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Budget

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## **Building better need-based aid in Ohio**

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## Tax &amp; Budget

**Building better need-based aid in Ohio****VICTORIA JACKSON**

We all benefit when everyone has the ability to pursue their dreams. For many, that means getting a college degree or high-quality certificate. In Ohio, the high cost of college puts that out of reach for too many students. Ohio provides need-based aid through a program called the Ohio College Opportunity Grant (OCOG), which is essential to helping students from low-income backgrounds attend college. Unfortunately, OCOG excludes over 110,000 community college and regional campus students, who are more likely to come from low-income families. Ohio also shortchanges students at Central State University, a public Historically Black College and University (HBCU). Central State students are only eligible for maximum grants of \$252 - \$1,248 less than all other public main campus university students. Because these institutions have lower tuition than other public institutions their students receive less OCOG.

Because of OCOG policy, too many students attend institutions ineligible for full state need-based aid. Regardless of intent, the outcome is a greater share of black and Latino students are excluded from full OCOG awards than white students.

This two-pager summarizes the full report of the same name, where we provide citations for all of our findings. Key findings on OCOG and public college students include:

- 48.8% of students attend institutions ineligible for full state need-based aid
- 60.7% of black and 51.6% of Latino public college students attend institutions ineligible for full state need-based aid compared to 47.8% of white students
- For the 2017-18 academic year, almost as many OCOG recipients attended school in Pennsylvania as attended community college in Ohio, 324 and 374 respectively.
- Students attending notoriously poor performing and predatory for-profit schools receive maximum awards of \$1,112, significantly more than community college, regional campus, and Central State students

OCOG is extremely underfunded. Ohio ranks 33<sup>rd</sup> among states and among the lowest in the Midwest in need-based aid per-capita. In 2010, when the legislature replaced the Ohio Instructional Grant (OIG) and the OIG part-time grant with OCOG, the goal was to invest \$250 million per year in aid. In 2008-09 we came close to the target by spending down the remaining OIG funds. With inflation that number would be significantly higher than \$250 million today, yet we spend just \$101 million now, slated to go up to \$145 million in 2021.

High tuition and other costs keep many college students from succeeding. Ohio is ranked 45<sup>th</sup> in college affordability by the Institute for Research on Higher Education, based on the percentage of income required to pay for the net price of college (tuition, fees, and room and board minus financial aid). Better OCOG policy that includes the cost of books and living expenses can make college more affordable and expand access to more Ohioans.

# Recommendations

Deep investment in making college possible is part of what built the Ohio and American economy in the Twentieth Century. It is important that Ohio's college aid system build on this legacy. The proposed \$44.3 million increase over the biennium is a marked improvement but more is needed for OCOG to meet the needs of all Ohio students, whether attending a community college, historically black university or regional campus. Investment in OCOG and better policies can make the grant more effective. We recommend four changes to improve equity and make the program meet the needs of Ohio's growing college population.

## How to improve equity

1. **Change the state's definition of "total state cost of attendance" to include all fees, books, housing, food, transportation, child care, and other education expenses.** The OCOG formula should mirror the federal definition of attendance instead of only considering tuition and general fees.
2. **Make OCOG a first-dollar grant to ensure all eligible Ohio students receive it.** Making OCOG first dollar means it will be applied to a student's cost of attendance before all other aid such as Pell Grants or other scholarships. The cost to expand OCOG to community college students and increase the grant for Central State students is estimated at \$106 million a year.

## Investment needs

1. **Increase OCOG to the initially planned \$250 million per year and set an inflation adjustment so OCOG keeps pace with rising costs.** Invest an additional \$149.1 million a year in OCOG.
2. **Eliminate OCOG for for-profit institutions.** By providing OCOG to students at for-profit colleges, Ohio encourages people to attend, even though for-profit institutions have poor outcomes and engage in predatory practices. In fiscal year 2018, the state sent \$3.4 million to for-profit colleges. This money should be invested in the more effective public institutions, like community colleges and regional campuses.

Ohio built a world-class system of public colleges and universities, and created financial aid programs to help a previous generation attend. As college becomes increasingly essential to finding family-supporting employment and to our economy, it is essential that we help today's young people afford college to build a better future for all of us.

