

Which Way for Higher Education in Ohio?

By Richard Vedder and Marc Kilmer

With much fanfare, the Ohio Board of Regents has presented a long term plan for higher education in the State of Ohio. There are a number of things that are very positive about this development. For example, the very act of thinking about the long-term higher education needs of the state and planning how to meet them is commendable, and Ohio has not had a well articulated long-term “master plan” for higher education since the 1960s. Some of the specifics within the report are common sense ideas to promote efficiency, such as improving the ability of students to transfer between institutions of higher learning in the state.

At the same time, however, the proposal proceeds from several assumptions, some of them implicit, that are highly questionable. This leads to conclusions and potential policy recommendations that, in turn, are dubious in nature. Let us highlight three of those assumptions. First, the plan envisions very large enrollment growth over the next decade or so. However, it does not conclusively demonstrate that there is a need for that many more college-educated Ohioans. Second, the study assumes that a massive increase in higher education investment is necessary to reverse Ohio’s relative economic decline, and increase economic growth in the Buckeye State. Third, it is implicitly assumed that the massive enrollment growth largely will take place at *public* institutions, ignoring the impact that private schools, including proprietary ones, can and likely will play.

It is our contention that these assumptions are dubious, and, indeed, in some cases downright wrong. This leads to potential policy conclusions inconsistent with what factual evidence would suggest is appropriate. Below we elaborate briefly on the problems with these assumptions.

Investing More Public Money in College –Economic Growth Effects

The Board of Regents Plan is filled with language suggesting that public spending on higher education is an investment, and that failure to increase that investment sharply over time will have dire consequences.¹ Although not explicitly stated, it is clearly assumed that higher state appropriations for higher education are associated with higher rates of economic growth.

In reality, however, the empirical evidence does not support that conclusion. Several years ago, one of us wrote a book containing statistical analysis that shows a negative relationship between state appropriations and economic growth. Additional research results obtained since then, using more sophisticated statistical techniques, larger data sets, etc., confirm this result. At the very least, it is fair to say that “we cannot accept the hypothesis that increases in state appropriations are associated with growth in per capita income.” See the following regression results for a sample of these findings.

¹ See for example, on pages 14-15 of the report’s introduction: “The point is clear – Ohio is no recent convert to the notion that higher education is important to the well-being of the state and the quality of life of its citizens. [...] But the state’s level of commitment in recent decades has not been sufficient to maintain this excellence. As Ohio’s manufacturing base eroded and the state lost thousands of jobs yearly due to the closing of factories and steel mills, spending on higher education lagged. Today, the state ranks 39th in higher education spending per fulltime equivalent student (FY 2006).”

Table 1 - Economic Growth Regression Results

Dependant Variable: <i>Growth in Real Per Capita Personal Income</i> s,t			
	5-Year Growth Obs: 1400	10-Year Growth Obs: 1200	15-Year Growth Obs: 950
Age of State	0.006*** (14.70)	0.008*** (13.65)	0.007*** (11.61)
Real Personal Income(t-n)	-0.00002*** (-20.30)	-0.00003*** (-18.65)	-0.00003*** (-27.19)
n-Year Growth in Unions	-0.04*** (-7.10)	-0.07*** (-8.75)	-0.00002 (-0.003)
n-Year Growth in population	1.31*** (29.36)	1.34*** (37.62)	1.20*** (37.01)
n-Year Growth in Tax Burden	-0.09*** (-3.04)	-0.07*** (-4.03)	-0.14*** (-9.90)
Real Per Capita Appropriation on Higher Education	-0.0003*** (-9.74)	-0.0002*** (-4.04)	-0.00006 (-1.31)
Real Per Capita Non Higher Education Expenditures	-0.000007** (-2.04)	0.000013** (2.31)	0.000009** (2.18)
Percentage of Population 25+ With BA or higher	0.005*** (7.38)	0.003** (2.49)	0.0039*** (4.15)
Weighted Adjusted R²	0.72	0.89	0.96
F-Stat Redundant Fixed Effects	12.14 (0.00) [†]	11.68 (0.00) [†]	23.38 (0.00) [†]
<p>Notes: Values in parentheses are t-statistics. ***, ** and * denote statistically significant at the 1, 5 and 10 percent levels, respectively. † denotes values in parentheses are p-values.</p>			

This seemingly startling result reflects several realities. State government spending for higher education is almost entirely tax-financed. When state appropriations for higher education are significantly increased, as is implicit in the new long term plan, resources are transferred from the private to the public sector.

The private sector tends to be relatively efficient because its resource allocation decisions are disciplined by the market –by the wants of consumers and the cost of producing goods and services. Public not-for-profit institutions do not face that discipline nearly as much –incentives to cut costs are much less substantial. Indeed, the “output” of universities is not even measured with any precision. Does the average graduating senior at Ohio State University know more, have better critical thinking

skills, or even have better values and communication skills than entering freshmen? Perhaps, but who knows?

Beyond this there is another reality. The correlation between college participation and state government participation is only weakly positive – more public money spent on colleges does NOT translate into large gains in student participation, or at least that is the case historically. If an alternative funding approach were used, such as giving money directly to students rather than institutions, that might not be the case. Historically, however, the statistical evidence suggests only a weak college attendance/appropriations relationship.

