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Higher Education

Ohio Promise: Equitable free college

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Executive Summary

Post-secondary education prepares students to meet future challenges and pursue their dreams. Increasingly, Americans need some form of higher education to make a living wage. States that invest in higher education are often more productive and have higher wages. Higher education helps build communities and brighter futures. Unfortunately, the high cost of college blocks many from pursuing and completing their education. College unaffordability is most pronounced for low- and moderate-income students who often struggle financially outside of school. College has not always been prohibitively expensive. In the past, state governments invested more heavily in public colleges and federal Pell grants and state need-based aid covered a greater portion of college costs.

Ohio has a world-class network of public colleges. However, the state lags behind the nation in college attainment. Only 39.1 percent of Ohio adults aged 25-64 have an associate's degree or higher compared to 41.7 percent nationally (see appendix for data by county). Recognizing that the state must improve these numbers, Ohio policymakers have committed to a goal of 65 percent college attainment by 2025. College attainment rates are low for white Ohioans (40.2 percent) and significantly lower for African-American (26.5 percent), Latinx (26.9 percent), and Native American (31.7 percent) Ohioans. Only Asian-American Ohioans meet the state's attainment rate goal (67.4 percent). Ohio is ranked 45th least affordable for college. Ohioans owe \$57 billion in student debt. The state has one of the highest rates of student debt per capita in the nation.

Ohio can do better. The state can make college affordable, significantly increase attainment, and reduce the student debt burden, by enacting a well-targeted, holistic need-based aid program. Policymakers should commit to affordable college by pledging to implement policies to cover the cost of attendance for all moderate income students at community colleges and public universities. Ohio needs a free-college promise for moderate-income students. The good news is that we can afford it by closing unproductive tax loopholes and rolling back tax cuts for the wealthy.

Nationally, college is becoming more unaffordable for people who are not wealthy. In response to the crisis, 19 states have created free-college college promises. Generally, college promise programs are government commitments to provide at least free or debt-free tuition to a significant subset of students who are not chosen based primarily on merit considerations like high school GPA or ACT/SAT score. These programs often direct resources to upper-income students instead of to low-income students who need the most help. Most promise programs are structured to serve a small number of students to contain costs. Often, promise scholarships are restricted to recent high school graduates with higher GPAs who attend school full time. This leaves out student without high GPAs and older adult students an important and growing group.

Despite the state's attainment goal, Ohio does not have a college promise program. The Ohio College Opportunity Grant (OCOG) is the state's sole need-based aid grant. OCOG is too underfunded to make college affordable for moderate-income students and leaves many students completely out. Ohio is at a turning point. The state needs to reform OCOG to better serve the Ohio's long-term education and workforce development goals and the state must confront the ongoing affordability crisis. Ohio can do both by targeting intensive need-based aid to make college affordable for low-income students, who are disproportionately women,



people of color, parents, and working adults. Robust need-based aid is critical part of a strong college access and completion policy.

Having a stable and safe place to live, enough food to be healthy, and access to reliable transportation are critical parts college success. Financial aid must cover a substantial portion of living expenses to make college affordable for moderate-income students. Housing and food insecurity are rampant on college campuses. Research shows between 36 and 42 percent of all college students experience food insecurity, which means they missed meals or had to change their eating patterns because of lack of money for food.

The Ohio Promise would transform Ohio from an under-educated state into one where more of our people have the education they need to thrive in our economy. It would help employers find the trained workers that they need. The cost, an estimated \$1.65 billion per year, is less than what Ohio gives away each year in tax cuts to the wealthiest and corporations, compared to our previous tax system.

Recommendations

High costs are one of the biggest barriers to college completion for students. Often tuition is not the biggest college expense. Non-tuition expenses like living expenses, transportation, and books are a substantial portion of college cost. Research shows need-based aid improves student outcomes.

To help more students access and complete college, Ohio needs an equitable free-college Promise grounded in fairness. Policy Matters proposes The Ohio Promise that does the following:

- Provides first-dollar grant for tuition and fees, meaning Promise Grant will pay for tuition and fees and the Pell Grant and OCOG can be used for books and living expenses
- Provide students attending community colleges and regional campuses with the same amount of OCOG as students at public universities.
- Provide aid to recent high school graduates, returning students and older adults
- Provide aid to moderate-income students at community colleges and public universities
- Make full- and part-time students eligible
- Eliminate GPA and ACT/SAT requirements – let admissions offices set standards
- Guarantee that this is a grant, never a loan

Those criteria will help ensure Ohio's promise program helps students who need it most. Attainment rates must improve for low-income students, adult students, and student of color to reach the 65 percent goal. Equity means those who need the most receive the most. All students regardless of their backgrounds should be able to afford higher education, from high-quality certificates to bachelor's degrees and beyond.

Introduction

Post-secondary education prepares students to meet future challenges and pursue their dreams. Increasingly, Americans need some form of higher education to make a living wage. States that invest in higher education have higher productivity and higher wages. Higher education helps build communities and brighter futures. Unfortunately, the high cost of college blocks many from pursuing and completing their education. College unaffordability is most pronounced for low- and moderate-income students who often struggle financially outside of school. College has not always been prohibitively expensive. In the past, tuition was affordable because state governments invested in public colleges and federal Pell grants and state need-based aid covered a greater portion of college costs.

