Transforming Higher Education in Ohio
Reforms Needed Today to Prepare for Tomorrow

By Greg R. Lawson and Logan Kolas

THE BUCKEYE INSTITUTE

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Executive Summary

The promise of American higher education, long the envy of the world, has eroded. Cumulative federal student loan debt has reached $1 trillion, colleges and universities labor under excessive administrative bloat,[1] taxpayers subsidize an "overbuilt higher education infrastructure,"[2] and anti-competitive public funding structures allow poorly managed institutions to deliver sub-par products. Significant reforms to Ohio's higher education *status quo* are needed and overdue.

Students overwhelmingly report "job and career outcomes" as their primary motivating factor for attending college,[3] and although Ohio Department of Higher Education data show that many graduates earn competitive wages,[4] Ohio does not fund colleges or universities according to how well their degrees and programs yield financially stable careers. Instead, Ohio's funding formula relies heavily on outmoded graduation rates with little regard for post-graduate earnings or success. If the state continues in its misguided preference to fund schools rather than students,[5] policymakers should at least reform the state share of instruction (SSI) subsidy to prioritize post-graduate metrics, such as debt-to-income ratios, job placement statistics, and loan repayment rates. And if even that reform effort proves politically elusive, they should equal the public funding playing field for community colleges and four-year schools and fix the broken Ohio College Opportunity Grant (OCOG) program by eliminating the "Pell First" restriction that denies OCOG funds to low-income students at more-affordable community colleges. These steps will spur competition, lower taxpayer obligations, help low-income students, and give schools greater incentive to minimize student debt and prioritize occupational success.

State policymakers should also cap administrative spending at public universities, revise tenure protocols, and eliminate unnecessary bachelor's degree requirements for state employment. Administrative costs have skyrocketed since the mid-1970s and taken the price of a four-year education with them. Dr. Richard Vedder has argued that if the administrators-to-student ratio had held steady since 1976,

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[1] **Factsheet: President Biden Announces Student Loan Relief for Borrowers Who Need It Most**, White House press release, August 24, 2022.
[2] Sheridan Hendrix, **Ohio Public Universities Face Massive Budget Cuts. Here's What's at Risk**, *The Columbus Dispatch*, March 14, 2024.
[3] ***Why Higher Ed***, Strada Education Network and Gallup, January 2018.
[4] **Employment of Graduates**, HigherEd.Ohio.gov (Last visited July 18, 2024).
[5] See Marc Kilmer, ***Higher Education Vouchers in Ohio: A Proposal for "College Choice" Program***, The Buckeye Institute, February 2009 for a description of how a voucher program could operate in Ohio.

tuition would be 20 percent lower today.[6] And although academic tenure is a venerated essential for maintaining academic freedom, it also diminishes faculty productivity and accountability. Even tenured professors should face periodic review boards. And finally, Ohio should further advance its occupational licensing reforms by repealing superfluous bachelor's degree requirements for many state jobs—a mandate that has fueled credential inflation and kept otherwise qualified applicants from suitable employment.

Federal policies should be amended, too. First, Congress should expand eligibility for Pell grants to help low-income students pay for short-term certifications and training. That expansion would offer the added benefit of reducing labor shortages in many of the trades, manufacturing, and security-sensitive industries like microchip fabrication.[7] Second, federal policymakers should also require colleges and universities to guarantee a portion of student loans to reduce drop-out and default rates. Schools would be incentivized to encourage students to complete their education and enroll in programs that lead to secure, well-paying jobs.

Ohio taxpayers, students, and employers cannot afford the collegiate *status quo*. State and federal reforms are sorely needed to address the rising costs that result in crushing student debt to pay for underperforming programs that fail to deliver on the great promise of higher education.

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[6] Max Eden, **Not Worth It: Review of Richard Vedder's "Restoring the Promise"**, Manhattan Institute, December 19, 2019.
[7] Logan Kolas, ***Ohio's Global Fight for Talent: The Case for State-Based Visas for High-Skilled Immigrants***, The Buckeye Institute, June 7, 2023.

