

**House Finance and Appropriations Committee**  
**Higher Education Subcommittee**

**Testimony of**  
**Ohio Board of Regents**  
**Chancellor Eric D. Fingerhut**

**April 4, 2007**

Chairman Webster, Vice Chairman Evans, Ranking Minority Member Ujvagi, Members of the Committee:

My name is Eric Fingerhut, and I am the Chancellor of the Ohio Board of Regents. Thank you for this opportunity to testify regarding the higher education budget for Fiscal Years 2008 and 2009. It is an honor to appear before this committee.

Higher education is very personal to me. Like many Ohioans, I am the grandson of immigrants, and the son of two hardworking parents whose education ended at high school. As the first in my family to obtain a college degree, I know the life-changing impact that higher education can have.

Of course, I am not alone – not by a long shot. We are living through a period of profound transformation. Just as the industrial revolution once transformed our state and nation, so the educational revolution is now transforming the world. A high school degree and hard work is no longer enough to ensure a solid, middle class life. Today, a college degree is a necessity.

The infrastructure of the new economy is our colleges and universities. Ohio's ability to compete in the global economy is directly tied to our ability to produce highly trained researchers, engineers, scientists, doctors, technicians and teachers, and the capacity of our research laboratories to generate the innovations of the future.

This is why I am so excited to be serving as Chancellor of the Ohio Board of Regents, a position I assumed just three weeks ago today.

As is well known by now, I was suggested for the position of chancellor by Governor Strickland, not the usual way for a chancellor to be selected. My first conversation with Governor Strickland about the chancellor position was short and to the point. The governor told me that Ohio

needs a system of higher education that will allow our state, and our people, to compete and thrive in the 21<sup>st</sup> century global economy. Everything the governor has proposed in this budget has been designed to move us toward this goal.

I know that this goal is shared by the members of this committee and of the entire House of Representatives. At your opening session this past January, Speaker Husted said: "Our education system must become a driver of our economy, not just a contributor to it." I understand that this is not political rhetoric, but a deep and personal commitment. I have pledged to the Speaker, to Minority Leader Beatty, and to each of you, my best efforts to accomplish that goal.

As a former member of the General Assembly, I know that you and your colleagues have many good ideas about higher education. I look forward to working with you on those ideas. Our success in advancing higher education in Ohio will depend on whether we are able to develop a shared set of objectives and strategies.

So, let us begin at the beginning. What does it mean to build a system of higher education that will drive Ohio's economic resurgence?

It means that we will build on the traditions and successes of Ohio's great universities and colleges, while developing unique missions and centers of excellence that will establish our global leadership, keep our most talented students here at home, and attract the world's talent to our doorstep.

In the global economy, no single college or university can drive our state's economy. Collectively, however, Ohio's system of higher education can and will establish our state as *the* place in the world to build or grow a business, conduct cutting edge research or expand the reach of knowledge in the social sciences, arts or literature.

Let me get more specific about the challenges we face:

Ohio needs a comprehensive network of two-year colleges that provide ready access to quality, two-year programs for all our residents. Today, some Ohioans have access to an extraordinary two-year education, but others have fewer opportunities. And it is unacceptable that tuition at our two-year colleges, the heart of our workforce development pipeline, is 54% above the national average.

Ohio needs its public universities to excel in preparing the talent and conducting the research that will drive the economy of the future. Each

university will not be great at everything, but we must be world class in the core fields of study that drive innovation and growth. While expressing our pride in what we have, we should not hide the need for improvement in quality. And, of course, the tuition price matters. Lower tuition makes higher education more affordable and accessible, and entices students who are being recruited by out-of-state institutions to stay in Ohio.

Ohio needs its private research universities to grow and prosper. One need only think about what Stanford means to Northern California or Duke means to North Carolina to understand the role of great private research universities.