Ohio has a world-class network of public colleges that is a source of much pride. Yet, Ohio does poorly on most higher education outcomes. The state lags behind the nation in college attainment with only 39.1 percent of adults aged 25-64 having an associate's degree or higher compared to 41.7 percent nationally (see appendix for data by county). Recognizing that the state must improve these numbers, policymakers in Ohio have committed to a goal of 65 percent college attainment by 2025. College attainment rates are low for white Ohioans (40.2 percent) and significantly lower for African-American (26.5 percent), Latinx¹ (26.9 percent), and Native American (31.7 percent) Ohioans. Only Asian-American Ohioans meet the state's attainment rate goal (67.4 percent).² Ohio is ranked 45th least affordable for college³ and collectively Ohioans owe \$57 billion in student debt.⁴ The state has one of the highest rates of student debt per capita in the nation.⁵

Ohio can do better. The state can make college affordable, significantly increase attainment, and reduce the student debt burden, by enacting a well-targeted, holistic need-based aid program. Policymakers should commit to affordable college by pledging to implement policies to cover the cost of attendance for all moderate-income students at community colleges and public universities. Ohio needs a free-college promise for moderate-income students.

Nationally, college is becoming more unaffordable for people who are not wealthy. In response to the crisis, 19 states have created free-college college promises. This is an exciting trend that Ohio should both learn from and build on. Generally, college promise programs are government commitments to provide at least free or debt-free tuition to a significant subset of students who are not chosen based primarily on merit considerations like high school GPA or ACT/SAT score.⁶ As appealing as these programs sound, they often direct resources to middle-income students instead of to low-income students who need the most help. Most promise programs are structured to serve a small number of students to contain costs. Often, promise scholarships are restricted to recent high school graduates with higher GPAs who

¹ Latinx has been used since the early 2000s, as a non-gendered term (unlike Latino, referring to men or Latina, specific to women) for people of Latin American origin or descent. Hispanic, sometimes used interchangeably, refers to those who speak Spanish, including those from Spain.

² Lumina Foundation, "Stronger Nation Report: Post-High School Attainment Update Shows Progress, but Many Are Still Left Behind," accessed October 9, 2018, <http://strongernation.luminafoundation.org>

³ 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. <https://bit.ly/2IOG3rT>

⁴ "50 State Snapshot of Student Debt: A Nationwide Look at Complaints about Student Loans" (Consumer Financial Protection Bureau, October 2017), <https://bit.ly/2yeeUe6>

⁵ Zack Friedman, "Student Loan Debt Statistics In 2018: A \$1.5 Trillion Crisis," Forbes, accessed September 18, 2018, <https://bit.ly/2PB50Js>

⁶ Jen Mishory, "The Future of Statewide College Promise Programs" (The Century Foundation, March 6, 2018), <https://tcf.org/content/report/future-statewide-college-promise-programs/>



attend school full time. This leaves out student without high GPAs and older adult students, an important and growing group.

Despite the state’s attainment goal, Ohio does not have a college promise program. The Ohio College Opportunity Grant (OCOG) is the state’s sole need-based aid grant. OCOG is too underfunded to make college affordable for moderate-income students and leaves many students completely out.

Ohio is at a turning point. The state needs to expand need-based aid to better serve the Ohio’s long-term education and workforce development goals and the state must confront the ongoing affordability crisis. Ohio can do both by targeting intensive need-based aid to make college affordable for low-income students, who are disproportionately women, people of color, parents, and working adults. Robust need-based aid is critical part of a strong college access and completion policy.

Having a stable and safe place to live, enough food to be healthy, and access to reliable transportation are critical parts of college success. Financial aid must cover a substantial portion of living expenses to make college affordable for moderate-income students. Housing and food insecurity are rampant on college campuses. Research shows that between 36 and 42 percent of all college students experience food insecurity, which means they missed meals or had to change their eating patterns because of lack of money for food.

Ohio Promise

Equitable free college

To help more students access and complete college, Ohio needs an equitable free-college Promise grounded in fairness. Policy Matters proposes a plan that does the following:

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- Provide students attending community colleges and regional campuses with the same amount of OCOG as students at public universities.
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Those criteria will direct the Ohio Promise program to students who need the most financial help. Attainment rates must improve for low-income students, adult students, and student of color to reach the 65 percent goal. Equity means those who need the most receive the most. High costs are one of the highest barriers to college completion. Tuition, but also living expenses, derail students. Need-based aid improves student outcomes. All students regardless of background should be able to afford higher education, from high-quality certificates to bachelor’s degrees and beyond.



The Ohio Promise would transform Ohio from an under-educated state into one where more of our people have the education they need to thrive in our economy. It would help employers find the trained workers that they need. The cost, an estimated \$1.65 billion per year, is less than what Ohio gives away each year in tax cuts to the wealthiest and corporations, compared to our previous tax system.

Ohio needs affordable college

College costs are too high for low-income students

College is unaffordable for most Ohioans and that burden falls most heavily on moderate-income students. Ohio is ranked 45th 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 less financial aid). Students with incomes below \$30,000 (nearly a quarter of all families) would need to spend 81 percent of their income to pay for one year of the net price of a public university and 38 percent for community college. For families making \$30,000 to \$48,000, it costs 39 percent and 27 percent of income to pay for public university and community college, respectively.⁷ In addition to challenges with tuition and fees, low-income students often struggle to meet everyday needs. Many are completely responsible for their own expenses, unlike students from wealthier households.