More important, however, there is NO positive correlation between the proportion of adults with college degrees in a state and the amount of state support for higher education. There are three reasons for this. First, as indicated above, increased state appropriations for colleges do NOT go primarily to support instruction or student aid. A large portion of incremental spending goes towards increased bureaucracies, higher faculty and administrative salaries, and research. Second, most students possessing high amounts of aptitude, skills, and motivational traits needed for academic success are already attending college. The incremental students attracted from higher appropriations have on average diminished capacities to succeed and thus are more likely to drop out at some point. As it is now, only around 53 percent of students entering Ohio four year institutions of higher education graduate within six years.² Third, there often is net out-migration of college graduates to other states – a particularly big issue in Ohio. One Census study shows Ohio is in the top half among states in the proportion of college educated young adults moving to other states.³

Is Doubling Enrollments Realistic or Desirable?

The Regents plan calls for enrollment roughly doubling in barely a decade –implying a 7 percent annual increase. Moreover, this is in the face of a declining population pool of young Ohioans which provides the largest source of enrollments historically. For example, during the 1980s, total enrollment growth was, *1.3 percent* a year, and in the 1990s, *-0.1 percent* annually.⁴ During the early years of this decade, enrollment growth was similarly well below the 7 percent standard implied by the Regents plan. The number of 15 to 19 year old Ohioans is actually smaller than the number of 20 to 24 year residents of the Buckeye State, meaning that rapid enrollment growth is highly unlikely in coming years.⁵ The unrealistic nature of enrollment projections becomes apparent when one takes a closer look at the plan. For example, the Regents call for the construction of a new two year community college in Youngstown. Why? The dominant institution of higher education in Mahoning County, Youngstown

² National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS). Author calculations.

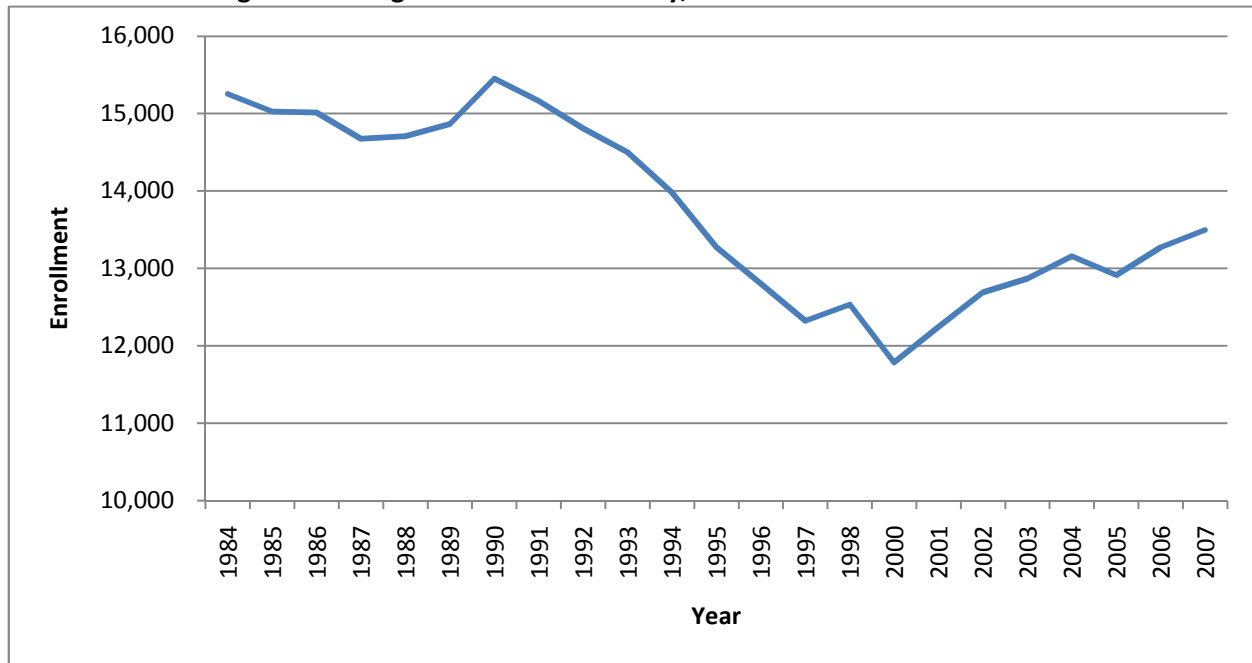
³ Franklin, Rachel S. “Migration of Young, Single, and College Educated: 1995 to 2000”. Rep. Nov. 2003. U.S. Census Bureau. <<http://www.census.gov/prod/2003pubs/censr-12.pdf>>.

⁴ National Center for Education Statistics, 2007 Digest of Education Statistics. Tables 200, 201. Author calculations.

⁵ U.S. Census Bureau, Population: Estimates and Projections—States, Metropolitan Areas, Cities. Table 16: Resident Population by Age and State: 2007. Available at: http://www.census.gov/compendia/statab/cats/population/estimates_and_projectionsstates_metropolitan_areas_cities.html.

State University, actually has lower enrollment today than 20 years ago, suggesting it is operating well short of capacity.

Figure 1: Youngstown State University, Total Enrollment 1984-2007⁶



At a time when the state is facing huge budgetary challenges, and in which the state and nation are facing sharply rising burdens because of the aging of the population, is constructing new institutions in area of falling enrollment a wise use of public resources?