Ohio needs to partner with its remarkable network of private liberal arts colleges to help meet the need for innovative talent in the new economy. Before I left Baldwin-Wallace College to become Chancellor, I was part of a competition in which private liberal arts colleges competed for funds from a leading national foundation and a leading Ohio foundation to spread the principles of entrepreneurship throughout their curriculum. Such initiatives, whether it is in entrepreneurship, the STEM disciplines, education, health care professions, or many others, help the state meet its economic challenges.

### **Budget Focuses on Affordability and Accessibility**

Let me now turn to Governor Strickland's budget proposals.

In his State of the State address, Governor Strickland said: "We know an educated workforce attracts jobs – economic forecasts show that more than 60 percent of new jobs will require a college degree. And yet, Ohio is 47 percent above the national average in public university tuition costs and 37th in producing college graduates." The governor's goal is to "increase the number of Ohioans with a college degree within ten years by 230,000 and increase the graduation rate among those who start college by 20 percent."

We will not meet these targets unless we make college affordable and accessible for all Ohioans. Making college affordable for all Ohioans will require more money, but it also requires us to do more with the money we have. To do so, we must collaborate in ways that go far beyond what our institutions of higher education have ever done before.

### **Higher Education Compact**

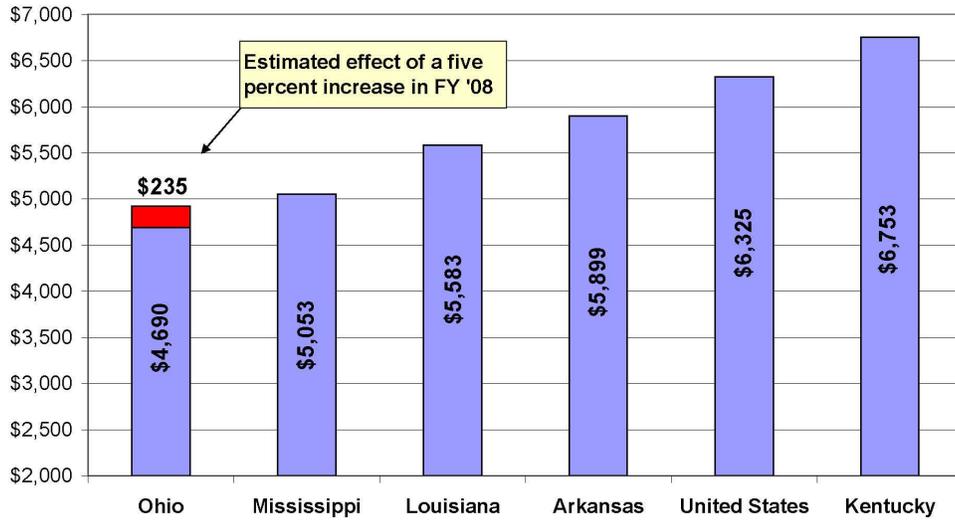
That's why, at the core of Governor Strickland's budget proposal, is a Higher Education Compact. This compact, which you will see as a new line item in the budget (235-568), establishes the structure within which we will transform our public higher education system.

The governor has asked that you allocate to the Higher Education Compact a sum that represents a five percent increase in the basic instructional subsidy for FY08, and an additional two percent in FY09. This represents a commitment of \$192.3M in new General Revenue Funds over the biennium. The language that accompanies this line item makes clear that the funds will be distributed by the Chancellor of the Board of Regents to schools that agree to freeze tuition in the first year of the biennium and increase tuition no more than three percent in the second year. Schools that participate in the compact must also achieve independently verifiable efficiency savings of one percent in the first year and three percent in second year.

There are several important points that must be made about the proposed compact.