Current levels of financial aid are not enough to cover true cost of college

For the 2018-19 academic year, students will pay an average tuition of \$9,801 at main campuses, \$5,951 at branch campuses, and \$4,497 at community colleges. Costs go beyond tuition and fees. Every student must have food to eat and a place to live whether on or off campus. The average cost of room and board at main campuses is \$11,170⁸ and varies for off-campus students.⁹ Books, computers, transportation, and other expenses are also essential. The total cost of attendance is comprised of all of those expenses. Our current financial aid system does not provide enough for moderate-income students to afford these other basics. Federal and state government provide moderate-income students with need-based grants but even with these, college is still often out of reach. Table 1 shows the yearly net price (out-of-pocket costs) to attend public college in Ohio for moderate-income students.

Table 1		
Net price (out of pocket costs) of college for students by income level and institution type for 2015-16 academic year		
Institution type	Net price for students with incomes under \$30,000	Net price for students with incomes between \$30,000 - \$48,000
Public 2-year	\$5,773	\$6,472
Public 4-year	\$10,608	\$11,535

Source: Policy Matters Ohio based on Integrated Postsecondary Education Data Systems average net price for students with incomes under \$30,000 and between \$30,000 to \$48,000. The 2015-16 academic year is most recent available data.

⁷ 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. <https://bit.ly/1O58diQ>

⁸ If an institution has a tuition guarantee, the room and board amount is based on the 2018 guarantee fee.

⁹“Annual Survey of Tuition and Fees” (Ohio Department of Higher Education, October 2018), https://www.ohiohighered.org/sites/ohiohighered.org/files/uploads/hei/data-updates/Tuition_fees_2018.pdf

Under our current financial aid system most moderate-income students are left with substantial costs even after receiving federal, state, and institutional grant aid, and student loans. These students cannot make up the thousands of dollars needed to pay for college and must rely on additional loans to close the gap.

Table 2 illustrates how existing federal and state financial aid is insufficient to cover the cost of attendance at public colleges. Ohio University main campus, Bowling Green State University–Firelands, and Columbus State Community College are featured. Cost is based on the 2018-19 academic year. The Pell grant award and federal loans are based on the average award for students at the institution. The column “Potential loans for one year” is based on the average federal loans added to the amount owed after aid. At Ohio University, Bowling Green State University–Firelands, and Columbus State University a moderate-income student who did not receive scholarships or have other help to pay for college could potentially borrow \$23,925, \$17,724 and \$10,540, respectively, per year. Even at a community college, the most affordable option, a student could borrow over \$10,000 for one year. Students who are not able to access federal Parent PLUS loans or private loans because of credit history may be priced out of pursuing college.

Table 2							
College cost based on average amount of federal and state aid at three Ohio public colleges							
Institution	Institution type	Cost of attendance	Avg. Pell award	OCOG award	Avg. Federal loans	Amount owed after aid	Potential Loans for one year
Ohio University	University Main Campus	\$28,986	\$3,561	\$1,500	\$6,448	\$17,477	\$23,925
Bowling Green State University - Firelands	University Regional Campus	\$21,400	\$3,676	\$0	\$6,569	\$11,155	\$17,724
Columbus State Community College	Community College	\$14,590	\$4,050	\$0	\$6,383	\$4,157	\$10,540

Source: Policy Matters Ohio based on the Integrated Postsecondary Education Data System IPEDSs, “Ohio University Cost of Attendance, Bowling Green State University Cost of Attendance, Columbus State Community College, and Ohio Department of Higher Education

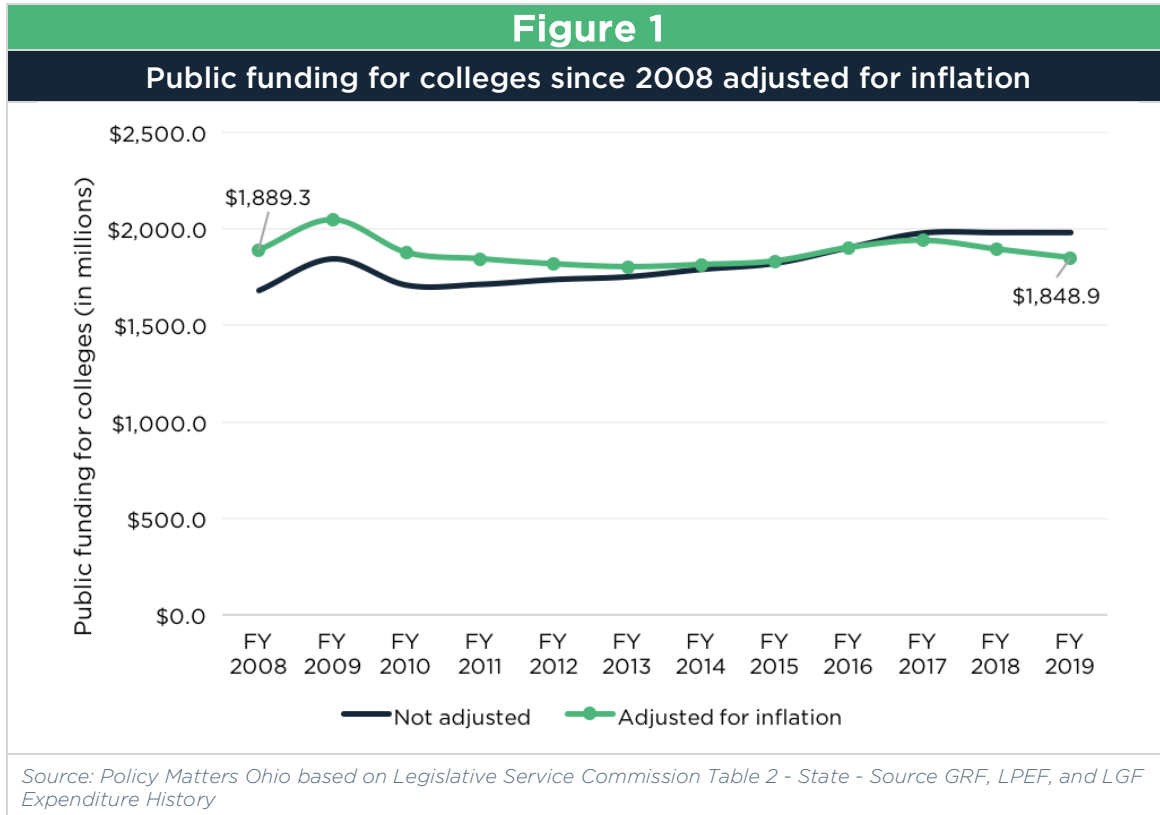
Table 2 shows existing financial aid does not cover the full cost of college at different types of institutions. Even after federal and state grants and federal loans a student would need to borrow significantly more just to afford one year of college. The Ohio State University recently implemented a last-dollar tuition and fees grant, meaning it is awarded after other financial aid. The university will provide institutional aid to close the gap that remains after the Pell grant and OCOG have been applied to tuition and fees. This new policy is a step in the right direction and will help low-income students be able to attend Ohio’s flagship institution. The number of low-income students attending the university has declined since 2010, so hopefully this will improve access for low-income students.¹⁰