The Regents plan assumes growth in college participation amongst the traditional 18 to 24 year old group that dominates enrollments, but most of the growth is projected to come from a veritable explosion in adult enrollees. It is not entirely clear how that growth is going to occur, or whether it is desirable for it to happen, particularly since the work life expectancy of older adults that the Regents envision entering college is less, often considerably so, than that of traditional aged students. If college is considered as a form of “human capital formation,” the amount of implied human capital created falls as the age of the college student increases. A 50 year old college student has perhaps one-third the work life expectancy of one, say, 20 years of age. The argument for justifying large public subsidies to add those adult learners to the enrollment base is severely reduced the older they are.

Some national data lend skepticism as to the true economic value of increasing the proportion of the population with a college education. The Bureau of Labor Statistics estimates which occupations will have the largest growth numerically over the next few years, and the skill requirements needed for each position. A majority of those jobs do NOT require a college education. Many college graduates are

⁶ National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS). Note: data not available for 1999.

taking jobs that typically those with lesser education have –for example, 10.6 percent of the mail carriers for the U. S. Postal Service now have baccalaureate degrees or more.⁷

If there were a critical shortage of skilled workers with college education, we would expect the pay of college graduates to rise sharply relative to those with lesser education. And, for a long time, that did happen. But there are indications that this trend is reversing. For example, the college degree/high school diploma earnings differential amongst female workers in the United States is lower today than in the early 1990s.

Even if it were considered desirable to increase the proportion of college graduates in the population, and even if somehow increasing state spending on higher education could bring this about (despite empirical evidence it has not done so in the recent American past), what is the optimal amount of increase? Should enrollments grow 25 percent? 50 percent? 100 percent? Implicit in the Regents report is the view that “the more one educates the better.” Yet as the pool of Ohioans capable of successfully completing a college degree declines, and as the cost of educating that pool rises (e.g., more remedial education courses needed to bring deficient students up to minimal college standards), at some point costs will start exceeding benefits. A 100 percent increase in enrollments strikes us as extremely large and very likely to be more than optimal from the standpoint of a sensible allocation of public resources. While we may be wrong about this, so might the Regents: there is no solid analysis that justifies an increase of the magnitude recommended.

The Role of Private Institutions

Assume for the moment that all of the above analysis is invalid, and that the case for doubling college enrollments over the next decade is very strong and compelling. Even if this were the case – and we believe that it probably is not—there is every reason to believe that much if not all the incremental enrollment can be absorbed by existing and new private institutions of higher education. This includes not only the not-for-profit schools like, for example, Oberlin, Kenyon or Hiram Colleges, but also the proprietary institutions. Indeed, the latter group of schools is the fastest growing component of Ohio higher education and there is no reason to believe that this sector cannot continue to grow and expand.

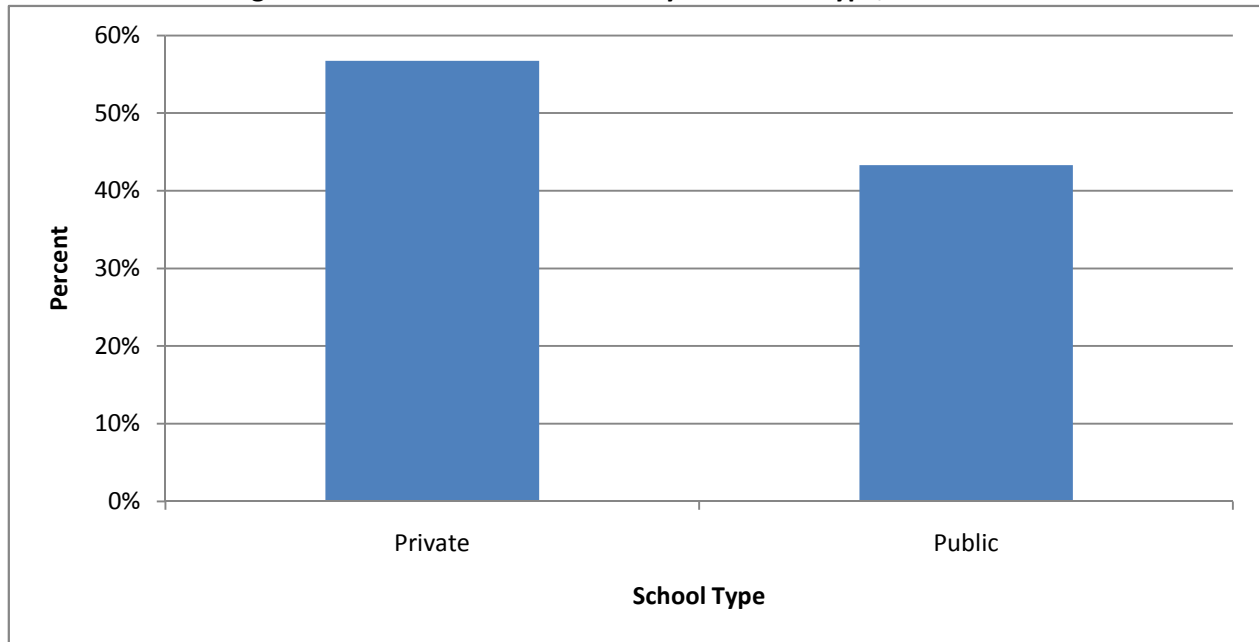
The accompanying chart shows that between 1990 and 2005, over one-half of the enrollment growth in Ohio institutions of higher education has come from private institutions. The market share of public institutions is declining. We are not entirely sure why this is happening. The price of attending public universities has risen even faster than that of private institutions. Many students feel that larger state universities are factories where they will get little attention, increasing the demand, probably, for smaller liberal arts institutions. Some prominent state universities –Ohio State is the leading example – have moved away from an open admission policy, and have become relatively selective.

