

TESTIMONY

**of University of Cincinnati President
Nancy Zimpher**

&

**Lorain County Community College President
Roy Church**

**before the House Finance & Appropriations
Higher Education Subcommittee**

Ohio's Return on Educational Investment

March 8, 2005



Chairman Webster, members of the subcommittee, thank you for the opportunity to testify again today. On behalf of the higher education community in Ohio, I also want to acknowledge the participation of the following people in developing our proposal: Andy Doehrel of the Ohio Chamber of Commerce; Rich Stoff of the Ohio Business Roundtable, Ohio Board of Regents Chancellor Rod Chu, and Inter-University Council of Ohio Chair Luiz Proenza. I am joined once again by my colleague Roy Church, president of Lorain County Community College and ranking president of the Ohio Association of Community Colleges. As you can see, the community colleges and the universities are working well together.

It's not news that Ohio has been experiencing an economic freefall for decades. What *is* news is that my colleagues and I are here today to present a sound solution that will increase Ohio's talent pool and ensure Ohio's economic recovery. It is built on a partnership among the Ohio Board of Regents, Ohio's 2- and 4-year colleges and universities, and the State of Ohio.

I hope our plan tonight is one that the State of Ohio will embrace – because without it, we will be doomed to more of the same – continuing economic struggles and a downward spiral.

I know you are well aware of some of the alarms that have been sounding. One of the latest examples is the recent Ohio Chamber of Commerce report, "Benchmarking Ohio's Economic Competitiveness," which points to our state's major strengths and weaknesses.

It reports that historically, yes, Ohio has been blessed by a prominent location where the East meets the Midwest, and the north meets the south. It has enjoyed great assets that turned our state into a prosperous seat of manufacturing. But the national and global economies have changed, and Ohio has not been at the top of the game lately.

To put our state back into the game, my colleagues in higher education and I offer a proposal to grow the state's income, enhance the talent pool, grow jobs and encourage new business growth.

Decades of data show that when you compare Ohio's per capita income to the national average, our per capita income has paralleled the percentage of population with a bachelor's degree. There is a clear and undeniable relationship between our state's per capita income and our educational attainment. Ohio once enjoyed a per capita income above the national average. As it has fallen, so has our baccalaureate degree attainment in relation to the national average. In fact, Ohio stands at a dismal point – No. 42 in bachelor's attainment among those age 25 and older (Institute for Higher Education Policy, *"The Investment Payoff"*).

If we want to find our way out of these doldrums, we offer a solution – a plan, which we call Ohio's Return on Educational Investment.



Our proposal involves a partnership, central to a comprehensive plan for Ohio's economic recovery. That recovery is built on a three-legged stool. This 3-pronged approach calls for:

- a. tax and Medicaid reform to free up funding for better investments;
- b. growth in the talent pool;
- c. creating and maintaining new jobs and business opportunities.

Take away any of these legs and the proposal collapses. You will undoubtedly recognize here some of the ideas echo Gov. Taft's proposed new budget.

Our plan begs the question: Where can the state make an impact and begin economic recovery? Since 1996, our state spending on corrections has increased by 31 percent in inflation-adjusted dollars. In contrast, state funding for higher education students has declined 14 percent.

Now, I cannot begin to understand the pressures on you and your predecessors to spend money on prisons and corrections. We all lament that spending growth. But I do know that decisions relative to higher education can make a difference with regard to progress for Ohio's economy.

Higher Education's Role in Economic Recovery

- ✓ Continued annual economic impact
- ✓✓ Increased inventions and new business growth
- ✓✓✓ Admission, retention and graduation of more talent

Source:

Building on Knowledge, Investing in People
Higher Education and the Future of Ohio's Economy

At the heart of our plan is a transaction, a covenant. What the state invests in higher education will bring a return on investment through:

- an enhanced tax revenue stream;
- increased inventions and emerging new businesses;

- plus the admission, retention and graduation of more talent – the kind of graduates needed for a new economy.

This is not a formula we invented in isolation or out of thin air. It's rooted in our state's own Commission on Higher Education and the Economy (CHEE). The CHEE vision is that "Ohio will achieve higher education's full potential to create more and better jobs for the state's citizens, increase economic competitiveness, and fuel economic growth." It calls on the state to achieve a 30-percent increase in students participating in or graduating from higher education by the year 2015.

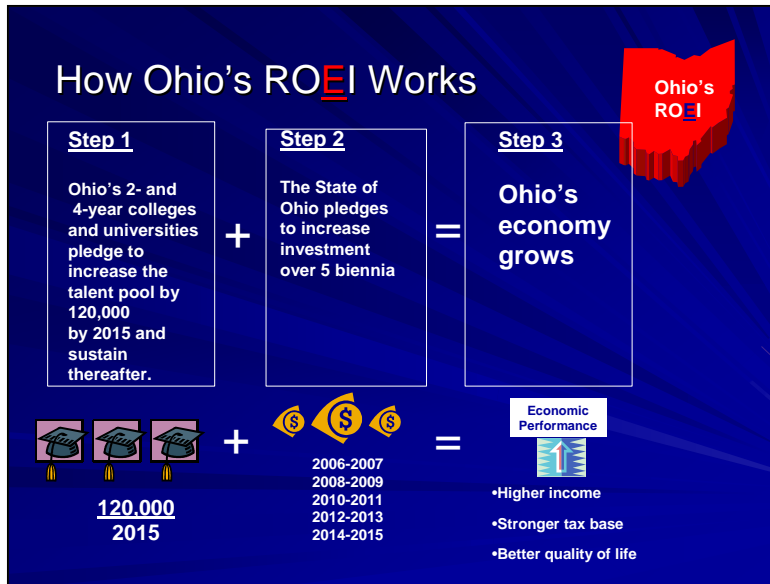
It's as simple as this: The more workers earn, the more they pay in taxes.