Contributors to the high cost of college

Low state funding is a major driver of high costs at public colleges and universities. In the past, when state governments more adequately funded public higher education, college was more affordable. State Share of Instruction, the main public funding for public higher education, will be less in 2019 than in 2008 adjusted for inflation. When the state spends less

¹⁰ Erin Gottsacker, “Ohio State’s Shrinking Share of Low-Income Students,” The Lantern, accessed October 9, 2018, <https://www.thelantern.com/2018/04/ohio-states-shrinking-share-of-low-income-students/>

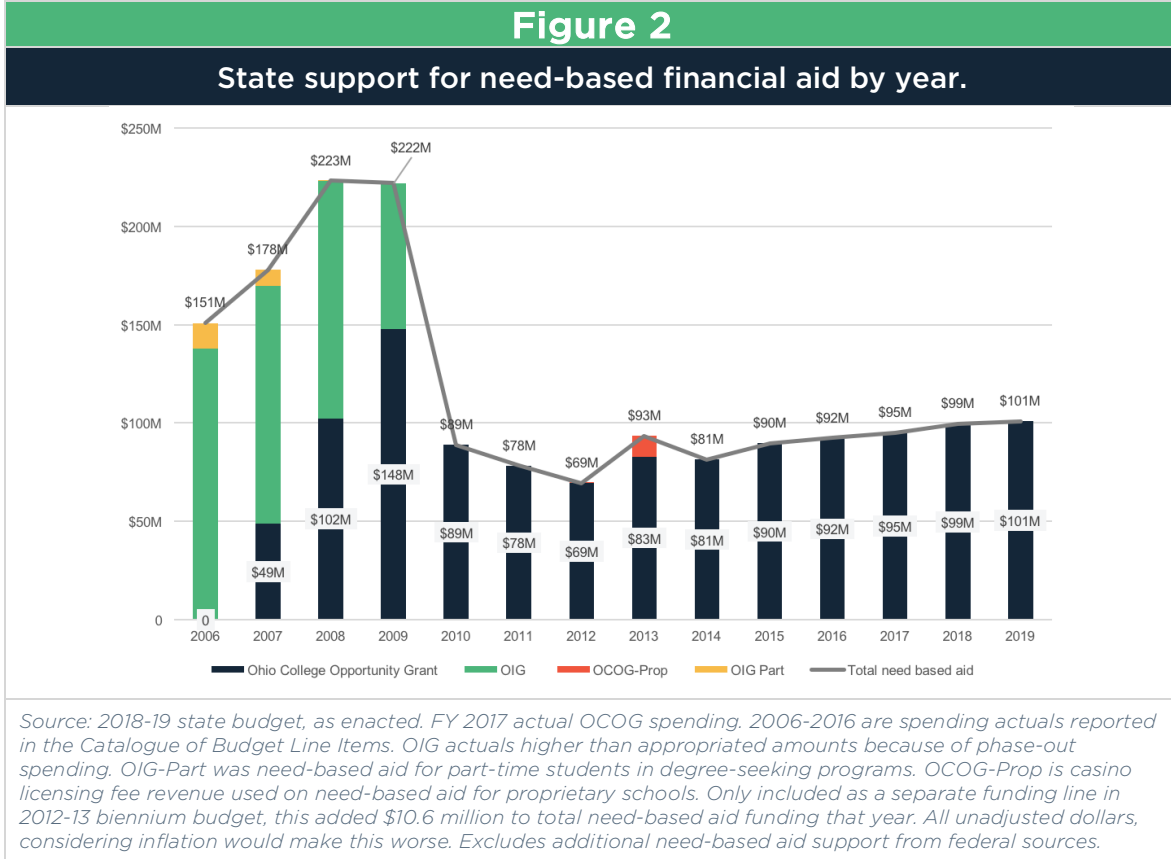
on higher education, colleges pass the cost on to students (see Figure 1). From 2008 to 2017, adjusted for inflation Ohio spent \$1,073 less (15.2 percent), per college student.¹¹



This budget for fiscal year 2018-19 also froze undergraduate tuition for public universities and regional campuses at the 2017 level for 2018 and 2019. Tuition freezes temporarily keep costs lower but don't address why the costs are so high: reduced state funding for public colleges. Tuition freezes coupled with flat funding means universities will struggle to do more with less.

