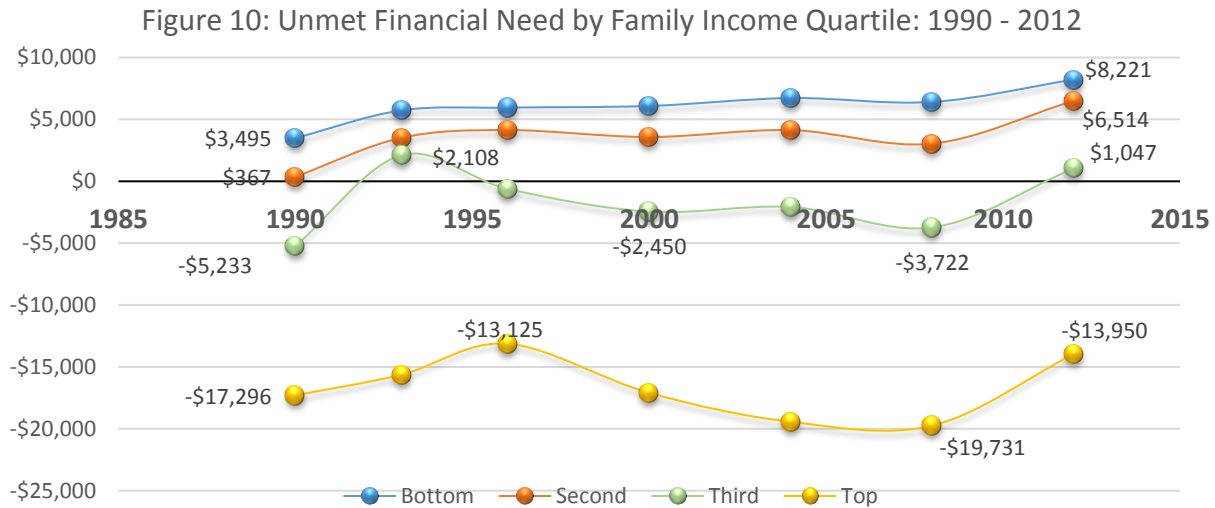


Note. Adapted from NASSGAP Survey Report 13-14, p 23, p 19. (2014). National Association of State Student Grant and Aid Programs.

Ohio Ranks 45 Out of 50 States for College Affordability

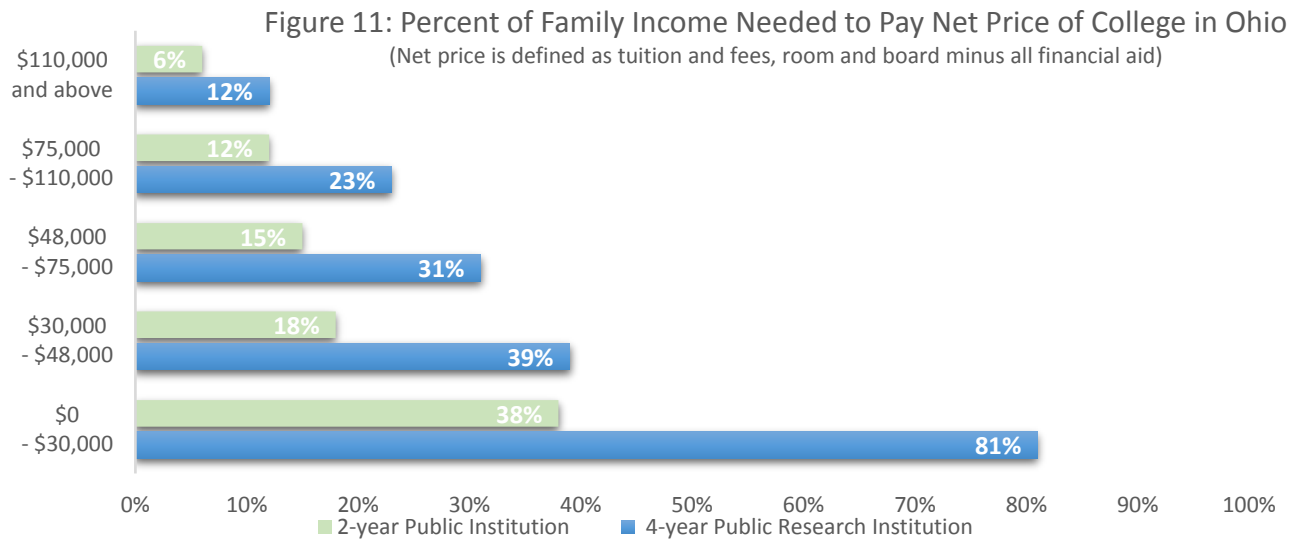
The rising costs of college coupled with the decline in financial aid has resulted in an alarming growth in unmet financial need for Ohio’s low- and middle-income families. In fact, Ohio ranked 45th for affordability (50 being the least affordable)²³. Ohioans spend an enormous percent of family income to pay for college while the availability of state need based aid is among the lowest in the nation.