Workers with degrees, whether associate or bachelor, are known to earn much more than those with just a high school diploma. These average increased earnings range from \$12,000 a year more for associate's degree recipients to \$25,000 a year more for bachelor's degree recipients. Even those who went to college but don't complete it earn thousands more per year than high school graduates. In short, the more education you have, the more you earn.

This beneficial effect on the tax base is not limited to state coffers only. It also increases county and municipal tax revenues.

It also brings a great return on investment because:

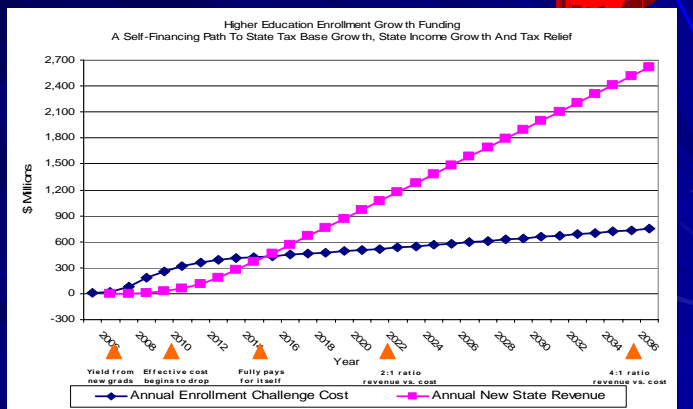
- College grad earnings are more stable.
- College grads are employed at a 40 percent higher rate over time than those with a high school diploma.
- Degree-holders stay in the work force an average of 10 years longer.
- And the consumption of state-supported public services by degree holders is much lower than those with a high school diploma or less.



- How does “Ohio’s Return on Educational Investment” plan work? It’s a 3-step process for supporting Ohio’s economic recovery.
 - **Step 1:** Ohio’s public 2- and 4-year colleges and universities pledge to increase the talent pool by 120,000 by 2015. The CHEE report calls for a 30-percent increase, which translates into 180,000 additional students spread throughout Ohio’s public and private institutions. The largest share of this growth must occur at the undergraduate level in Ohio’s public institutions of higher education, where some 120,000 additional students constitute about 88,000 full-time equivalent students.
 - **Step 2:** The State of Ohio pledges to increase investment over 5 biennia. The State investment for instructional costs for these new students is less than 30 million dollars in the first biennium, as it will take some time to add 30 percent more students to the system over the next 10 years. The cost rises as the number of students rises, but so does the new revenue from their tax payments as these new students enter the Ohio workforce. I will show more of these trends on the next slide and how this quickly pays for itself.
 - **Step 3:** Ohio’s economy grows and Ohio realizes high income, job creation, and enhanced quality of life.

Self-Financing Path to Growth: Twice the Revenue vs. Cost by 2022

Ohio's
ROEI



This graph shows us several things, chiefly that Ohio's Return on Educational Investment begins to fully pay for itself by 2015 and returns revenue vs. cost in a ratio of 2:1 by 2022 – you can see that in the difference between the blue line (the real annual enrollment cost) and the pink line (the new state revenue).

Even more, this return on investment continues well into the future, with the revenue vs. cost ratio improving to 4:1 by 2037.

The investment from the state, the blue line, once we grow the talent pool to the CHEE level, grows only at the rate of inflation.

It is no coincidence that these lines on our 30-year chart of ROEI curve in much the same way the payback does for individuals who make the decision to invest in their future through higher education.

Key Strategies for Success

- ✓ **Increased access and participation: more high school and adult students going on to college**
- ✓ **Retention to completion of more students in 2-year and 4-year institutions because of new articulation & transfer agreements**
- ✓ **Timely graduation and job retention**
- ✓ **A tracking system to ensure progress**

Ohio's ROEI

Our success also hinges on some key strategies.

We must improve access and participation in higher education by getting more high school and adult students to choose to go to college. We must work on the pipeline to bring us students prepared for college as well as adults who may have fallen through the cracks and not considered college prior to now. Governor Taft's proposed Ohio Partnership for Continued Learning, with its proposed P through 16 Council, will help to achieve this.

We also must retain to completion, more students in our 2- and 4-year institutions. Certainly, our new articulation and transfer agreements will make this road a lot smoother; so will access to increased and continuous advisement and a smaller ratio of students to their instructors.

In addition, timely graduation and job retention are key. We need to keep the students we attract career oriented and provided with good jobs in Ohio.

And last, we believe that a tracking system to ensure progress is paramount. You often get what you measure. To understand our impact and keep us moving forward, we must carefully track this ROEI equation.

In summary, Ohio's Return on Educational Investment:

- strikes at the heart of Ohio's economic recovery.
- provides a clear return on investment.

- reunifies our education pipeline and builds on our work with articulation and transfer.
- And provides continuity in public policy as it extends over a longer period of time with a very focused investment.

Thank you again for the opportunity to present this proposed solution to you this evening. We are now going to be joined by Dr. Luis Proenza, president of the University of Akron and IUC chair, and Dr. Val Moeller, president from Columbus State Community College, to answer any questions you may have.