Introduction

Ohio policymakers must pursue commonsense reforms to make the state's higher education system more flexible and responsive to students, families, and the burgeoning 21st century job market. Student loans now take decades for many graduates to repay, the formidable costs of attending college deter many more from even trying. State funding formulas focus on outmoded completion rates instead of outcome-based measurables, and protect some schools from facing stiffer competition. Bloated administrative offices add rows of expenses to tuition's bottom line, while tenured faculty remain unproductively immune to administrative review. To help address these and other festering issues in American academia, state and federal policymakers should adopt measures that will spur competition among four-year schools and community colleges; revise public funding formulas to reward more nuanced outcome metrics; curb administrative spending; and encourage programs that prepare students for well-paying careers. Some measures may require the proverbial hatchet, others only a scalpel; but higher education's *status quo* is not a viable, long-term option for students, taxpayers, or the U.S. economy.

Policy Recommendations to Improve Higher Education in Ohio

Reallocate School Funding According to Outcome-Driven Metrics

Ohio's higher education funding formula over-emphasizes university graduation rates at the expense of universities and community colleges that cost-effectively prepare students for well-paying careers after college. Public universities already have ample reason to boost graduation rates, which have hovered at just over 60 percent for decades[8]: improved school rankings; better professor performance reviews; additional tuition and revenue; and a larger alumni base.[9] If they are to continue receiving additional public money as further incentive to boost graduation rates that are at best a crude measure of academic success, graduation rates should comprise a smaller, albeit still important, piece of the SSI funding formula. Ohio should, however, also begin allocating a greater portion of public funding according to outcome-based criteria that reward schools that demonstrate low debt-to-income ratios, high job placement, and low loan default rates among their graduates. (See Figure 1 and Figure 2.) Such an allocation would direct more funding to institutions that better prepare students for post-graduation employment, steer taxpayer dollars toward degrees and certificates for in-demand occupations, and reduce student debt. Currently, Ohio spends more than $2 billion subsidizing higher education,[10] and community colleges receive only a quarter of that money despite teaching more than 35 percent of the state's students.[11] Adjusting the SSI formula with more outcome-based metrics will improve that imbalance and encourage schools to focus on post-graduation success more than just graduation.

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8 ***Completing College: National & State Reports***, National Student Clearinghouse Research Center, November 2022; and John Bound, Michael F. Lovenheim and Sarah Turner, "**Why Have College Completion Rates Declined? An Analysis of Changing Student Preparation and Collegiate Resources**," *American Economic Journal: Applied Economics*, Volume 2, No. 3 (July 2010) p. 129-57.
9 Jeff Denning, Eric Elide, Kevin Mumford, Rich Patterson, and Merrill Warnick, **The Grade Inflation Conversation We're Not Having**, The Chronicle of Higher Education, April 13, 2013.
10 **State Share of Instruction (SSI) Information**, Highered.Ohio.gov (Last visited July 19, 2024).
11 *Ibid.*

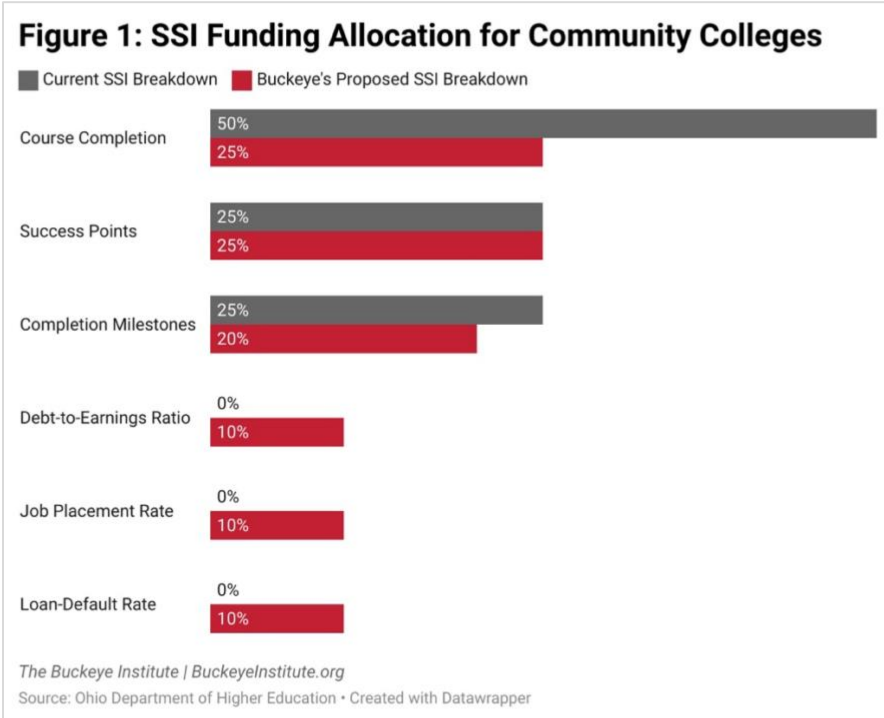
Figure 1: SSI Funding Allocation for Community Colleges
Current SSI Breakdown
Buckeye's Proposed SSI Breakdown
Course Completion
50%
25%
Success Points
25%
25%
Completion Milestones
25%
20%
Debt-to-Earnings Ratio
0%
10%
Job Placement Rate
0%
10%
Loan-Default Rate
0%
10%
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Source: Ohio Department of Higher Education • Created with Datawrapper