But a huge factor in the relative growth in private institutions is the emergence of a vibrant for profit education sector. These institutions are growing in number, in location, in programs offered. Moreover, students seem to like them. They are no-nonsense learning institutions where students come first – there are no research programs, no football teams, and no fancy recreational centers that drive up

⁷ Bureau of Labor Statistics, Occupational Employment, Training, and Earnings.
<http://data.bls.gov/oep/servlet/oep.noeted.servlet.ActionServlet>.

student costs. They tend to teach courses at night, on weekends – times when working adults can attend classes. They offer programs specifically designed to meet vocational needs of students. While costs typically exceed those of subsidized state institutions, they are a good deal cheaper, typically, than the not-for-profit liberal arts colleges.

Figure 2: Ohio Enrollment Growth by Institution Type, 1990-2005⁸



It is a disappointment, then, that the Board of Regents plan does not explicitly emphasize the importance that private institutions can play in enrollment growth. What is particularly disappointing is that the proprietary institutions tend to cater to the adult learners that the Regents believe will provide the bulk of future enrollment growth. Also, it is a fact that a disproportionate number of students in the proprietary institutions are members of underserved minorities –the very groups that the Regents believe need to have increased university participation.

Changing the Way Higher Educational Services Are Delivered

In the discussion that follows, we will examine in detail many provisions of the Regents report. Some of them are useful ideas, ways that can promote efficiency in higher education. Yet the degree to which the Regents report calls for major cost-saving changes in educational delivery is modest, inconsistent with the need to conserve on resources if, in fact, enrollments are going to double in the decade or so ahead. If per student costs remain constant in real terms, and if enrollments double, by definition total outlays for higher education in Ohio will double as well. If the proportion of funding from state sources

⁸ National Center for Education Statistics, 2007 Digest of Education Statistics. Tables 200, 201. Author calculations.

remains the same, this implies a 7 percent annual real increase in state appropriations for higher education, or a perhaps 10-11 percent nominal increase if inflation is in the 3-4 percent a year range. Such an increase as outlined above would seem impossible without a tax increase given the likelihood that the state is not going to dramatically reduce the proportion of the budget on other public services such as K-12 education, Medicaid, and corrections. Indeed, the empirical evidence from the past generation suggests the opposite –the higher education budget will decline as a proportion of the total. Therefore, a radical increase in spending seems inconsistent with both past budgetary preferences of the General Assembly and Governor and also with the current tax structure.

Between 1977 and 2008 the average state and local tax burden, expressed as a percent of personal income, rose about 20 percent in Ohio –*more than in any other single state in the Union*⁹ In 1977, Ohio had the sixth lowest burden among the states –today it has the seventh *highest*.¹⁰ The literature on the tax-economic growth relationship is voluminous, and most of it suggests that increased taxes are associated with lower levels of economic performance.¹¹ Therefore, it would be bordering on economic suicide for Ohio to consider financing a rapid enrollment expansion partially through higher taxes.

This leaves four options. First, increase tuition fees at Ohio public universities to finance greater public university enrollment. This, however, is totally inconsistent with other ideals mentioned in the Regents report, such as improving access for lower income students. Second, rely much more heavily on private institutions to deliver educational services, since state government direct or indirect support of these institutions is lower. Third, dramatically increase the proportion of students attending lower cost institutions rather than the traditional residential research-oriented four year universities. “Lower cost” involves costs not only to students, but to society as a whole (thus often proprietary institutions are relatively low cost, since they impose no burden on taxpayers). Fourth, the state can institute policies that would dramatically lower the rise in higher education costs per students. With the exception of some discussion of community colleges, the last three options get little or no discussion in the Regents report.

There are all sorts of cost cutting ideas that are NOT discussed in the Regents report. This is not the place to discuss them in detail. Moving to a new student-center funding paradigm is critical, and is discussed in greater detail below. Funding –whether to students or institutions—should be removed for baccalaureate students with more than four years of full time equivalent education, for example. A rigorous examination of expensive graduate programs is in order, the decline in teaching loads at four year institutions needs to be scrutinized on cost-benefit grounds, funding for capital projects should cease until universities use market principles to more fully utilize existing facilities, etc. The huge expansion in administrative staff at public universities should be scrutinized, and the decline in the proportion of budgets going for instructional matters deserves greater attention. Virtually NONE of these –or many other similar cost-cutting ideas –are examined in the report.

⁹ The Tax Foundation, Tax Data, State and Local Tax Burdens: All States, One Year, 1977-2008. {HYPERLINK "<http://www.taxfoundation.org/taxdata/show/336.html>"} (accessed 23 January 2009).

¹⁰ Ibid.

¹¹ See, for example, Friedman, Milton, and Rose D. Friedman. Capitalism and Freedom. New York: University of Chicago P, 1962.