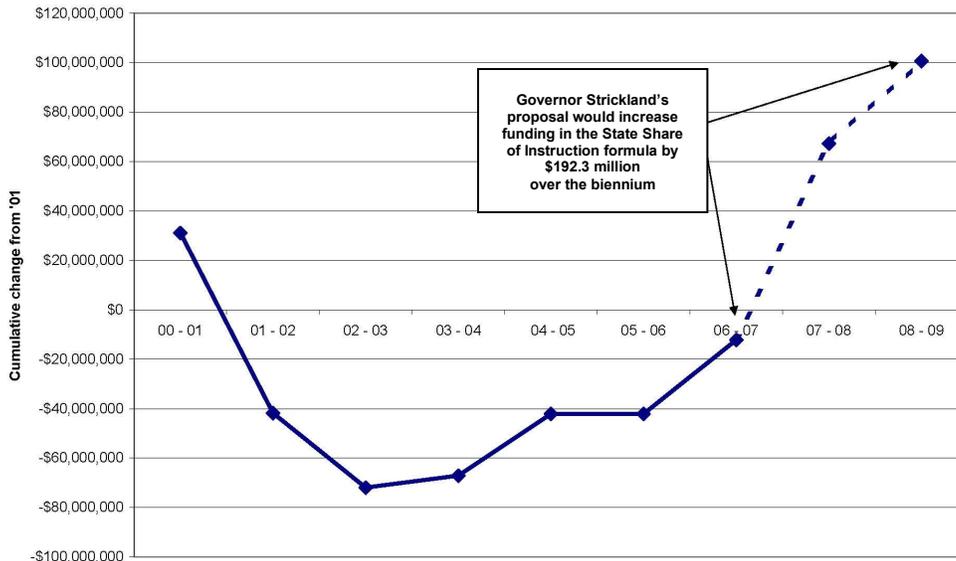
First, our public institutions get their revenue in two ways – from state support and tuition. When state support is flat, as it has been for the last six years, schools must turn to tuition to make up the difference. Simply put, the state has not been making the investments necessary in the basic cost of higher education. The result has been tuition increases averaging nine percent over the last decade.

State and Local Operating Appropriations per Public Full-Time Student  
 FY 2006 Data from SHEEO Finance Survey



The proposed five percent increase in basic instructional support through the compact would reverse a long period of disinvestment in public higher education.

Gov. Strickland proposes more support for public higher education



Under the governor's proposal, Ohio's public colleges and universities would also participate in annual increases in Access Challenge and a first year increase in Success Challenge, two well-established programs

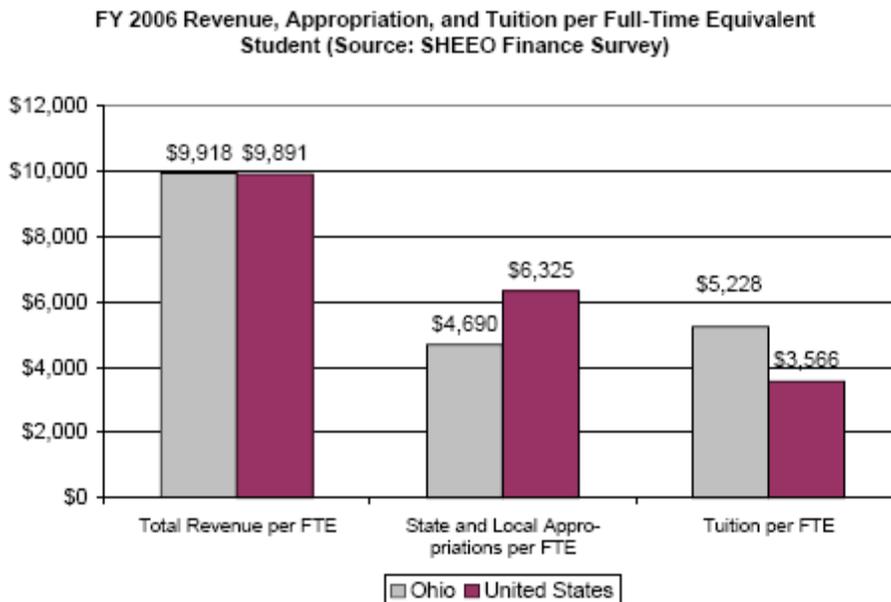
for holding down tuition and encouraging schools to help students complete their degrees.

The recent history of declining state support and record tuition increases makes turning the situation around very difficult. In FY06, state support made up less than half the cost of educating each student. For many of our four-year institutions, state support represents significantly less than this figure. As recently as 1991, state support accounted for 60 percent of the cost of educating each student and tuition 40 percent.

