

Senate Finance Committee

May 21, 2003

Matthew V. Filipic

Chairman Harris, Senator Fingerhut, and members of the Senate Finance Committee:

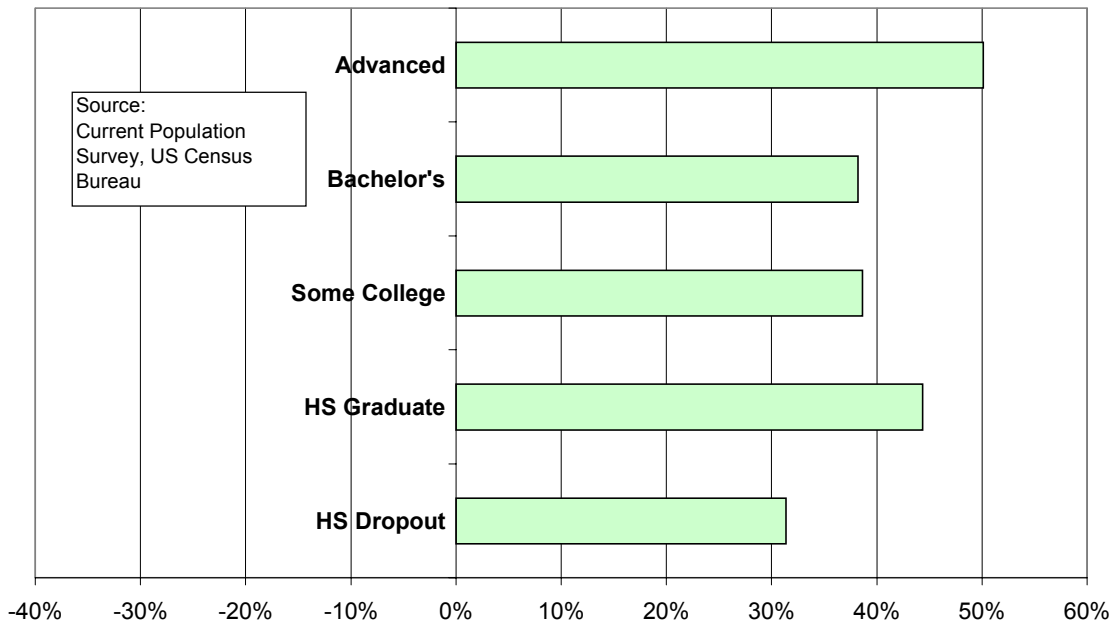
Thank you for this opportunity to testify today. My name is Matt Filipic. I am Vice President for Business and Fiscal Affairs at Wright State University. I currently chair the Inter-University Council Business Officers group. Before moving to Wright State in 2000, I had served in various budget roles in state government, working for the Office of Budget and Management, the Legislative Budget Office, and the Ohio Board of Regents. I have some appreciation for the challenges you are facing this year and wish to thank you for taking on what must seem a thankless task.

I wish to spend a few minutes this morning making just four critical points:

- Over the past generation, the economy has been transformed. It is now a knowledge economy that rewards the conceptual skills and flexibility that often come from higher education and punishes individuals, communities, and states that have failed to make investments in higher education.