Above all, there are no reliable metrics to measure productivity change in Ohio public higher education. Should not the Regents insist on such metrics as a condition for either institutional funding or, better yet, the right to be the recipients of state provided scholarships or vouchers to worthy students? Whether schools should, say, administer the Critical Learning Assessment (CLA) test at the beginning and ending of the college career, or demonstrate new measures of the “value added” to student human capital, is not for us to say. But the failure to even address this issue, a major topic raised at the federal level by the Secretary of Education’s Commission on the Future of Higher Education, is shameful.¹²

Positive Reforms Proposed by the Plan

While the rationale behind the strategic plan is flawed, it does not necessarily mean that all the recommendations of the plan are flawed. The public higher education institutions in Ohio need reform and this plan proposes some necessary ones. For instance, one of the goals is "The Governor will appoint highly qualified trustees to the boards of institutions who will provide leadership for the institution and the University System of Ohio as a whole."ⁱⁱⁱ How can anyone be against that? The recommendation continues that the governor should be able to appoint trustees from outside Ohio. This is a solid recommendation as there is no geographic limitation on excellence. If a good trustee is located but he or she happens to live outside the state, it makes no sense to disqualify that person for this reason.

Structure of the University System of Ohio

Other goals in the plan recommend restructuring the University System of Ohio to make it less redundant and more streamlined. These, too, are worthy goals.

One of the most important parts of the plan which could be adopted is its various recommendations to improve the way credits are allocated in the University System of Ohio. The plan has a few different recommendations to make it easier for students to transfer credits if they move from different higher education institutions. Putting these recommendations into place would help students avoid taking redundant classes (and paying redundant fees) merely because of schools' arbitrary rules.

The credit transfer recommendations include making it easier for those earning college credits while in the military to transfer them to Ohio universities and strengthening the Ohio Credit Transfer System, set up to make it easier for students to transfer credits between Ohio's higher education institutions. Another of the plan's recommendations would allow private higher education institutions to participate in this credit transfer system. This type of student-centered thinking should by the Board of Regents should be commended and implemented without delay.

Another aspect of the plan which deserves swift implementation is the recommendation to improve the spending efficiencies in the university system. The plan calls for the creation of a continuous improvement system to track spending inefficiencies and recommend ways to make spending more

¹² See *A Test of Leadership: Charting the Future of U.S. Higher Education* (Washington, D.C.: U.S. Department of Education, 2006). We were struck at the stark differences between the Spellings Commission report and its emphasis on need for reform, and the Board of Regent report, with its emphasis on program expansion.

productive as well as using purchasing aggregation to bring costs down. Neither of these things will provide large-scale savings for the state's taxpayers, but they should not be dismissed because of this.

While fundamental higher education funding reform is needed, the state also needs to ensure that the money being spent by higher education institutions is being spent wisely. Tracking inefficiencies and using purchasing aggregation to lower costs is a necessary step in that process.

If there were a system that gave more power to Ohio students in choosing their higher education, these types of reforms would be much more likely to happen as a result of the competition to gain student dollars. These types of reforms would also be much more common and would not necessarily require a large strategic plan to point them out. However, given the way the current system operates, the Board of Regents should be commended in recognizing them and should have the full support of Ohioans in implementing them.

Negative Aspects of the Plan

While the strategic plan has a few positive recommendations, the bulk of the plan would either do little to help Ohio's students or would be counter-productive in serving their needs. That is because this plan is generally written from a top-down perspective, looking to serve institutional needs instead of student needs. As long as Ohio's policymakers see education reform as being targeted towards schools instead of students, there will be little that these "reforms" accomplish.

As the "Goals" section of the plan indicates, students are a means to an end. The three goals are to graduate more students, keep more graduates in Ohio, and attract more talent to Ohio. The first goal would be accomplished by increasing the number of degrees bestowed from roughly 67,000 today to 100,000 in 2017. The second goal would be to increase the number of graduates living in Ohio three years after graduation from 66% today to 70% in 2017. The third goal would be accomplished by reversing the out-migration of degree holders from Ohio (currently the state has a net loss of about 9,000 degree-holders each year).ⁱⁱⁱ

As was illustrated in the previous section, graduating more students may not necessarily serve the interests of those students. Producing over-educated Ohioans (likely saddled with debt as a result of this education) or funneling students ill-prepared for college does no one, especially the students, any good. Keeping graduates in the state may be a good thing for policymakers to brag about, but this does not serve the interests of students unless there is a reason for them to stay in the state.

Only the goal of attracting more "talent" to Ohio may serve the interests of students. But reforming higher education along the lines suggested in this plan will do nothing to provide incentives for new people to live in the state or graduates to remain. In fact, reversing the out-migration of degree holders from Ohio would likely mean a number of policy changes outside the higher education system. Things such as reducing or eliminating the state income tax, reducing the state's regulatory and tax burden on businesses, providing educational choice in elementary and secondary education, and other pro-growth steps would likely help stem the loss of Ohio graduates. The Board of Regents report does not touch on these issues (nor should it), though, or any other recommendations to change overall state policies which would make the out-migration of graduates less likely. This is a report goal that, while laudable, is superfluous to our discussion.

A strategic plan that is more focused on these types of outcomes will necessarily put the interests of students behind these other priorities. As mentioned in the previous section, a considerable proportion growth in higher education has taken place in the for-profit sector. These types of schools are much more responsive to student needs and have a huge incentive to cater to these needs.