A five percent increase in state support helps, but the fact remains that we are asking our public colleges and universities to accept no growth on a majority of their revenue. This makes the governor's call for a tuition freeze a difficult, even painful, challenge for our partners in higher education.

Why then, do we ask for a tuition freeze? It is, of course, important in real terms to lower tuition and to lower the base from which future increases are set. Lower tuition will benefit over 400,000 students currently attending Ohio's public colleges and universities, and will attract new students to our system. But a tuition freeze also sends a signal to all Ohioans that we understand the problem and are willing to make the shared sacrifices necessary to control college costs. Until we get a handle on affordability, we will not be able to focus the higher education conversation where it belongs – on quality, on content, and on competitiveness.

And that is why the final element of the proposed compact – management efficiencies - is also important. If we are to dramatically increase the number of students in higher education in the coming years, we must do so from the most efficient platform possible. No business can grow significantly unless it has its costs under control and its management systems in place. Each institution has been working on this problem for some time, and many have made great strides. The Regents second biennial Results Through Productivity Report, which was produced at the request of Chairman Webster, documents more than \$320 million in academic and administrative cost savings initiatives in Fiscal Years 2005 and 2006 at individual institutions. Indeed, despite Ohio's above average tuition rates, Ohio's cost of instruction in our public colleges and universities is at the national average.



Still, we must do better. The key to finding efficiencies is to work on a system-wide basis. The governor has instructed me to lead the effort to find these savings and efficiencies, and I intend to do so. Former Lt. Governor Bruce Johnson, now the President of the Inter-University Council, has agreed to co-chair a task force with me to look at these system-wide issues.

I also look forward to actively participating in the Northeast Ohio Universities Collaboration and Innovation Study Commission, which was established at the end of the last General Assembly. This commission, which includes among its members your former colleague, Representative Jim Trakas, has just begun its work. I am committed to seeing that the recommendations of that commission are significant and far-reaching, and that they are brought to you speedily for your consideration.

We know that collaborative efforts can make a real difference. Just last week, I attended the announcement of a joint effort between the University of Akron and Lorain County Community College that they are calling an "Innovation Alliance." One goal of the alliance is to reduce the cost of obtaining a college degree by roughly 40 percent. All the savings from the management efficiencies we propose in the Higher Education Compact, and from self-initiated efforts like that between the University

of Akron and Lorain County Community College, will be kept by the schools so they can increase their services to students.

Since the compact was first announced, I have had numerous conversations with the higher education community. I want to publicly thank all the college and university presidents for their constructive responses. I want to particularly thank IUC President Bruce Johnson and Lew Blackford, the Interim Executive Director of the Ohio Association of Community Colleges, for their hard work on this issue.

I have learned much from these conversations. As of this date, it is my firm opinion that, if the General Assembly approves the funding request and language submitted by the governor, I will be able to conclude a compact within the financial parameters outlined by the governor with every single public college and university in the state. Such a compact would require that we distribute the compact funds in a manner different from the existing higher education funding formula. Such a compact would also call upon us to begin outlining a broader vision for the future of our higher education system. In short, the governor's proposals formed the initial terms of the compact, and a respectful dialogue has suggested what the remaining terms should be. This is a significant accomplishment, one that will mean a great deal to our students and our state.