# Introduction

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We all benefit when everyone has the ability to pursue their dreams. For many, that means getting a college degree or high-quality certificate. In Ohio, the high cost of college puts that out of reach for too many students. Ohio provides need-based aid, through a program called the Ohio College Opportunity Grant (OCOG), which is essential to helping students from low-income backgrounds attend college. Unfortunately, OCOG excludes over 110,000 community college and regional campus students, who are more likely to come from low-income families. Ohio also shortchanges students at Central State University, a public Historically Black College and University (HBCU). Low-income students and students of color are most likely to be left behind.

High tuition and other costs keep many college students from succeeding. Ohio is ranked 45<sup>th</sup> in college affordability by the Institute for Research on Higher Education, based on the percentage of income required to pay for the net price of college (tuition, fees, and room and board minus financial aid). Students whose families have incomes below \$30,000 (nearly a quarter of all families) would need to spend 81% of their income to pay for one year of the net price of a public university and 38% for community college. For families making \$30,000 to \$48,000, it costs 39% and 27% of income to pay for public university and community college, respectively.<sup>1</sup> Better OCOG policy that includes the cost of books and living expenses can make college more affordable and expand access to more Ohioans.

OCOG is extremely underfunded. Ohio is ranked 33<sup>rd</sup> among states and among the lowest in the Midwest in need-based aid per-capita.<sup>2</sup> In 2010, when the legislature replaced the Ohio Instructional Grant (OIG) and the OIG part-time grant with OCOG, the goal was to invest \$250 million per year in aid. In 2008-09 we came close to the target by spending down the remaining OIG funds. With inflation that number would be significantly higher than \$250 million today, yet we spend just \$101 million now, slated to go up to \$145 million in 2021.<sup>3</sup>

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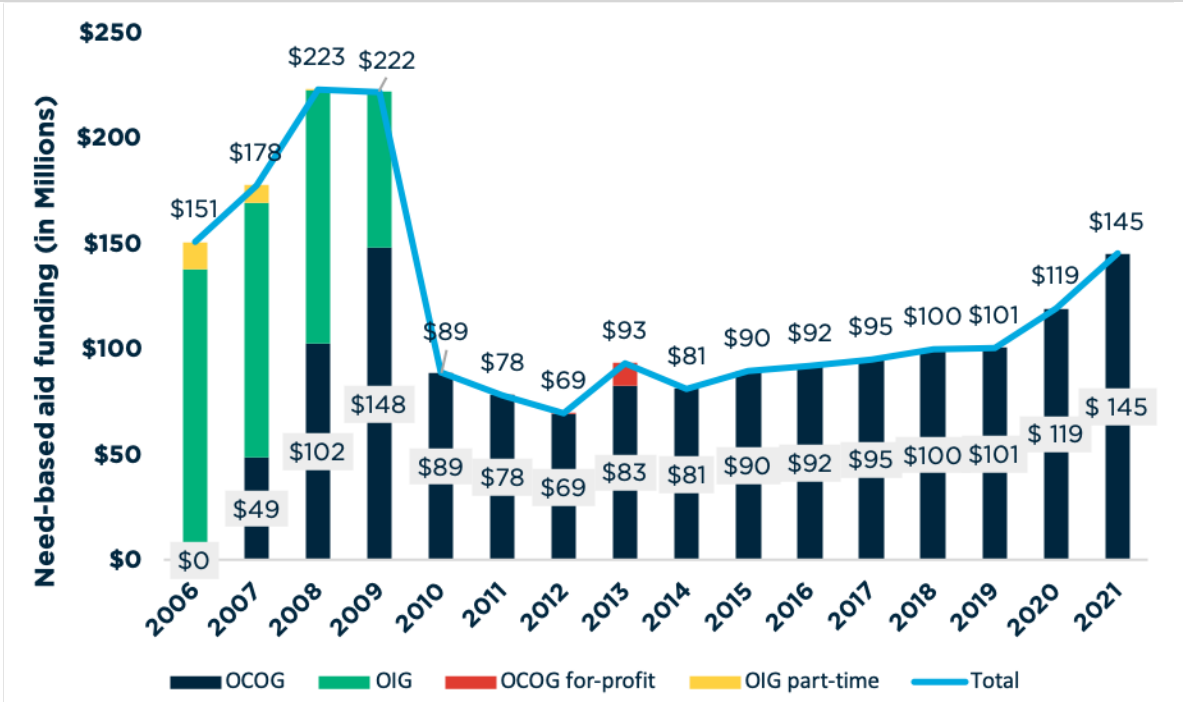
<sup>1</sup> Institute for Research on Higher Education. (2016). College Affordability Diagnosis: Ohio. Philadelphia, PA: Institute for Research on Higher Education, Graduate School of Education, University of Pennsylvania. <http://bit.ly/2VUNtTA>