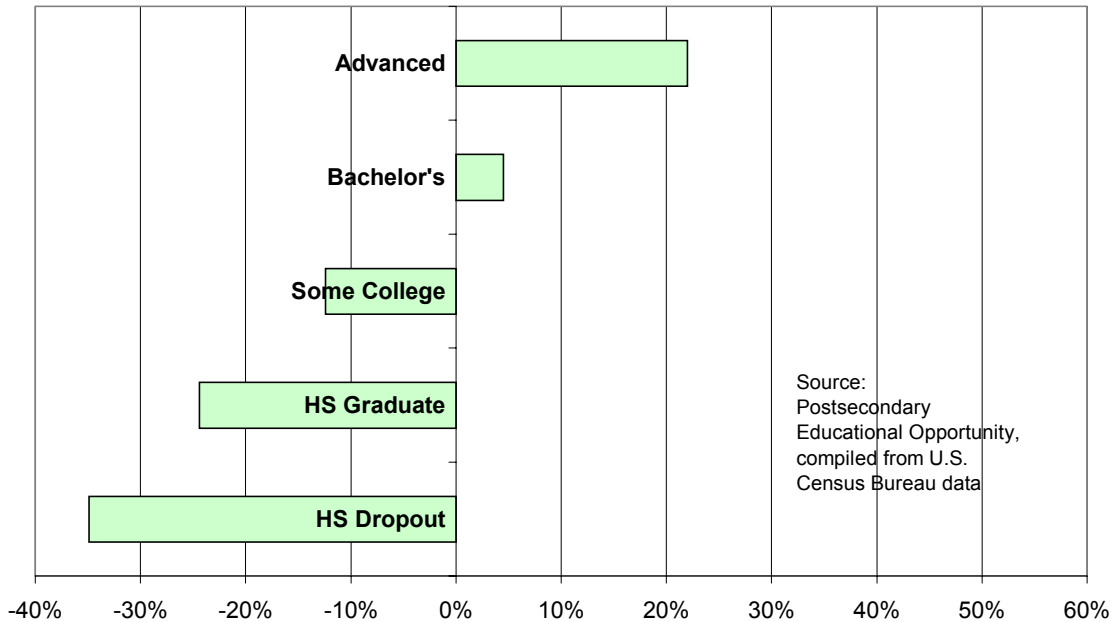
Consider the following two graphs that describe the change, adjusted for inflation, in the median income of American males, by level of educational attainment. The first graph begins in 1958 - when the Census Bureau first began measuring this - and ends in 1973.

Change in Median Earnings of Males 25 and Older, Adjusted for Inflation, 1958 to 1973, by Educational Attainment



While it was true that those with higher levels of educational attainment tended to have higher incomes, this chart shows that men with all levels of education enjoyed very substantial gains in income during this 15 year period. But the next chart shows how much things changed after 1973:

Change in Median Earnings of Males 25 and Older, Adjusted for Inflation, 1973 to 2000, by Educational Attainment



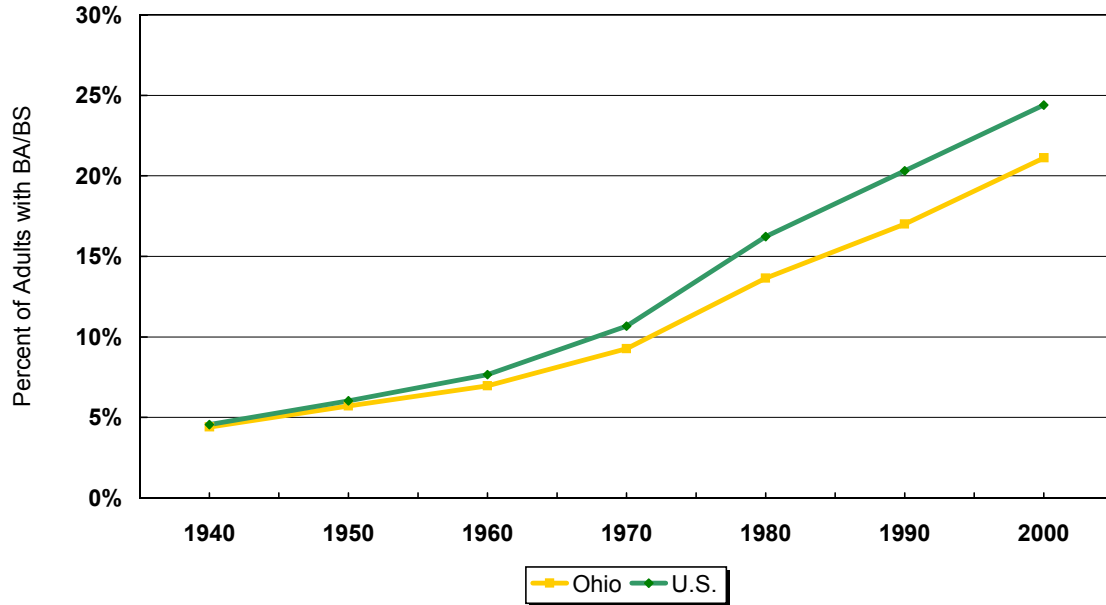
While the first chart displayed a rising tide that lifted all boats, this second chart describes a world in which income gains are much less certain; those with lower levels of education are generally worse off than people with similar levels of education were a generation ago.

We now live in a knowledge economy that rewards individuals, communities, and states for their investments in higher education and punishes those who have failed to make these investments.

- Ohio has failed to make these investments. While our people are better educated than their parents or grandparents were, they are not as well educated as most Americans. We have been falling further behind for sixty years.