Without the type of feedback mechanism in place in the for-profit sector, higher education reform will necessarily be a top-down, bureaucratic-driven process that has a heavy influence of politics. Any Economics 101 course in Ohio universities will (or should) teach that incentives matter, regardless of the type of organization. When students are in control of their funding, higher education officials will cater to them. When politicians and bureaucrats are in charge of funding, higher education officials will cater to them.

Even recommendations for reform which are not politically-motivated will not necessarily be what students want. These recommendations will be what higher education bureaucrats think students want (or need). And while there may be some overlap between what bureaucrats think students need and what students actually need, it is an inefficient way of meeting these needs.

Strengthening the Bureaucracy

If this plan does not serve the needs of students, whose needs does it serve? Not surprisingly given its authorship, higher education bureaucrats and the Board of Regents would come out with increased power and funding if this plan's recommendations were enacted. This may not necessarily be a bad thing if the priorities of the Board of Regents and students were one and the same. However, this is unlikely to be the case in many instances. In the end, the strategic plan is more focused on strengthening the bureaucracy than empowering students. This can be seen through a variety of the plan's recommendations:

"Each of Ohio's 13 public university main campuses will have distinctive missions, which include a comprehensive, high-quality education, as well as the establishment of nationally-recognized Centers of Excellence."^{iv}

No one can argue with the idea that any institution, educational or otherwise, should strive for excellence. How to achieve that excellence is the question. This strategic plan will do so through universities identifying their areas of excellence and developing a plan to work on developing these areas of expertise.

This plan is specifically designed to eliminate competition in the higher education arena. As it states, *"It does Ohio no good to have 13 universities competing for resources, students and faculty."* Since the state's taxpayers, not the Ohio students attending these universities, provide the bulk of the University System of Ohio's funding, this is partly true. The competition that mainly takes place today is between schools trying to convince legislators and the governor how to divvy up higher education funds in the budget bills. This is not ideal for either students, taxpayers, or the schools themselves.

Competition in a larger sense can be productive, however. If schools were catering to students instead of politicians competition could help develop the types of programs needed to turn a school into a center of excellence. Students would flock to those schools which were doing well and leave the schools

which were not. That would provide ample incentives to universities to provide a comprehensive, high-quality education.

This would also obviate the need to *"target resources to programs of excellence and linking subsidies to achieving mission-driven goals and metrics"* -- the way the strategic plan envisions accountability to work. The state would not need to target resources to schools meeting these artificial means of accountability. Instead, students would target the resources they control to these schools. Developing mission-driven goals and metrics would mean devoting more administrative time to paperwork that may or may not actually measure how schools are meeting students' needs. Increasing the need for higher education administration should not be the goal of any education reform plan.

To help encourage universities in their quest to be centers of excellence, the plan calls for establishing an Excellence Fund, composed of money to be handed out by the Chancellor. While this type of fund may be used to encourage laudable initiatives, it will certainly be used to increase the power of the Chancellor. Top-down grants of money to institutions is not as effective as students themselves using the money they control to reward those universities which are doing a good job.

Allowing students to determine the funding future of universities would also address another issue brought up in the strategic plan under the structure of the University System of Ohio. The plan correctly points out that there are four state universities located in northeast Ohio, an area losing population. These universities (Cleveland State in Cuyahoga county, Kent State in Portage county, the University of Akron in Summit county and Youngstown State in Mahoning county), says the plan, are in intense competition with one another and this competition "has not served the best interest of the state or the region."

Perhaps not. But if these universities are not serving the students, under a student-centered funding plan they will either begin serving students or close. The strategic plan's method of addressing this is to convene a yearly meeting of the trustees to evaluate how these universities are performing, how they are contributing to the local and state economy, if they are competing against each other, etc. This will then produce a report to be sent to the General Assembly and the governor. The likely result? Little will change except more busy work for higher education bureaucrats in compiling data for this yearly meeting and writing a report to be read by a few General Assembly staffers and a few members of the executive branch.

Wasting Taxpayer Dollars

Increasing the strength and reach of the state's higher education bureaucracy will certainly be a waste of taxpayer dollars. There are other ways this plan proposes to waste these taxpayer dollars, too. Duplicating services being offered in the private sector, for instance, is not fiscally prudent. At a time when the state is facing fiscal problems on a scale not seen in the past, the state should be looking at ways to eliminate services already being offered by private sources, not increase the competition with the private sector.

Community Colleges & Expanding College Campuses

The desire to duplicate private sector efforts is seen most clearly in the plan's recommendations to beef up the state's community college system. While it is true that the state's community colleges provide necessary education for tens of thousands of Ohioans every year, there is also a network of private institutions that offer comparable education. As the growth in these institutions indicates, they are increasingly popular with those looking to fulfill their education needs.

As mentioned above, these private institutions include both non-profit institutions as well as for-profit institutions. The non-profit colleges are the type of private schools such as Oberlin College or Ohio Wesleyan University, which offer traditional four-year educations, as well as schools like the Ohio College of Massotherapy or the Cincinnati College of Mortuary Science, which specialize in career education.