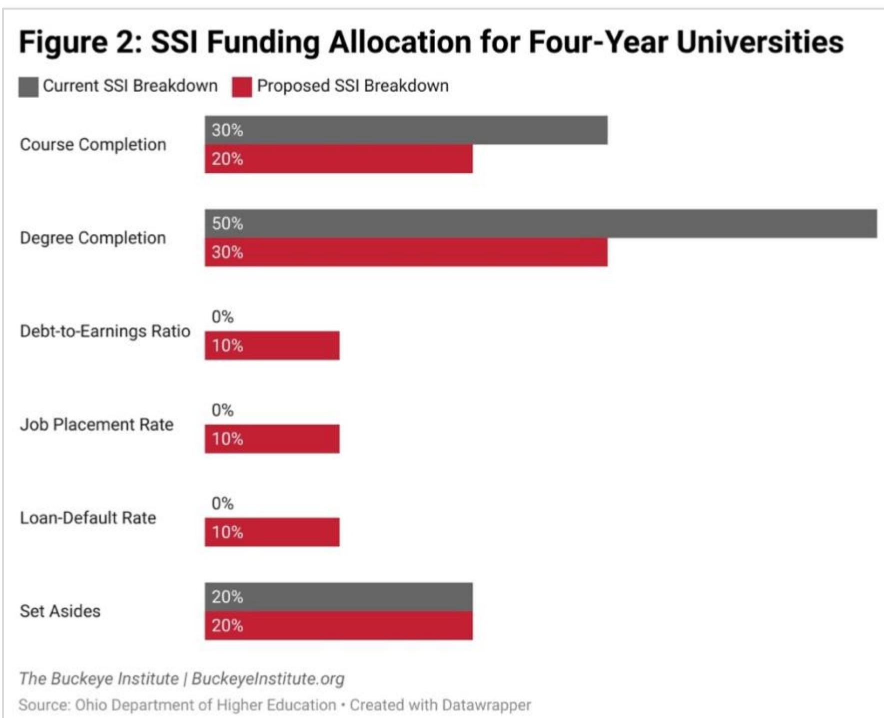
Figure 2: SSI Funding Allocation for Four-Year Universities
Current SSI Breakdown
Proposed SSI Breakdown
Course Completion
30%
20%
Degree Completion
50%
30%
Debt-to-Earnings Ratio
0%
10%
Job Placement Rate
0%
10%
Loan-Default Rate
0%
10%
Set Asides
20%
20%
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Source: Ohio Department of Higher Education • Created with Datawrapper

A New Budget Line Item to Spur Higher Education Competition

Ohio's SSI funding formula encourages universities to compete with other universities, and community colleges to compete with other community colleges, but it does not encourage universities and community colleges to compete enough against each other for students or public funds. Ideally, higher education savings accounts, or vouchers, would allow students to take state dollars to their preferred trade school, apprenticeship, community college, or four-year university.[12] But until then, the General Assembly should add a line item to the next biennial budget to spur competition between community colleges and four-year universities, financially rewarding schools with the best debt-to-income ratios, job placement statistics, and loan repayment rates as demonstrable metrics of post-graduation success. The new line item should not be siloed and distributed categorically to community colleges and universities but should require all higher education institutions to compete across the board for a share of the additional money.