Low-income students in Ohio also struggle because of the low levels of state need-based aid available. Need-based aid is essential for low-income students because the cost of college is a huge share of their income. OCOG has been underfunded by the state. In 2019, funding for OCOG will be \$122 million less than in 2008 before even considering inflation (see Figure 2). 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 increases that number would be significantly higher today.

¹¹ Michael Mitchell, Michael Leachman, and Kathleen Masterson, "A Lost Decade in Higher Education Funding State Cuts Have Driven Up Tuition and Reduced Quality" (Center on Budget and Policy Priorities, August 22, 2017), <https://www.cbpp.org/research/a-lost-decade-in-higher-education-funding-state-cuts-have-driven-up-tuition-and-reduced>



Ohio spends significantly less per student than the national average on need-based aid. In 2013, the state spent \$97 per student in state need-based aid for students attending public colleges compared to \$474 nationally.¹² Ohio is ranked last among Midwest states for amount of need-based aid available.¹³ Without the support they need to pay for college, low-income students struggle to enroll and complete their degrees.

Working more won’t make college affordable and may hamper completion

Working more than 20 hours a week harms academic performance and lowers the likelihood of completing a degree.¹⁴ A survey commissioned by the Bill and Melinda Gates foundation found that most students who leave college do so because they have to support themselves, but cannot juggle their job and school work. Fifty-four percent of respondents said, “I needed to go to work and make money” as a major reason for not completing their program. Thirty-four percent of respondents said “I just couldn’t afford the tuition and fees.”¹⁵

¹² 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://www2.gse.upenn.edu/irhe/affordability-diagnosis>

¹³ “Investing in Ohio’s Future. Now. A Postsecondary Education Access and Affordability Agenda for Ohio” (Philanthropy Ohio, February 27, 2017), https://www.philanthropyohio.org/sites/default/files/College%20Affordability_2.1lr_FINAL.pdf

¹⁴ 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://www2.gse.upenn.edu/irhe/affordability-diagnosis>

¹⁵ Jean Johnson et al., “With Their Whole Lives Ahead of Them” (Public Agenda), accessed November 9, 2017, <https://www.publicagenda.org/pages/with-their-whole-lives-ahead-of-them>

Data from the National Postsecondary Student Aid Survey shows 50 percent of Ohio-resident public university students and 62.3 percent of community college students work more than 20 hours per week. This spiked from 39.1 percent and 50.1 percent, respectively, in the 2012 survey. Table 3 shows hours worked for public four-year universities and community colleges.

Table 3					
Hours worked per week by Ohio resident students 2016					
Institution Type	0 hours	1-20 hours	21-30 hours	31-40 hours	>40 hours
Public University	17.9%	32.1%	18.0%	23.7%	8.3%
Community College	17.4%	20.3%	13.4%	38.5%	10.4%
All institutions	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

It is not feasible for students in Ohio to depend on work earnings to pay for their education without jeopardizing completion. A student would need to work 49 hours per week to afford to attend a public main campus university full time while living on campus or 36 hours a week to afford community college, on average at the Ohio minimum wage of \$8.30 per hour.

Low-income students struggle more to complete degrees

Low-income students struggle to complete college. This cannot be fully explained by expectations or preparation. A longitudinal study by the National Center for Education Statistics found students from the lowest income quartile graduate at a 14 percent rate compared to 60 percent for those in the highest quartile. Among low-income 10th graders, only 25 percent of those who expect to graduate do so compared to two-thirds of high-income students who expect to graduate. Academic preparedness cannot fully explain low graduation rates. Only 41 percent of academically strong low-income students, those who scored in the top quartile in math, graduated compared to 74 percent of high-income students.¹⁶

College costs are a bigger burden for students of color

Although most legal barriers to higher education have been lifted, other structural barriers continue to limit access and undermine degree attainment for students of color. One of the most significant is cost. Students of color are more likely to be low-income and borrow more for their education.¹⁷ Sixty percent of Pell grant recipients are students of color.¹⁸

Because people of color face a myriad of roadblocks to financial security, Black and Latinx students have access to fewer resources to help pay for college. 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. In Ohio, the median hourly wage for black workers is just \$13.96 compared to \$18.75 for white

¹⁶ Alanna Bjorklund-Young, "Family Income and the College Completion Gap" (Johns Hopkins School of Education Institute for Education Policy, March 10, 2016), <http://edpolicy.education.jhu.edu/family-income-and-the-college-completion-gap/>

¹⁷ Victoria Jackson, "Student Borrowers: Prey for Predatory Loan Servicers" (Policy Matters Ohio, December 26, 2017), <https://bit.ly/2C96Eib>