Ohio's for-profit schools generally offer career and technical education. Among others, the following for-profit institutions have a presence in Ohio:

- DeVry University -- Cincinnati, two in Columbus, Dayton, and Seven Hills
- ITT Technical Institute -- two in the Columbus area, two in the Cleveland area, Dayton, Maumee, Norwood, and Youngstown
- National College -- Youngstown, Stow, Dayton, and Cincinnati
- Akron Institute
- Everest Institute -- Gahanna
- University of Phoenix -- Columbus, Cleveland, and Cincinnati

For students not looking to begin college at a two-year institution and then finish at a four-year institution, the public community colleges in Ohio are generally focused on offering career and technical education. The private, for-profit sector is doing the same thing. If the state is looking to beef up its career and technical education sector, it may make more sense to find a way to help students attend for-profit institutions rather than building superfluous public institutions.

These considerations are also a reason why the following goal should be reconsidered: "A network of high-quality, low-cost, campuses will be created within 30 miles of every Ohioan offering associate and bachelor's degrees needed for economic advancement. The network will utilize existing community college and regional campus facilities."

Perhaps there is a need for a higher education institution within 30 miles of every Ohioan (although the only reason for using this measurement seems to be the fact that former governor James Rhodes once set it as a goal). There is no reason why these higher educational institutions need to be community colleges or regional branches of Ohio's universities. Private institutions can fill the needs of Ohio's students just as well as public institutions, especially if the state levels the playing field by reworking the taxpayer subsidies which artificially lower out-of-pocket expenses for Ohio students attending public universities.

The flaw of the Board's plan to expand community colleges is especially noteworthy in its recommendation to build a community college in the Mahoning Valley. As discussed above, Youngstown

State University has lower enrollment than 20 years ago and is operating well short of capacity, indicating that perhaps there is not as great a need for educational facilities in the region as assumed by the Board of Regents. Furthermore, population in Mahoning County declined by 2.5% between 2000 and 2006. Trumbull County's population declined by 3.4% during that time. The percentage of residents in each of these counties under 18 (those who would be most likely to use a new community college) are below the state average. Considering these facts, it seems there is a declining need for a new state education institution in the Mahoning Valley. That is illustrated further when one considers the fact that those who may need higher education in that area have access to Youngstown State University as well as private institutions such as National College and ITT Technical Institute, both of which have campuses in Youngstown and offer similar programs to a community college.

The plan does propose some positive reforms for the state's community colleges. For instance, allowing dual enrollment in community colleges and public universities would make it easier for students to use their community college credits at public institutions. As the plan says, "upon successful completion of a two-year program, the student will not have to apply for admission into the university because that admission has been pre-approved." Implemented correctly, this type of system could reduce the bureaucracy and make it easier for students to navigate the state's higher education system.

Re-Aligning Funding Formula

Another key part of this plan is a re-alignment of the state's funding formula for higher education. The goal: "State subsidy formulas will be revised in consultation with university officials and members of the Ohio General Assembly. They will be based on a set of core principles to support the goals of this plan, and should begin implementation by the FY 2010-2011 biennial budget."

For Fiscal Year 2009, the funding for the variety of higher education activities under the control of the Board of Regents was \$2.9 billion. That includes \$1.8 billion for the State Share of Instruction, the "unrestricted subsidies to state-assisted colleges and universities to help offset the operating costs of serving approximately 352,000 fulltime equivalent students enrolled in those campuses."^v If you take the entire share of the Board of Regents funding and divide it by the fulltime equivalent students enrolled in Ohio's public schools, that means Ohio taxpayers are directly providing about \$8,238 per student (and, of course, there is a variety of federal funding for these institutions, partly paid for by Ohio taxpayers).

The plan laments, "The state's basic funding formula, the State Share of Instruction, is currently designed to reward enrollment growth and penalize enrollment decline." It goes on to recommend a variety of ways to change the funding formula by pegging it to a number of goals.

Clearly funding should be a reward for doing a good job. The plan's criteria, however, define success based on a variety of bureaucratic criteria. For instance, the first goal of the plan is: "The funding formula should only reward those educational outcomes that align with Ohio's priorities." Who sets these priorities? The General Assembly, the Governor, the Board of Regents -- not the students of Ohio. With a more student-centered finance system, students would reward institutions with more funding if those institutions meet the students' definition of success. Ultimately higher education in Ohio is in place to serve the needs of students, not the needs of the members of the Board of Regents or

politicians. The proposed funding changes are emblematic of the mindset that puts students' interests behind those of the government.

Affordability

Another goal related to funding is affordability for students. The proposal sets a goal that the out-of-pocket cost for an in-state undergraduate student will be among the lowest in the nation. While this may appear to be a good thing from students' perspectives, if it merely ends up shifting the cost of education to taxpayers without actually finding a way to reduce costs then a key component of education reform will be missed.

True affordability for the University System of Ohio should not merely focus on in-state students' out-of-pocket expenses. These only pay a portion of the true cost of their education. The taxpayers of Ohio also contribute a significant share for their education. Looking at the differences between annual in-state and out-of state tuition for undergraduates at the state's universities gives on an idea of the subsidy being received by students – Table 2 displays these charges by university.

