

EXECUTIVE SUMMARY

Higher education can improve individual and collective well-being. Workers with a bachelor's degree have much higher wages, lower rates of unemployment, higher labor force participation and higher lifelong earnings than those without such degrees. Yet Ohio ranks 49th in affordability of college, 46th in state operating appropriations per student for higher education, 37th in level of increase in higher education spending among the states between 2000 and 2005, and 40th in the nation in terms of percent of people over age 25 with a four-year bachelor's degree.

The income tax cuts enacted as part of Ohio's biennial budget for 2006-07 will cost the state billions of dollars - \$3.645 billion by 2009 and \$5.670 billion by 2010 - some of which could have been used to make college education more affordable. For middle-income Ohio families, modest income tax reductions may not compensate for increased costs incurred because public funding for critical services declines. **College Bound** examines trends in higher education spending and compares tax savings to costs for families with college-age children. The report finds:

- ◆ By 2010, an Ohio family of four with 2003 median four-person family earnings of \$69,478 and one child in college will have reaped about \$247 annually from income tax cuts, for a total of \$1,237, but will have faced tuition hikes totaling \$1,975. The income tax savings defray 63 percent of the increase in tuition, 3 percent of total tuition.
- ◆ By 2010, a family of three with one child in college and 2003 median all-household income of \$45,768 will see \$502 in total income tax reduction and \$1,975 in increased tuition; the savings will cover 25 percent of projected tuition increases.
- ◆ Since the year 2000, per capita higher education spending has dropped steeply each year and is now lower than at any point since 1984.
- ◆ As a percent of the Ohio budget, higher education spending peaked in 1978 at 17.7 percent. The percentage of the budget devoted to higher education has fallen each year since 1996, to 11.9 percent in 2004 and an allotted 11.7 percent in 2005, \$2,470,800,000.
- ◆ Despite declines in state investment, from fall 1998 to fall 2003, total higher education enrollment grew 11 percent, from 544,991 to 604,826, while population grew only 1.8 percent.
- ◆ Although higher education spending is declining, other parts of the budget are growing. For example, between 1990 and 2005, adjusting for population and inflation, corrections spending skyrocketed by more than 100 percent. Since 2000, corrections spending has fallen by about three percent so perhaps that upward trend has leveled off.
- ◆ On average, it cost an Ohio family 35 percent of total income to send a student to a public university in 2004; this is 25 percent higher than the U.S. average. For an Ohio family in the lowest quartile, with an average income of \$12,826, tuition at the least expensive public

institution would have consumed a staggering 22 percent of income, 58 percent more than the national average for this category.

- ◆ It has been getting more expensive over time in Ohio to get a college education. In 1991, Ohio families paid for 39.5 percent of the cost of a college education; by 2004, they paid for 49.4 percent.
- ◆ Ohio colleges and universities have increased tuition rates. State operating assistance per full-time equivalent student has fallen while average weighted tuition has risen in the past few years. Average tuition (weighted by enrollment) for a four-year public university in Ohio was \$7,478 in 2004-05 and will increase by between \$450 and \$500 a year for each of the next five years, to an estimated \$9,902 by the 2009-10 school year.

In College Bound, we illustrate that Ohioans get very tangible benefits from public spending. When public spending is slashed, families will often find that their own expenditures increase at levels that exceed any tax savings they might realize. There are other reasons to support government spending beyond parochial individual calculations – we all benefit when children in our communities are helped out of poverty, when parks are maintained, and when pollution laws are enforced. But we also benefit in very individual, calculable ways, and lower tuition is one of the most salient examples.