Expand the Ohio College Opportunity Grant Program

In addition to the outmoded SSI formula, Ohio's primary source of need-based aid for lower-income prospective students—Ohio College Opportunity Grant (OCOG)—also structures funding to the disadvantage of community college and non-traditional students. Despite increasing OCOG funding by 77.9 percent and appropriating $200 million each fiscal year,[13] the last Ohio budget did not reform the fund's "Pell First" flaw that blocks state OCOG grants when a federal Pell grant covers tuition. Intended as a fiscally responsible policy to avoid over-subsidization, the bar disproportionately favors the more expensive four-year schools over community colleges and discounts or ignores other non-tuition costs that can stand between lower-income students and an associate's degree. By pushing publicly funded students toward higher-priced universities, the misguided "Pell First" policy encourages greater student debt, increases taxpayer obligations, incentivizes students to attend schools they might otherwise reject, and should be discarded immediately. Ohio also makes OCOG funds unavailable to those seeking short-term workforce credentials, a policy at odds with all of the state's efforts to encourage micro-credentials through programs such as TechCred and the Individual Microcredential Assistance program.[14] Allowing OCOG to support short-term credentials would help non-traditional students acquire and master

[12] Marc Kilmer, ***Higher Education Vouchers in Ohio: A Proposal for "College Choice" Program***, The Buckeye Institute, February 2009.
[13] *Ibid.*
[14] *Ibid.*

skills needed in the workforce and provide more resources for students seeking short-term but worthwhile education and training.

Cap Administrative Spending

Administrative bloat has increased the cost of running colleges and universities. The American Council of Trustees and Alumni examined spending at more than 1,500 colleges and universities between 2010 and 2018[15] and found that non-instructional expenditures grew faster than the instructional costs,[16] with spending on student services rising 29 percent, administration costs rising 19 percent, and instructional expenditures growing by 17 percent.[17] Similar studies by Dr. Richard Vedder show that "if the ratio of campus bureaucrats to faculty had held steady since 1976, there would be 537,317 fewer administrators, saving universities $30.5 billion per year and allowing student tuition to decrease by 20 percent."[18] Some administrative staff is essential for running any institution, but rampant bureaucratic growth—epitomized by state-funded universities employing dozens of staffers and pouring millions of dollars into so-called "diversity, equity, and inclusion offices"—is unacceptable.[19] Whatever the relative merit of such positions, they are not designed to help students learn and succeed, but they do make higher education more expensive for donors, families, and students. The General Assembly should limit non-instructional, administrative expenses at state-funded schools, and any school not adhering to those limits should see its share of SSI reduced proportionally.

Reevaluate Tenure at State Schools

Tenure for professors at state-funded colleges and universities fosters academic freedom and provides significant benefits to faculty, schools, and students. But those benefits must be balanced with accountability and the need for academic output. Tenure protects faculty, freeing them to debate and discuss controversial ideas and pursue valuable, ground-breaking research. Unfortunately, those same protections can also reduce meaningful faculty output, require administrators to retain under-performing faculty, and even allow inappropriate behaviors that

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[15] ***The Cost of Excess: Why Colleges and Universities Must Control Runaway Spending***, The American Council of Trustees and Alumni, August 2021.
[16] *Ibid.*
[17] *Ibid.*
[18] Max Eden, **Not Worth It: Review of Richard Vedder's "Restoring the Promise**," Manhattan Institute, December 19, 2019.
[19] Derek Draplin, **Ohio State Employs 88 Diversity-Related Staffers at a Cost of $7.3 Million Annually**, The College Fix, September 6, 2018.

undermine institutional integrity.[20] To better align academic performance and protections, Ohio policymakers should consider amending tenure policies at state-supported schools. Florida, for example, recently revoked permanent tenure and now subjects tenured faculty at state schools to re-evaluation by university trustees every five years. The new policy allows university administrators to reassess all staff periodically and incentivizes recurring academic productivity.[21] Another innovative tenure-reform to consider would make tenure an optional component of an overall faculty compensation package.[22] Individual faculty could then choose between higher pay with a shorter contract or less money with a more guaranteed employment. Faculty and university administrators would have greater flexibility in meeting their respective needs.