<sup>2</sup> "47th Annual Survey Report on State-Sponsored Student Financial Aid 2015-2016 Academic Year" (Nation Association of State Student Grant and Aid Programs) <http://bit.ly/2vO4foJ>

<sup>3</sup> Hannah Halbert and Ester Khaykin, "Post 2018-2019 Budget Bite: Affordable College" (Policy Matters Ohio, October 10, 2017), <http://bit.ly/2DWcXki>

Figure 1

State support for need-based financial aid by year, not adjusted for inflation



Source: 2020-21 HB 166 Main Operating Budget as passed by House. FY 2019 estimated OCOG spending. 2006-2016 are spending actuals reported in the Catalogue of Budget Line Items. OIG actuals higher than appropriated amounts because of phase-out spending. OIG-Part was need-based aid for part-time students in degree-seeking programs. OCOG-Prop is casino licensing fee revenue used on need-based aid for proprietary schools. Only included as a separate funding line in 2012-13 biennium budget, this added \$10.6 million to total need-based aid funding that year. All unadjusted dollars. Excludes additional need-based aid support from federal sources.

The House budget proposes an increase of 18.2% for fiscal year 2020 and 21.8% for 2021, which would bring OCOG to \$145.2 million by the end of the biennium. The governor’s proposal included \$3 million a year to OCOG for textbooks and instructional materials for students at community colleges and regional campuses.<sup>4</sup> The House proposal moves this money out of OCOG and into a separate Textbooks and Instructional Materials Fund. These are important steps in the right direction, but they are not enough to bring OCOG back to pre-recession levels. In 2021, funding for OCOG would be \$77.8 million less than in 2008, not considering inflation (see Figure 1).

**OCOG’s flawed policies create inequities**

OCOG is for Ohio residents who attend an Ohio college. To be eligible, a student must have an Expected Family Contribution of \$2,190 or less, as determined by the Free Application for Federal Student Aid (FAFSA).<sup>5</sup> Maximum OCOG awards are based on a student’s type of school and enrollment status (see Table 1).

<sup>4</sup> Ohio Legislative Service Commission HB 166 Main Operating As passed by House <http://bit.ly/2YITrdQ>

<sup>5</sup> Ohio Department of Higher Education, “Ohio College Opportunity Grant (OCOG),” accessed May 7, 2019, <http://bit.ly/30aCzIz>

**Table 1**  
**OCOG awards 2018-19 by institutional sector and enrollment status**

Institution type	Full time	¾ Time	½ Time	¼ Time
Public colleges				
<b>Community College</b>	\$0	\$0	\$0	\$0
<b>Regional campus</b>	\$0	\$0	\$0	\$0
<b>Central State University</b>	\$252	\$189	\$126	\$63
<b>All other public main campuses</b>	\$1,500	\$1,125	\$750	\$375
Private colleges				
<b>Allegheny Wesleyan</b>	\$704	\$528	\$352	\$176
<b>God’s Bible College</b>	\$1,044	\$783	\$522	\$261
<b>Grace College and Seminary</b>	\$1,896	\$1,422	\$948	\$474
<b>Trinity School of Nursing</b>	\$2,664	\$1,998	\$1,332	\$666
<b>Western Governor’s University</b>	\$576	\$432	\$288	\$144
<b>All other private, non-profit</b>	\$3,000	\$2,250	\$1,500	\$750
For-profit colleges				
<b>For-profit college</b>	\$1,112	\$834	\$556	\$278
Pennsylvania colleges				
<b>Eligible Pennsylvania colleges</b>	\$600 or \$800	\$300 or \$400	\$300 or \$400	\$0

Source: Policy Matters Ohio based on Ohio Department of Higher Education

As shown in Table 1, community and regional campus students do not receive OCOG grants even if they qualify financially. Although Central State is a public university, the maximum grant available for Central students is only \$252 - \$1,248 less than all other public main campus university students. Because these institutions have lower tuition rates than other public institutions their students receive less OCOG. Ohio’s flawed OCOG policy creates this discrepancy.