¹⁸ Andrew Howard Nichols and J. Oliver Schak, "The Power of Information: More Data on Pell Grants Could Help Bridge the Graduation Gap," Washington Post, June 5, 2018, <https://wapo.st/2yvOXHY>

workers.¹⁹ Nationally, the median white household had \$111,146 in wealth compared to just \$7,113 for the median black household and \$8,348 for the median Latinx household.²⁰

Ohio is ranked the 5th most expensive state for college for black families and 8th most expensive for Latinx families. In 2017, the average tuition and fees at an Ohio public four-year university accounted for 32 percent and 25 percent of median household income for black and Latinx families, respectively. For comparison, average tuition as a share of median household income for all families is 19 percent and for white families it is 17 percent.²¹

Because they have fewer financial resources, students of color are more likely to have a difficult time getting to college and completing their degrees. In Ohio, 26.9 percent of Latinx adults aged 25-64 and 26.5 percent of black adults have an associate's degree or higher.²² Ohio's college attainment rate is 39.1 percent and the state's goal is 65 percent. Targeted and better funded need-based aid is an important component of increasing college attainment for students of color.

Students are struggling to afford food and shelter

A Wisconsin Hope Lab survey of 43,000 students at 66 four-year colleges and community colleges, including Ohio University, found that 42 percent of community college students and 36 percent of university students struggled regularly to afford safe and nutritious food. A previous survey with a larger sample size of community college students found 56 percent were food insecure. These rates are significantly higher than the food insecurity rate off campus, which is 12.3 percent nationally and 13.7 percent in Ohio.²³

The report also showed that 36 percent of university students and 46 percent of community college students have a difficult time paying their rent or utility bills; or have to move frequently. Nine percent of university students and 12 percent of community college students were homeless, according to the survey.²⁴

Financial aid policies that do not provide for living expenses leave students vulnerable to food and housing insecurity.

Increasing need-based aid increases college completion for low-income students

Need-based aid helps low-income students pay for their education, allowing them to work less and prioritize school. A significant body of research shows that need-based aid increases access, retention and completion rates for low and moderate-income students.²⁵

OCOG is a relatively new program. Until 2010, state need-based aid was provided through the Ohio Instructional Grant (OIG). According to analysis from Stanford University, low-income

¹⁹ Amy Hanauer, "State of Working Ohio, 2018: Inequality amid Job Growth" (Policy Matters Ohio, September 2, 2018), <https://bit.ly/2iOzUff>

²⁰ Amy Traub et al., "The Racial Wealth Gap: Why Policy Matters" (Demos, June 21, 2016), <https://bit.ly/2A5vqah>

²¹ 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>

²² J. Oliver Schak and Andrew Howard Nichols, "Degree Attainment for Latino Adults: National and State Trends" (The Education Trust, 2017), <https://bit.ly/CtqUis>

²³ Alisha Coleman-Jensen et al., "Household Food Security in the United States in 2017" (United States Department of Agriculture), accessed October 9, 2018, <https://www.ers.usda.gov/publications/pub-details/?pubid=90022>

²⁴ Sara Goldrick-Rab et al., "Still Hungry and Homeless in College" (Wisconsin Hope Lab, April 2018), <https://hope4college.com/wp-content/uploads/2018/09/Wisconsin-HOPE-Lab-Still-Hungry-and-Homeless.pdf>

²⁵ Sara Goldrick-Rab et al., "Reducing Income Inequality in Educational Attainment: Experimental Evidence on the Impact of Financial Aid on College Completion," *American Journal of Sociology* 121, no. 6 (May 1, 2016): 1762-1817, <https://doi.org/10.1086/685442>

and I. Benjamin L. Castleman and Bridget Terry Long, "Looking Beyond Enrollment: The Causal Effect of Need-Based Grants on College Access, Persistence, and Graduation," Working Paper (National Bureau of Economic Research, August 2013), <https://doi.org/10.3386/w19306>

students fare better under the new system which allocates more money to low-income, low-asset students than the previous system. The study found students who received more aid under OCOG had better outcomes compared to a similar group of students who received less aid under OIG. Students who received more OCOG funding were less likely to drop out and had higher retention rates. Also, students who received greater OCOG funding were more likely to attend a four-year college and had a slightly higher GPA.²⁶ Generous need-based aid is a critical part of strong college access and completion policy.

The Ohio Promise

Currently, 19 states offer some type of free college promise program.²⁷ These are exciting, but Ohio must learn from and build on this approach. Most of these are designed in a way that directs resources towards more upper-income students instead of to students who need the most financial help and whose college attainment rates need the biggest boosts. The primary beneficiaries are often higher-income, recent high school graduates, who were already on a path to college and degree completion.

These programs are touted as universal, but are in practice restricted to a small subset of students. Typical promise scholarships are “last dollar” meaning other need-based aid like Pell grants and state aid are used first to pay for tuition. Then the scholarship pays for the remaining balance of tuition. Promise scholarships only cover tuition not cost of attendance, which is the more accurate representation of student expenses. Because Pell grants and state need-based aid are used first and can often cover the total cost of community college tuition, low-income students don’t benefit from the scholarship. Middle- and upper-income students do receive the full scholarship because they are not eligible for need-based aid. Moreover, most promise programs are restricted to recent high school graduates. Older adult students, an important and growing group, are shut out from the benefits.

