

## Deregulation and higher education Potential impact on access, affordability and achievement in Ohio

Michelle Camou and Wendy Patton

Public universities and colleges in Ohio helped to dramatically increase higher education levels over the past fifty years. They have given employers skilled professionals, provided a pathway to the middle class, and provided businesses with cutting edge research. However, our college completion levels lag the nation (we rank 34<sup>th</sup>), our tuition is higher than average (tied for third most costly relative to family income), we continue to slash support for higher education and for need-based aid and it is difficult here, as elsewhere, for students from middle-class and poor families to afford college.

The Kasich administration's higher education proposal, the *Enterprise University Plan for Ohio*, is likely to form the basis for upcoming action on university management. The proposal recommends broad exemption from state fiscal and administrative statutes; diminished state oversight of real estate, construction, procurement, and legal settlements; elimination of student enrollment caps; and authority to set differential tuition.

This approach assumes that deregulation will bring cost savings and that administrators will use those saving to reduce tuition, increase enrollment, and improve outcomes for working class Ohioans. But the key factor in access, enrollment, completion, tuition cost and affordability for low-income students is public support for universities and for need-based aid, not management structure. Since deregulation has been presented as a solution, this paper examines outcomes of deregulation in other states. We find that deregulation does not increase completion, make college affordable, or close gaps.

Many states have moved to deregulate public higher education in the past 20 years and more recently. Ohio's proposal was inspired by the Virginia model, passed in 2005, which hands over to universities control of real estate purchasing under \$5 million, heightens university authority over tuition rates, and exempts universities from state rules around procurement, construction, and personnel. Virginia, like most deregulating states, included state-mandated performance targets on retention, graduation, affordability and other issues – these were either optional or absent from the Ohio plan.

We compared trends on enrollment, graduation, affordability, and low-income student participation across highly deregulated states like Colorado and Virginia; partially regulated approaches like in Illinois, New Jersey and Texas; and coordinated systems as in Kentucky, Maryland and Minnesota.

### Key findings

- A stronger higher education system has been crucial to Ohio's development.
- Leaders have proposed deregulating Ohio universities and reducing state control.
- Reducing state control over higher education has not improved outcomes in other states.
- Inflation-adjusted tuition increased by 89 percent at flagship schools over ten years in the most deregulated states.
- To increase access and completion, and control tuition, Ohio must commit to adequate funding.

Our control group is the nation as a whole. The highly deregulated model is most like the *Enterprise University Plan*. We found:

**Tuition:** The most highly deregulated school systems have had the steepest growth in tuition at flagship schools (a staggering 89 percent over the past decade, adjusted for inflation) while the partially regulated schools have had the steepest tuition growth at other four-year state schools (84 percent).

**Enrollment, graduation and completion:** Enrollment has grown sharply in public universities of all structures. Completion rates don't differ significantly by management model, ranging from 55.5 percent in the control group, the nation, to 58.3 percent in the highly deregulated systems (which started out higher before deregulation). Ohio lags both at 54.7 percent. But essentially all management systems fail to graduate close to half of the students who enroll. Completion rates have increased slightly in all systems since 1997.

**Access for low- and middle-income:** Students from middle and low-income families are much less likely to enroll and graduate: eight of 10 students from families earning above \$100,000 a year finished college in 2010, while just a third of upper-middle income and fewer than one in six lower-middle and poor students did. Low-income enrollment is highest in the control group, the nation, lower in less regulated systems, and lowest by far in the highly deregulated group. Coordinated systems provide the most need-based aid – about 45 percent of Pell-eligible students also get state help in coordinated systems, compared to just 28 percent in the nation. Highly deregulated system schools do almost as well (43 percent) with two caveats – these systems have the highest and fastest-rising tuitions, necessitating aid for low-income attendees, and they have the lowest share of low-income students, so can afford to help more of them.

**Public investment:** In 1990, the categories were allocating a low of \$7.55 and a high of \$9.48 per \$1,000 of state personal income to higher education, with Ohio lagging at \$7.03. By 2010, the highly deregulated systems were allocating a paltry \$3.79 per 1,000 of state personal income to higher education and Ohio just \$4.57. Higher education funding declined in all categories, by between a quarter and a half. The coordinated category invests the most, and the highly deregulated category by far the least. This difference in financial support is more relevant to performance than management structure.

Given the track record of deregulation in other states, we have little reason to think that this approach will make tuition more affordable, increase access for low-income students, or increase graduation rates. Instead we recommend that Ohio adequately fund higher education, commit to need-based aid, and include strong performance targets if we reduce public control in any way. We also recommend further exploration of coordinated systems to explore their better outcomes.

Ohio's future depends on an excellent higher education system capable of preparing Ohioans to participate in the economy and community. The *Enterprise University Plan* proposed deep changes for higher education that lost sight of Ohio's own goals, labor force needs, and understanding of higher education as a pathway to the middle class. It is essential that Ohio citizens maintain control over Ohio's higher education institutions.