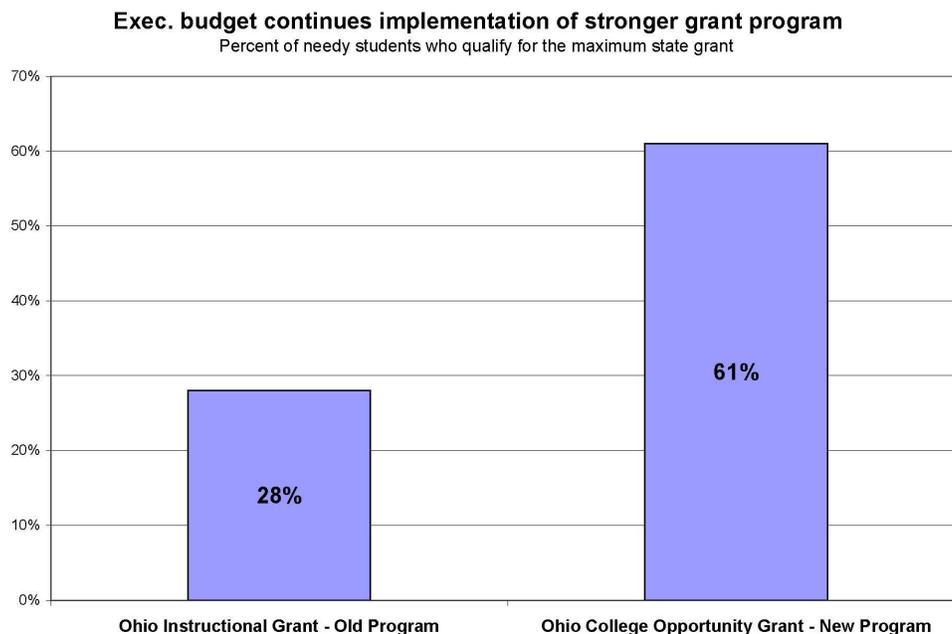
It is now your turn to examine the compact. You will undoubtedly hear from those who would like to alter its terms. At the end of the day, I hope you will conclude, as we have, that the terms submitted to you by Governor Strickland present the best opportunity for us to make significant progress on affordability and accessibility in the coming biennial budget and beyond.

### **Financial Aid**

Holding down college tuition is only part of the equation. No matter how successful we are in containing costs, we will always have students who need our help to make college affordable. That is why Governor Strickland has focused his financial aid proposals on need-based aid, and has made the difficult decision to discontinue aid categories that do not meet this standard. The standard of need the governor has used is that established by Governor Taft and the Ohio General Assembly for the Ohio College Opportunity Grant (OCOG) program. The governor also believes that the state's financial aid should be targeted to students who attend our Board of Regents' approved institutions, so as to reinforce his goal of developing a system of higher education that can be relied upon for the quality of its product.

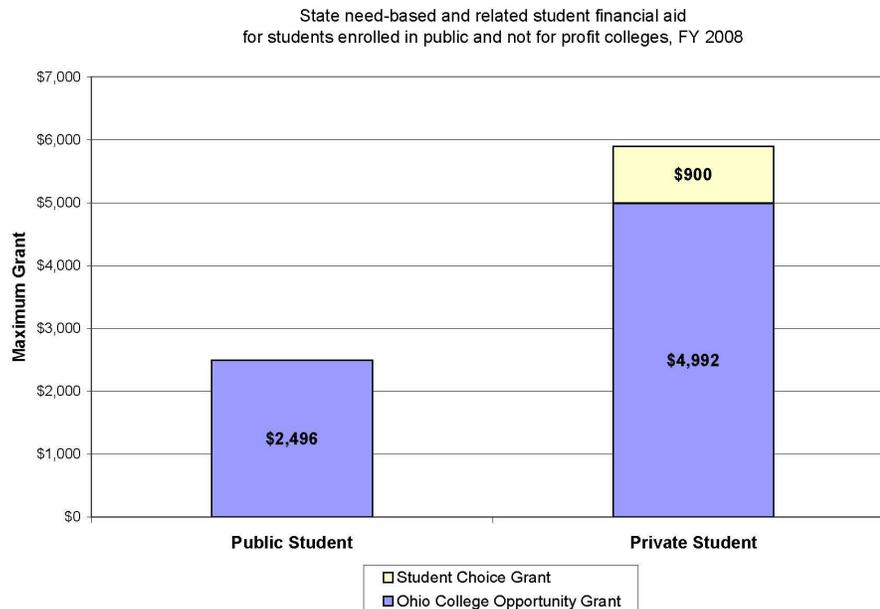
The Ohio College Opportunity Grant was the work of Governor Taft and the previous General Assembly. They began the process of phasing out the old Ohio Instructional Grant program (OIG) and phasing in OCOG with this year's freshman class.