Some states’ promise programs have penalties built in for students who use the scholarship. For example, some states require scholarship recipients to remain in the state for a certain number of years after graduating. If students don’t stay, the grant becomes a loan. College affordability programs are not the place to embed punitive population retention schemes. Punitive measure are not the way to reach the state’s attainment goal.

The federal Teacher Education Assistance for College and Higher Education (TEACH) Grant is an example of grant-to-loan conversions harming students. The TEACH Grant Program provides grants of up to \$4,000 a year to students who are completing or plan to complete course work needed to begin a career in teaching. To receive the grant students must sign an agreement to teach in a high-need field and at a school that serves low-income students for at least four academic years within eight years after graduating. If a TEACH Grant recipient does not meet these requirements, the grant turns into an unsubsidized loan and they are responsible for all the interest that has accrued since the first disbursement of the loan. A U.S Department of Education report found that 63 percent of TEACH grant recipients did meet the requirements to maintain the grant.²⁸ Also, students may need to move if there are not enough jobs in the state for their field.

²⁶ Eric Bettinger, “Need-Based Aid and Student Outcomes: The Effects of the Ohio College Opportunity Grant” (Stanford University School of Education, May 2010), <https://www.sesp.northwestern.edu/docs/need-based-aid-why.pdf>

²⁷ Arkansas, California, Delaware, Hawaii, Indiana, Kentucky, Louisiana, Minnesota, Missouri, Montana, Nevada, New York, New Jersey, Oklahoma, Oregon, Rhode Island, Tennessee, West Virginia

²⁸ Elizabeth Barkowski et al., “Study of the Teacher Education Assistance for College and Higher Education (TEACH) Grant Program” (U.S. Department of Education, March 2018), <https://www2.ed.gov/rschstat/eval/highered/teach-grant/final-report.pdf>

Grants that turn into loans are bad policy. There are more effective ways to incentivize students staying in a state. Logistically, it is difficult to track where student are living and then have them repay a grant that converted to a loan. The restrictions in these programs contain costs but undermine equity. An equitable program would ensure those who need the most aid receive the most aid. There are several problematic design features of such a program. Table 4 explains why common features of promise programs undermine equity and provides alternatives for structuring an equitable promise program.

Table 4		
Common features of promise programs that undermine equity		
Feature	Problem	Solution
Last dollar	Last dollar means aid from the promise program is applied after the Pell grant and state need-based aid. This mean middle- and high-income students benefit more because they earn too much to qualify for need-based aid and would normally be expected to pay more out of pocket based on federal needs analysis.	Design a first-dollar program that targets aid to students who need it most. First-dollar scholarships are applied before other aid, like Pell grants. A first-dollar program would allow low-income students to use OCOG and Pell to offset the cost of books and living expenses.
Restricted to recent high school graduates	This excludes returning and older adult students, and those who have to delay college enrollment	The program should be open to all first- degree seeking students regardless of age or stage in life. This will pull in non-traditional students, an important group for improving Ohio attainment.
GPA and ACT/SAT requirements	Having GPA or ACT/SAT requirements makes the program function more like merit aid, which disproportionately benefits white and wealthy students.	Leave merit considerations to college admission offices.
Only available at community colleges	Limiting programs to community colleges can lead to undermatching for low-income students, channeling them to a less selective college because of costs.	Include four-year public universities in promise programs.
Restricted to full-time students	Excluding part-time students harms students who work, have caregiving responsibilities, or are low-income	Make the program available to full-time and part-time students. The award can be prorated for part-time students.
After graduation residency requirements	These requirements turn grants into loans with the possibility of forgiveness	Do not include a residency requirement
No income cap	Not having an income cap means state aid isn't targeted to those who need it the most	Implement an income cap that directs resources to low- and moderate-income students
Barring students who have defaulted on loans or owe money	This excludes financially struggling students who have started their education but had to stop, often for financial reasons.	Include students who have struggled financially. Bar practice of withholding transcripts from students who owe colleges money

Source: Policy Matters Ohio

The state of Ohio has committed to 65 percent college attainment in 2025 for adults aged 25-64. An equitable free-college program is a necessary step for Ohio to improve college attainment. Policymakers should pass and fund a free-college program.

Recommendations

Ohio should make a commitment to moderate-income students by investing in their future. To reach the 65 percent attainment goal, Ohio needs recent high school graduates and adults who are reskilling to obtain certificates and degrees. Ohio can do this by having a free college promise program for moderate-income students who attend community colleges and public universities. The Ohio Promise is a commitment to cover the cost of tuition and fees for moderate-income students and allow OCOG and Pell grants to be used to cover living expenses for those students with the most need.

Policymakers should create a free college promise for low- and moderate-income Ohioans. Students with family incomes below \$48,000 would be eligible for the Ohio Promise grant. The promise grant would be a first-dollar scholarship available to all first-degree seeking full- and part-time students attending community college and public university.