Table 2: In-State vs. Out-of-State Tuition Charges, by University

University	In-State Cost	Out-of-State Cost	Difference
Bowling Green State	\$9,060	\$16,368	\$7,308
Central State	\$5,294	\$11,462	\$6,168
Cleveland State	\$7,920	\$10,713	\$2,793
Kent State	\$8,430	\$15,862	\$7,432
Ohio State	\$8,679	\$21,918	\$13,239
Ohio University	\$8,907	\$17,871	\$8,964
Shawnee State	\$5,832	\$10,176	\$4,344
University of Akron	\$8,613	\$17,861	\$9,248
University of Cincinnati	\$9,399	\$23,922	\$14,523
University of Toledo	\$8,065	\$16,876	\$8,811
Wright State	\$7,278	\$14,004	\$6,726
Youngstown State	\$6,721	\$12,394 ^{vi}	\$5,673

Without controlling costs, simply lowering in-state student's tuition will merely shift more of the cost of their education to the taxpayers of Ohio. The goal should be for the University System of Ohio to be offering higher quality education for a lower price to Ohio's students –and taxpayers. *That* is the best path to affordability.

Outreach to Business Community

An entire section of the proposal is about how to better align the University System of Ohio to better serve Ohio's business community. No one is disputing that businesses benefit from having educated

graduates. However, this section once again takes a top-down approach to the issue, looking primarily to the government to determine what is needed for Ohio businesses.

Here is how the proposed Ohio Skills Bank, designed to help connect businesses with the workers they need, will operate:

... the Ohio Board of Regents will implement the Ohio Skills Bank, which will directly link industry demand to workforce supply in each of Ohio's twelve economic development regions and through statewide strategies aimed at the state's largest industries. In each region, the Ohio Board of Regents will convene a consortium of all the education and training providers involved in workforce development. The consortium will be led by a qualified agency or individual based in the region. The consortium will be provided with data and assistance from agencies throughout state government organized by the Board of Regents. The job of the consortium will be to analyze the demand for employment in the region and the supply of students and programs, then determine what changes need to be made to guarantee that the education and training providers are recruiting and training the right number of people in the right types of programs to support a growing economy.

Each regional economic development director (who report to the Director of the Ohio Department of Development) will convene a committee of business and industry leaders. This committee will meet regularly with the education and training consortium to review its work. The committee will also advise and assist the consortium in developing an acceptable plan for the workforce needs of the region.

The Ohio Board of Regents will collect the work of the 12 regions for presentation to the Governor's Workforce Policy Advisory Board, which will serve as the statewide equivalent of the regional industry committees. The Board of Regents will also make sure that its funding formulas and incentive programs support those institutions who respond to the data and strategies developed by the Ohio Skills Bank by creating or modifying programs and expanding the number of graduates in key areas.^{vii}

This heavily bureaucratic formula will certainly result in employment for a number of Ohioans, but it seems likely that most of these will be government employees which are implementing the idea.

Institutions like ITT Tech and DeVry manage to provide vocational services to students without these types of consortiums, committees, and reports. With a student-centered plan, it would be up to students to determine what education would meet their vocational needs. Individuals in the job market or seeking to enter the job market are far superior judges of what type of preparation they need than government bureaucrats. These potential employees have a far greater stake in the matter than committee members or other participants in the proposed consortia.

Similarly, the proposal for a more coordinated marketing campaign to advertise Ohio's schools is likely to be a failure if the schools are not offering an education students desire. As the growth in enrollment in private educational institutions as compared to the flat growth in public schools suggests, if schools are offering students courses they value, then students will flock to them. It is more important for the University System of Ohio to focus on pleasing potential students than on marketing courses that do not appeal to them.

Interestingly, the plan proposes to create a "Leadership Center for African-American Male Achievement" under its business outreach section. It is unclear why this proposal should be placed here. The rationale that businesses need a diverse workforce would seem to call for the creation of a leadership center for various minority groups (not to mention African-American women), if it such a leadership center is really needed. In reality, this proposal's inclusion seems designed to broaden political support for this strategic plan. It is indicative of the politically-driven ideas that taint higher education reform process when funding decisions are being made by politicians. Unnecessary bureaucracies like the Leadership Center for African-American Male Achievement are funded not to help students, but to appease key legislators.

Conclusion

While the idea of examining the future of higher education is a good one, and while the Regents do say some useful things and have some good ideas discussed in greater detail below, the overall tenor of the report is disappointing. It sounds too much like special interest pleading for more resources rather than a scientifically based and economically balanced approach to assessing the higher education needs of the citizens of Ohio in the coming decade and beyond.

Notes

ⁱⁱ Board of Regents, "University System of Ohio: Structure," Strategic Plan for Higher Education 2008-2017, accessed at <http://uso.edu/strategicplan/handbook/uso/structure.php> on December 18, 2008.

ⁱⁱⁱ Board of Regents, "University System of Ohio: Goals," Strategic Plan for Higher Education 2008-2017, accessed at {HYPERLINK "<http://uso.edu/strategicplan/handbook/uso/goals.php>"} on December 18, 2008.

^{iv} Board of Regents, "University System of Ohio: Structure"

^v Ohio Legislative Services Commission, "Catalog of Budget Line Items: Board of Regents." Accessed at {HYPERLINK "<http://www.lbo.state.oh.us/fiscal/budget/cobli/cobli-2004-2009/bor.pdf>"} on December 19, 2008.

^{vi} Board of Regents, "Fall 2008 Survey of Student Charges," accessed at {HYPERLINK "http://regents.ohio.gov/financial/tuition/Tuition_09.pdf"} on December 21, 2008.

^{vii} Board of Regents, "University System of Ohio: Relationship with Business Community," Strategic Plan for Higher Education 2008-2017, accessed at <http://uso.edu/strategicplan/handbook/uso/relationships.php> on December 26, 2008.