OCOG is a “last-dollar” grant for tuition and general fees only. This means other aid, like Pell Grants, must be applied to tuition and fees before OCOG awards are determined. The state of Ohio defines cost of attendance as tuition and general fees only, but colleges and the federal government define costs of attendance as tuition, books, transportation, and basic living expenses such as housing, food, toiletries, and other education expenses.<sup>6</sup> Ohio policy should account for the actual cost of college attendance. OCOG awards are determined by a formula: (average tuition and general fees charged by an institutional sector) - (the Pell grant maximum for the academic year)<sup>7</sup> = fixed number, which is capped at the appropriate maximum award. Awards can vary by college.

As a direct result of this policy, an estimated 92,00 otherwise eligible community college students and an estimated 22,000 regional campus students are excluded from OCOG. These students are denied a maximum grant award of \$1,500 per academic year. In a positive step, policymakers allow former foster youth, veterans, and some students who attend school year-

<sup>6</sup> Information for Financial Aid Professionals, “Cost of Attendance (Budget)” (U.S. Department of Education, 2015-2016) <http://bit.ly/2JC9gJi>

<sup>7</sup> The Pell Grant maximum for 2018-2019 was \$6,095. <http://bit.ly/2JwJSnW>

round to receive OCOG. Even with the exemptions, only 374 community college students receive OCOG.

While policymakers deny OCOG to community and regional campus students and shortchange Central State students, students attending notoriously poor performing and predatory for-profit schools receive maximum awards of \$1,112.<sup>8</sup> Also, students attending private religious colleges have higher OCOG awards. For the 2017-18 academic year, there were almost as many OCOG recipients attending school in Pennsylvania as there were attending community college in Ohio, 324 and 374 respectively.<sup>9</sup>

### OCOG policies result in racial disparities

In general, too many students attend institutions ineligible for full state need-based aid (see Table 3). Regardless of the intent of OCOG policy, the outcome is a greater share of black and Latino<sup>10</sup> students are excluded from full OCOG awards than white students. Of Ohio resident undergraduates, 60.7% of black students and 51.6% of Latino students attending public institutions are at colleges not eligible for OCOG or for significantly less OCOG compared to 47.8% of white students.<sup>11</sup> This is concerning because of college costs are a bigger burden on black and Latino families.<sup>12</sup> Past and present policies and lending practices keep African-American families from building wealth. Structural racism in employment leads to higher unemployment and lower median wages for people of color.<sup>13</sup> In Ohio, the median hourly wage for black workers is just \$13.96 compared to \$18.75 for white workers – this equates to more than \$9,000 with full-time, year-round work.<sup>14</sup>

Table 2

### Fall undergraduate enrollment of students at public colleges 2017

Institution type	Total students	Total black students	Total Latino students	Total white students	Percent black	Percent Latino	Percent white
Community college	168,211	24,498	7,943	113,738	14.6%	4.7%	67.6%
Public main campus university w/o Central State	227,390	19,124	8,751	165,407	8.41%	3.9%	72.7%
Regional campus	46,659	3,421	1,382	37,500	7.3%	3.0%	80.4%
Central State University	1,784	1,631	11	21	91.4%	.6%	1.2%
<b>Total public</b>	<b>444,044</b>	<b>48,674</b>	<b>18,087</b>	<b>316,666</b>	<b>11.6%</b>	<b>4.1%</b>	<b>71.3%</b>
<b>Percent excluded from OCOG</b>	<b>48.8%</b>	<b>60.7%</b>	<b>51.6%</b>	<b>47.8%</b>	<b>-</b>	<b>-</b>	<b>-</b>

Source: Policy Matters Ohio based on National Center for Education Statistics The Integrated Postsecondary Education Data System

