
POLICY MATTERS OHIO

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Tax cuts don't cover tuition hikes for Ohio families with college students

New Policy Matters Ohio report finds declining Ohio higher education investment

Average-income four-person families and average-income households with college-age children in Ohio will both find that tax cuts enacted in the 2006-2007 biennial budget will not cover tuition increases resulting from that budget, according to a new report from Policy Matters Ohio. "Ohio's policy makers have chosen to provide tax cuts instead of more adequately funding higher education," said report author, Policy Liaison Wendy Patton. "That decision results in a net loss for families with kids in college."

The report, ***College Bound: Taxes and Tuition in Ohio***, finds that 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, on average, 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 just 63 percent of the increase in tuition and 3 percent of total tuition. Tax savings are diminished in two years by the loss of the college tuition deduction.

By the same year, 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 face the same \$1,975 in increased tuition; total tax savings over five years cover just one year of projected tuition increases.

"Workers with a bachelor's degree have much higher wages, lower unemployment, higher work participation and higher lifelong earnings than other workers," said Patton. "But this budget makes it harder for middle-income families to send their kids to college." Nationally, Ohio ranks 49th in affordability of college, 46th in state higher education operating appropriations per student, 37th in increase in higher education spending between 2000 and 2005, and 40th in percent of people over age 25 with a bachelor's degree, according to various sources cited in the report.

The income tax cuts enacted in the 2006-07 biennial budget will cost the state \$5.670 billion by 2010, some of which could have been spent on higher education. The largest tax refunds will go to families earning more than \$274,000. ***College Bound*** also finds:

- 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 and meager population growth, from fall 1998 to fall 2003, higher education enrollment grew 11 percent, from 544,991 to 604,826.
- While higher education spending plunged, other parts of the budget soared. For example, between 1990 and 2005, adjusting for population and inflation, corrections spending more than doubled. Since 2000, corrections spending has fallen by about three percent so perhaps that upward trend will continue to level off.
- On average, it cost an Ohio family 35 percent of total income to send a student to a public university in 2004; 25 percent more than the U.S. average. For a family in the lowest quartile (average income \$12,826), tuition at the least expensive public institution consumed a staggering 22 percent of income, 58 percent more than the U.S. average.
- It has been getting costlier to get a college education in Ohio. In 1991, families paid for 39.5 percent of college education costs; by 2004, they paid 49.4 percent.
- Ohio colleges and universities have raised tuition. Average tuition (weighted by enrollment) for a four-year public university in Ohio is \$7,478 in 2004-05 and will increase by between \$450 and \$500 a year for each of the next five years, to \$9,902 by the 2009-10 school year.

“When public spending is slashed, families often lose, even if they get tax cuts,” said Patton. “That is clearly the case for middle-income families trying to send children to college in Ohio.”

Policy Matters Ohio is a non-profit, non-partisan policy research institute with offices in Cleveland and Columbus. This report, and other research from the institute, will be available at <http://www.policymattersohio.org>