Ohio Promise will be available to Ohioans who meet the following eligibility standards:

- Ohio residents
- Attending an accredited community college or public university
- Household incomes under \$48,000 (must complete FAFSA)
- All immigration statuses
- Full or part-time students
- Pursuing their first degree at a public college or university, or earning a bachelor's degree after obtaining an associate's degree

Program structure

- First-dollar grant, meaning the Promise grant would be applied to a student's cost of attendance before other aid like Pell Grants, OCOG, and scholarships
- Requires satisfactory academic progress towards a degree
- Available for three years for a two-year degree and six years for a four-year degree. This mirrors the Pell Grant.
- College access mentoring tailored to high school students and adult learners
- Income eligibility indexed to a share (~88 percent) of Ohio's median household income. Currently, median household income is \$54,021.²⁹ However, eligibility should not dip below the initial agreed-upon eligible income.
- OCOG would be restored for community college and regional campus students and the OCOG award would be the same amount as the award for public university students

A free-college promise program is meaningful investment in Ohioans. As a state with below average college attainment and higher-than-average student need, Ohio's existing higher education funding system is producing poor outcomes relative to the nation. Policymakers need to make the financial investments in Ohioans, communities, and the state economy by robustly funding an affordable college program. For decades, the state has underfunded higher education resulting in high tuition and low levels of need-based aid. The lack of investment has led to Ohioans holding over \$57 billion in student debt. Policymakers need to reinvest in Ohioans by supporting a grant to help moderate-income Ohioans afford college. This transformative investment in Ohio's future would cost a total of \$1.65 billion, less than Ohio gives away in tax cuts to the wealthy and corporations each year, compared to our

²⁹ U.S. Census Bureau, 2017 American Community Survey 1-Year Estimates

previous tax system. Table 5 outlines the cost of free-college promise for moderate income-students.

Table 5	
Estimated annual promise grant costs	
Institution Type	Annual cost of Ohio Promise
Community Colleges	\$410,000,000
Public Universities	\$1,240,000,000
Total	\$1,650,000,000

Source: Policy Matters Ohio based on National Postsecondary Student Aid Survey and on Integrated Postsecondary Education Data Systems. Estimates are based on average tuition at Ohio public universities and community college and the number of student with households incomes below \$48,000 who are Ohio residents.

College is expensive because policymakers stopped investing in public higher education. Students have been shouldering the burden of those costs by going into debt. The high cost of college keeps many moderate-income people out of college or prevents them from completing their degree. Policymakers should renew their commitment to Ohio’s students.

Our current approach is holding back students in every Ohio community, as the Appendix to this report shows. Forty-seven Ohio counties have less than 30 percent of residents with an Associate’s Degree. To reduce poverty and improve job prospects, Ohio needs a new approach.

The Ohio Promise is an important investment that will help Ohio reach the college attainment goal of 65 percent by 2025. Free community college and public university is a possibility if the state eliminates unproductive tax cuts for the wealthy and corporations and requires those who can afford to pay more to pay their fair share in taxes.³⁰ Additionally, the federal government should provide funding to states to make college affordable for moderate income students.

As promise programs sweep the nation, policymakers in Ohio should embrace an equitable free college promise to help moderate-income students. Higher education is a public good. Funding for higher education should match the benefits education brings to individuals, communities, and the economy.

³⁰ Zach Schiller and Wendy Patton, “Overhaul: A Plan to Rebalance Ohio’s Income Tax” (Policy Matters Ohio, June 25, 2018), <http://www.policymattersohio.org/research-policy/quality-ohio/revenue-budget/tax-policy/overhaul-a-plan-to-rebalance-ohios-income-tax>

Appendix

Table 1			
Every Ohio county needs higher college attainment Associate's degree attainment and higher, by county			
County	College Attainment	County	College Attainment
Adams	19.2%	Licking	35.3%
Allen	31.2%	Logan	25.2%
Ashland	29.3%	Lorain	36.1%
Ashtabula	21.7%	Lucas	37.1%
Athens	41.7%	Madison	25.0%
Auglaize	32.9%	Mahoning	33.4%
Belmont	31.1%	Marion	21.9%
Brown	22.6%	Medina	45.5%
Butler	39.7%	Meigs	27.4%
Carroll	20.6%	Mercer	30.9%
Champaign	27.2%	Miami	33.3%
Clark	28.7%	Monroe	24.0%
Clermont	39.8%	Montgomery	38.5%
Clinton	27.6%	Morgan	25.6%
Columbiana	25.7%	Morrow	24.9%
Coshocton	21.9%	Muskingum	27.0%
Crawford	25.0%	Noble	17.5%
Cuyahoga	41.6%	Ottawa	35.5%
Darke	24.0%	Paulding	22.1%
Defiance	29.0%	Perry	24.6%
Delaware	63.1%	Pickaway	27.1%
Erie	34.0%	Pike	21.6%
Fairfield	39.8%	Portage	36.3%
Fayette	24.9%	Preble	24.9%
Franklin	47.6%	Putnam	37.4%
Fulton	30.2%	Richland	26.6%
Gallia	27.2%	Ross	26.0%
Geauga	48.7%	Sandusky	28.0%
Greene	49.5%	Scioto	25.4%

Guernsey	24.4%	Seneca	28.5%
Hamilton	46.4%	Shelby	30.0%
Hancock	38.8%	Stark	34.8%
Hardin	25.0%	Summit	42.9%
Harrison	22.2%	Trumbull	28.3%
Henry	31.8%	Tuscarawas	25.3%
Highland	22.5%	Union	39.8%
Hocking	26.6%	Van Wert	30.8%
Holmes	11.9%	Vinton	21.0%
Huron	23.6%	Warren	53.5%
Jackson	28.2%	Washington	33.7%
Jefferson	31.5%	Wayne	31.3%
Knox	30.0%	Williams	25.4%
Lake	40.8%	Wood	46.2%
Lawrence	27.8%	Wyandot	27.7%

Source: Policy Matters Ohio based on Lumina Foundation A Stronger Nation together

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