<sup>8</sup> Hannah Halbert, “Risky Business: For-Profit Education in Ohio” (Policy Matters Ohio, May 25, 2017), <http://bit.ly/30aANan>

<sup>9</sup> “Summary of Program Expenditures by Institution State Financial Aid 2017-2018 Academic Year, Fiscal Year 2018” (Ohio Department of Higher Education) <https://bit.ly/2vMVn2D>

<sup>10</sup> The Census category “Hispanic” refers to people with ancestral roots in Spanish-speaking countries. Latino refers to people with ancestral roots in Latin America, which can be slightly different (Spain is Spanish speaking but Spanish people are not Latino, Brazilians speak Portuguese but are Latino). Many activists now use Latinx because Latino refers to men and Latina refers to women while Latinx captures all gender identities. We use Latino here because it is more widely understood.

<sup>11</sup> National Center for Education Statistics Integrated Postsecondary Education Data System

<sup>12</sup> Michael Mitchell et al., “Unkept Promises: State Cuts to Higher Education Threaten Access and Equity” (Center on Budget and Policy Priorities, October 1, 2018), <https://bit.ly/2DZfTny>

<sup>13</sup> Lincoln Quillian et al., “Hiring Discrimination Against Black Americans Hasn’t Declined in 25 Years,” Harvard Business Review, October 11, 2017, <http://bit.ly/2Vf2qLF>

<sup>14</sup> Amy Hanauer and Grace Chu, “State of Working Ohio, 2018: Inequality amid Job Growth” (Policy Matters Ohio, September 2, 2018), <https://bit.ly/2CPIk7q>



Students at Ohio’s only public HBCU receive significantly less OCOG than their peers at predominately white public universities. Central State has the lowest tuition of all 13 public main campus universities this is in part because the college receives a subsidy from the state to keep tuition costs down to ensure access for African-American students. Shawnee State University, which has the second lowest tuition, also receives a subsidy to increase access for students in Appalachia. Ninety-three percent of Central State students are black compared to only 8.4% at all other public university main campuses.<sup>15</sup> Central State educates a larger number black students than six of Ohio’s public main campus universities (see table 3). Of the six, five have a student population greater than six times Central State’s (see Table 3). Central State has a large percentage (78%) of students who use Pell Grants, the largest federal grant for low-income students.<sup>16</sup> Students at Central State would be especially helped if they could use OCOG to pay for books and essential living expenses.

Table 3			
Total undergraduate enrollment and black undergraduate enrollment fall 2017			
Institution	Total students	Black students	Percent black
The Ohio State University	45,946	2,663	5.8%
University of Akron	16,872	2,059	12.2%
Kent State University	23,178	2,003	8.6%
Cleveland State University	12,078	1,956	16.2%
University of Cincinnati	26,559	1,942	7.3%
University of Toledo	16,194	1,795	11.1%
Central State University	1,784	1,631	91.4%
Ohio University	23,167	1,292	5.6%
Wright State University	12,115	1,282	10.6%
Bowling Green State University	14,680	1,280	8.7%
Youngstown State University	11,269	1,111	9.9%
Miami University	17,147	539	3.1%
Shawnee State University	3,406	168	4.9%

Source: Source: Policy Matters Ohio based on National Center for Education Statistics The Integrated Postsecondary Education Data System

**Many college students struggle to afford the basics**

Beyond fixing the racial equity issues, policymakers can improve OCOG by including basics like housing, food, transportation and books in the total state cost of attendance. Needing to work long hours and the high cost of college are the top reasons student do not complete their degrees.<sup>17</sup> Better financial aid that covers essential expenses can help.

Many college students experience food and housing insecurity. A Wisconsin Hope Lab survey of 43,000 students at 66 four-year colleges and community colleges, including Ohio University, found that 42% of community college students and 36% of university students

<sup>15</sup> National Center for Education Statistics Integrated Postsecondary Education Data System

<sup>16</sup> Ibid.