OCOG represents a significant improvement in need based financial aid over OIG. The grant is larger, more students qualify for the maximum grant, and more students qualify overall.



Governor Strickland's budget includes funding to enroll the next two classes of freshmen. In other words, by the end of the biennium, three full classes of Ohio college students will be receiving OCOG. In FY08, we will be spending \$140M in General Revenue Funds on the OCOG program, and \$200.5M on need-based financial aid overall. In FY09, we will be spending \$151.1M in General Revenue Funds on the OCOG program and \$187.4M on need-based financial aid overall. Students enrolled in non-Board of Regents institutions will continue to be eligible for OIG or OCOG until they finish their programs, but no new students from these institutions will be enrolled in either program. All told, over 100,000 students will be receiving need-based financial aid from the state under the governor's budget proposal. I do need to emphasize, however, that the OCOG program is new and our projections are therefore based on limited data.

Recognizing the important role played by private institutions in Ohio's system of higher education, the governor's budget continues the practice of offering grants to students in private schools that are twice the size of the grants received by students attending public schools. In addition, students in private, not-for-profit schools who are eligible to receive an OCOG grant will continue to receive the Ohio Choice grant, representing an additional \$900 in financial aid to those students.



### **“Fill the Gap” Fundraising**

While the state plays an important role in making college more than a dream for all our students, so does the private sector. The executive budget calls for an additional \$8.5 million for the Ohio College Access Network (line item 235-434). This will enable OCAN to raise additional private dollars to help students in need of financial assistance. I will be working hard with our partners at OCAN to develop a strategy to seek matching private donations.

### **AccelerateOhio**

Cost alone is not the only barrier to higher education. This is particularly true with adults returning to college to upgrade or learn a new job skill. A new initiative – AccelerateOhio – will work to connect all Ohioans to higher education, particularly ones who have not gone to college or have been away for many years. AccelerateOhio is designed to provide a series of low-cost, no-fail certificates as an easy vehicle for people to get back into college or into advanced training. AccelerateOhio also will provide

funding for advanced industry-standard certificates that have the clear potential to both strengthen the workforce and draw students back into advanced education. This initiative is funded at \$2.5 million in FY 2008 and \$5 million in FY 2009.

We also need to encourage young people through Ohio's college readiness programs and Ohio Early College programs (line item 235-434). This budget provides an additional \$1.5 million over the biennium for the Ohio Early College program.

### **Research Incentive**

Our universities are contributing significantly to the economy through the impact of their basic research. The research of today will lead to the jobs of tomorrow. The Governor's budget nearly doubles the Research Incentive (line item 235-433), from \$18 million in FY 2007 to \$30 million in FY 2008. The governor accomplishes this by proposing that \$12 million per year in General Revenue Funds and \$18 million per year in Third Frontier funds be made available for this indispensable program. Each state dollar invested in the Research Incentive leverages ten dollars in additional research funds, meaning that our investment will leverage \$300 million per year in funding for cutting edge research at our public and private research institutions.

### **STEM**

Cutting edge research requires top researchers, engineers and scientists. That's why the executive budget also invests in producing more "STEM-squared" (Science, Technology, Engineering, Medicine, and Math) students and graduates. Fifty-six percent of the basic instructional subsidy pays for enrollments in STEM-squared courses, while only 41 percent of all students are enrolled in STEM-squared courses. In addition, several teacher improvement initiatives (line item 235-435) are targeted to increasing and retaining the number of math and science teachers.

### **Conclusion**

In his State of the State address, Governor Strickland said: "If we do this right, education will feed the economy. Success will bring more success. And the beneficiaries of our efforts will not only be students in the classroom, but all Ohioans."

Mr. Chairman, as you well know, we have much to be proud of in our higher education system, but we also have much work to do. I look

forward to working with you and the members of your committee in doing the hard work that lies ahead of us.

I would be pleased to answer any questions you and the members of the committee may have.