The national average unmet financial need more than doubled between 1990 and 2012 (in constant 2012 dollars) for dependent full-time undergraduates in the lowest family income quartile, highlighting the enormous burden on low and middle income families (figure 10).



Note. Adapted from Indicators of Higher Education Equity in the United States, p 51. (2016). Pell Institute.

In Ohio, paying for college requires a larger percent of family income than it did before the recession—especially for low- and middle-income families—making it incredibly difficult for students to attend college and graduate with a degree (figure 11).



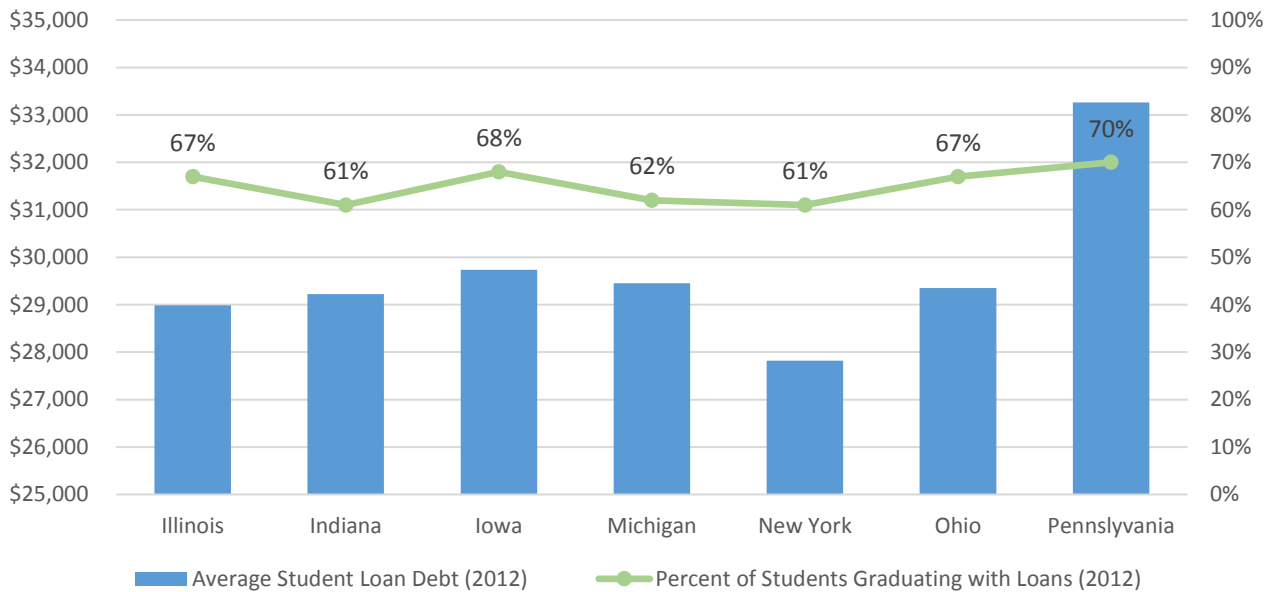
Note. Adapted from College Affordability Diagnosis: Ohio, p 3. (2016). Institute for Research on Higher Education.

²³College Affordability Diagnosis: Ohio. (2016). Institute for Research on Higher Education.

At four-year public research institution in Ohio, after federal, state and institutional aid, students would have to work on average, 48 hours per week, at federal minimum wage, to pay for college expenses and attend full time. Similarly, students would have to work 28 hours per week, on average, at federal minimum wage, after all federal, state and institutional aid to pay for college expenses to attend a public two-year institution full time.

The high cost of tuition, low grant allocations and grant usage restrictions mean that Ohio students must pay more out of pocket to complete their degrees and are, therefore, more likely to depend on public and private student loans to support their degree completion. Ohio ranks twelfth highest in the nation for students taking loans. Ohioans who borrow also graduate with the eleventh largest debt load: an average of \$29,353 (figure 12). These debt levels have severe economic consequences. Loan debt can lead individuals to postpone major life events like marriage, home buying and car buying while also influencing more minor financial decisions.²⁴ More significant, the higher than average cost means that Ohio’s students are more likely to work extra hours, take fewer classes or take out additional student loans, in order to stay enrolled. This leads to part-time enrollment and loan default resulting in lower likelihood of degree attainment.

Figure 12: Percent of Students Graduating with Loans, and Average Loan Debt 2012



Note. Adapted from Project on Student Debt. (2014). The Institute for College Access and Success.

As institutions continue to find ways to decrease costs, the State of Ohio must invest more in need-based aid to ensure all students— regardless of socioeconomic status, race or ethnicity— have an opportunity to enroll and succeed in postsecondary education.

²⁴ Millennials' Student Debt Means Postponing Life Events Like Marriage, Home Buying. (2015). International Business Times.