Reform Occupational Licensing and Degree Requirements

Pennsylvania, Utah, Maryland, and Alaska have eliminated most bachelor's degree requirements for state government jobs[23]—and Ohio should, too. Like Pennsylvania, regulatory agencies in Ohio should review every job to ensure that the required experience and training match the job demands.[24] The DeWine administration recently announced a commendable teacher apprenticeship program for upskilling school staff, such as teacher aids, bus drivers, and librarians, to help them become teachers.[25] Ohio should create similar programs for other in-demand jobs and allow them to substitute for bachelor's degree requirements.[26] Finally, Ohio should continue to reform the state's occupational licensing code to eliminate unneeded bachelor's degree requirements, especially for government jobs.

[20] Jayme S. Lemke and William F. Shughart II, "**Richard Vedder and the Future of Higher Education Reform**," *Cato Journal*, Volume 36, Issue 1 (Winter 2016), p. 143-164.
[21] Divya Kumar, **DeSantis Signs Bill Limiting Tenure at Public Universities**, *Tampa Bay Times*, April 19, 2022.
[22] Jayme S. Lemke and William F. Shughart II, "**Richard Vedder and the Future of Higher Education Reform**," *Cato Journal*, Volume 36, Issue 1 (Winter 2016), p. 143-164.
[23] Rachel M. Cohen, **Stop Requiring College Degrees for Jobs that Don't Need Them**, Vox.com, March 19, 2023.
[24] The Editorial Board, **Skills Beat Degrees for Government Jobs**, *The Wall Street Journal*, February 14, 2023.
[25] Jessica Poiner, **An Overview of Ohio's New Teachers' Apprenticeship Program**, Thomas B. Fordham Institute, October 12, 2023.
[26] Mark Beaufait, Toya Moore, and Betsy Conrad, **How Apprenticeships Are Filling the Need for High-Skilled Healthcare Workers**, National Health Career Association, July 2024.

Two Federal Fixes

State policies are not the only policies that need to change. At the federal level, policymakers should consider amending restrictive Pell grant requirements and encourage universities to reduce student loan default by backing student loans.

Pell grants offer significant financial assistance for college students from low-income households, but they may only be used on academic programs with at least 600 hours of instruction over 15 weeks.[27] That requirement effectively withholds Pell grants from students seeking short-term certificates and credentials at private for-profit schools, certifying entities, community colleges, and industry associations, which typically would not meet the 600-hour threshold. Expanding Pell grant eligibility to shorter credentialling programs should include mechanisms that ensure that such programs produce meaningful, outcome-driven results for participants, such as credentialling for jobs with earnings at or above the national median, according to the Bureau of Labor Statistics. Former Ohio Senator Rob Portman recently sought this change in the bipartisan but unpassed Jobs Training and Got Back to Work (JOBS) Act,[28] and those suggested reforms should be reexamined and pursued.

As American student loan debt continues to rise[29] without market competition to control education costs, federal lawmakers should require colleges and universities to guarantee student loans and share in the risk of the student loan investment. The proposed College Cost Reduction Act would go further by requiring universities to cover portions of missed loan payments,[30] which will encourage schools that graduate students with poor debt-to-income ratios to reassess degrees that do not pay. Similar reforms in Brazil have shown that universities modified and improved their course offerings when they were required to pay fees whenever students receiving government-backed student loans dropped out or defaulted on their loans.[31] Imposing such requirements could spur artificial grade inflation and suboptimal job placement, and reduce programs for lower-paying careers; but