<sup>17</sup> Jean Johnson et al., “With Their Whole Lives Ahead of Them” (Public Agenda), accessed November 9, 2017, <http://bit.ly/2VtSB1B>



regularly struggled to afford safe and nutritious food. A previous survey with a larger sample size of community college students found 56% were food insecure. These rates are significantly higher than the food insecurity rate off campus, which is 12.3% nationally and 13.7% in Ohio.<sup>18</sup> The report also showed that 36% of university students and 46% of community college students have a difficult time paying rent or utility bills; or have to move frequently. A shocking 9% of university students and 12% of community college students were homeless, according to the survey.<sup>19</sup>

Colleges are responding to the dismaying reality of student hunger. The majority of Ohio’s 61 public colleges have food pantries. Some also provide other necessities like hygiene products, winter clothes, and household necessities like toilet paper.<sup>20</sup> The establishment of pantries on campus is an indication that students need help with living expenses. Many Ohio college students balance a job on top of their academic demands (see Table 4).

<b>Table 4</b>					
<b>Hours worked per week by Ohio resident students 2016</b>					
<b>Institution Type</b>	<b>0 hours</b>	<b>1-20 hours</b>	<b>21-30 hours</b>	<b>31-40 hours</b>	<b>&gt;40 hours</b>
<b>Public University</b>	17.9%	32.1%	18.0%	23.7%	8.3%
<b>Community College</b>	17.4%	20.3%	13.4%	38.5%	10.4%
<b>All institutions</b>	18.0%	26.2%	15.7%	31.0%	9.2%

Source: Policy Matters Ohio based on U.S. Department of Education, National Center for Education Statistics, 2015-16 National Postsecondary Student Aid Study

Working more than 20 hours a week harms a student’s academic performance and reduces their chances of ever graduating.<sup>21</sup>

<sup>18</sup> Alisha Coleman-Jensen et al., “Household Food Security in the United States in 2017” (United States Department of Agriculture), accessed October 9, 2018, <http://bit.ly/2JsDoXr>

<sup>19</sup> Sara Goldrick-Rab et al., “Still Hungry and Homeless in College” (Wisconsin Hope Lab, April 2018), <http://bit.ly/309DTeF>

<sup>20</sup> Data collected from phone calls with public colleges and universities

<sup>21</sup> Institute for Research on Higher Education. (2016). College Affordability Diagnosis: Ohio. Philadelphia, PA: Institute for Research on Higher Education, Graduate School of Education, University of Pennsylvania. <http://bit.ly/2VUNtTA>

# Recommendations

Deep investment in making college possible is part of what built the Ohio and American economy in the Twentieth Century. It is important that Ohio's college aid system build on this legacy. The proposed \$44.3 million increase over the biennium is a marked improvement but more is needed for OCOG to meet the needs of all Ohio students, whether attending a community college, historically black university or regional campus. Deep investment in OCOG and better policies can make the grant more effective. We recommend four changes to improve equity and make the program meet the needs of Ohio's growing college population.

## How to improve equity

3. **Change the state's definition of "total state cost of attendance" to include all fees, books, housing, food, transportation, child care, and other education expenses.** The OCOG formula should mirror the federal definition of attendance instead of only considering tuition and general fees.
4. **Make OCOG a first-dollar grant to ensure all eligible Ohio students receive it.** Making OCOG first dollar means it will be applied to a student's cost of attendance before all other aid such as Pell Grants or other scholarships. The cost to expand OCOG to community college students and increase the grant for Central State students is estimated at \$106 million a year.

## Investment needs

3. **Increase OCOG to the initially planned \$250 million per year and set an inflation adjustment so OCOG keeps pace with rising costs.** Invest an additional \$149.1 million a year in OCOG.
4. **Eliminate OCOG for for-profit institutions.** By providing OCOG to students at for-profit colleges, Ohio encourages people to attend, even though for-profit institutions have poor outcomes and engage in predatory practices. In fiscal year 2018, the state sent \$3.4 million to for-profit colleges.<sup>22</sup> This money should be invested in the more effective public institutions, like community colleges and regional campuses.

Ohio built a world-class system of public colleges and universities, and created financial aid programs to help a previous generation attend. As college becomes increasingly essential to finding family-supporting employment and to our economy, it is essential that we help today's young people afford college to build a better future for all of us.

This work was made possible with the generous support of the Joyce Foundation.

<sup>22</sup> "Summary of Program Expenditures by Institution State Financial Aid 2017-2018 Academic Year, Fiscal Year 2018" (Ohio Department of Higher Education) <https://bit.ly/2vMVn2D>