[27] Wesley Whistle and Lanae Erickson, **Q&A: Expanding Pell Grants to Shorter-Term Programs**, Thirdway.org, June 25, 2019.
[28] **Kaine, Portman, Levin, and Gonzalez Introduce Bipartisan, Bicameral Bill to Help More Americans Access Jobs Training and Get Back to Work**, U.S. Senator Tim Kaine press release, March 18, 2021.
[29] Elise Hammond, **How Student Loan Debt Became a Trillion Dollar Problem for Americans**, CNN, February 27, 2023.
[30] Preston Cooper, **Republicans Unveil Their Most Ambitious Higher Education Reform Yet**, *Forbes*, January 12, 2024.
[31] Nano Barahona, Caue Dobbin, Hanson Ho, Sebastian Otero, and Constantine Yannelis, **Skin in the Game: Colleges' Financial Incentives and Student Outcomes**, Occasional Paper, October 22, 2023.

forcing loan guarantees or assessing default penalties would help hold universities accountable for the ever-rising price of the education they claim to provide.

Conclusion

Ohio needs a more dynamic and responsive higher education system that rewards cost-effective instruction that prepares graduates to meet the demands of the 21st century job market. Heavy reliance on outmoded completion rates instead of outcome-based metrics has warped Ohio's school funding formula and keeps grant money out of reach for many who need it most. State policies have minimized competition between community colleges and more expensive four-year schools, and university policies and administrative expenses have exacerbated the cost of earning a college degree. Occupational licensing requirements send too many employees to school for too long, and federal grant rules suppress credentialling opportunities for low-income students. State and federal policymakers must find ways to foster competition, reduce academic overhead, and encourage students to pursue studies that yield stable incomes after graduation. The *status quo* is unsustainable. The future depends on change.

About the Authors

Greg R. Lawson is a research fellow at The Buckeye Institute with expertise on Ohio's budget, local government, state and local taxes, education and education funding, transportation funding, and occupational licensing.

Lawson also serves as Buckeye's liaison to the state government policymakers where he educates policymakers in the legislative and executive branches on free-market solutions to Ohio's challenges. In this role, he is regularly called on to testify before legislative committees on policies that impact Ohio's families and the state's economy.

With nearly 20 years of experience working on 10 state budgets, Lawson is a recognized expert on Ohio's budget, and is the co-author of ***Principled Spending: Using Ohio's Capital Budget to Benefit Ohioans***. He has a deep knowledge of state and local taxes, and how Ohio funds Medicaid, education, and transportation. He is the author of the *Piglet Book*, The Buckeye Institute's biennial publication outlining areas of government waste.

A recognized expert in the school choice movement and on occupational licensing, Lawson is the co-author of ***Education Savings Accounts: Expanding Education Options for Ohio*** and ***Still Forbidden to Succeed: The Negative Effects of Occupational Licensing on Ohio's Workforce***. Lawson is also the author on several reports dealing with local government funding and reform, including, ***Revenue Sharing Reform: On the Road to Ohio's Recovery*** and ***Joining Forces: Rethinking Ohio's Government Structure***.

Prior to his position at Buckeye, Lawson served in the Ohio General Assembly as a Legislative Service Commission fellow. He then went on to several government affairs roles focusing on numerous public policy topics, including Medicaid, school choice, transportation funding, and Ohio's Building Code. He also has a background in fundraising, grassroots organizing, and communications and served on the boards of two Columbus-based charter schools.

Lawson is a frequent speaker across the state of Ohio and is regularly quoted in media outlets throughout the state. His writings have appeared in most major Ohio newspapers including *The Cincinnati Enquirer, The Plain Dealer,* and *The Columbus Dispatch*, as well as national publications including *Forbes*. He also regularly provides commentary on policy and Ohio's political landscape on Ohio's premier public affairs programs.

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Before joining ACI, Kolas was an economic policy analyst at The Buckeye Institute, where he researched and wrote about state and local taxes, state-level budgets, technology and innovation policy, and labor market issues. Kolas is the author of a ***Modernizing Ohio's Policies to Seize New Economic Opportunities*** and ***Ohio's Global Fight for Talent***, detailing the need for Ohio to upskill and reskill its domestic workforce while attracting talent from other states and countries.

Prior to his time at The Buckeye Institute, he was a research associate at the Cato Institute. Over the years, his commentary has appeared in regional and national outlets, including *The Hill,* RealClear Policy, *The Columbus Dispatch*, *The Cincinnati Enquirer*, and Cleveland.com.

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