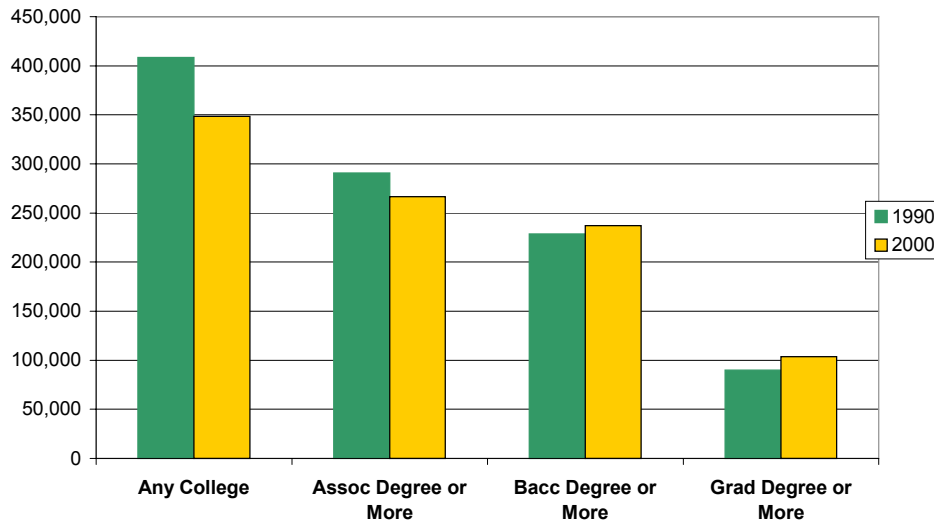
This surprises many people, because they know that Ohioans are better educated than they were in the past. But they do not realize that in the rest of the country, gains have been more rapid. Consider the following chart that compares the fraction of Ohio and U.S. adults who have completed a baccalaureate degree over the sixty years between 1940 and 2000:

Baccalaureate Degree Attainment, 1940-2000 Ohio vs US



In the 2000 Census, the difference between Ohio's baccalaureate attainment rate and the national average was 3.3 percentage points. While this may not seem like much, when one applies that difference to our adult population of 7.4 million people, it translates into nearly a quarter of a million Ohioans who would have to have a baccalaureate degree to get us to the national average. We calculated these deficits for various levels of educational attainment for both the 1990 and 2000 census, with the following results:

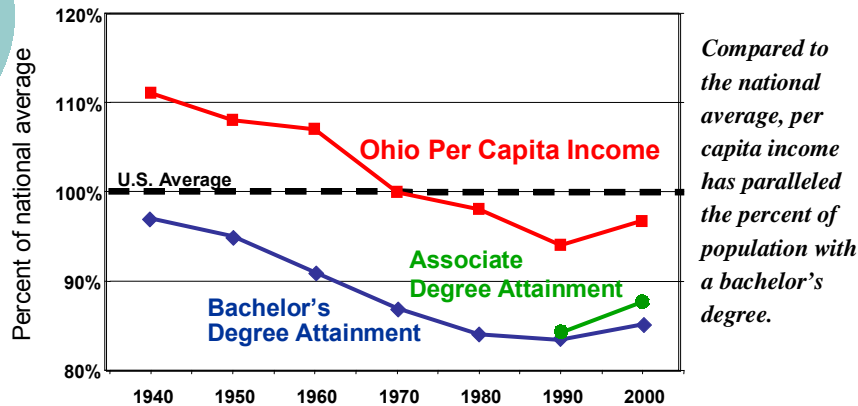
Ohio's Education Deficit, 1990 to 2000



- As a result of our failure to invest in our people during a period when the economy was transformed, Ohio has lost its once proud economic position. Our per capita income has fallen steadily relative to the national average. Consider the following, which tracks our educational attainment and per capita income, both relative to the national average:



CONFIRMING THE CONNECTION Income and Education



Source: U.S. Census Bureau, 2000

There is every reason to fear that the trend will continue. As our economic performance weakens, it will be even harder to find the funds to invest in our future than it is now, just as it is harder now than it would have been twenty years ago.

- House Bill 95, as passed by the House, fails to address these issues and instead would take the state down the wrong path. Even with a major tax increase, it actually accelerates the process of disinvestment. Ohio's future requires a different vision.

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The Ohio Senate faces a fundamental strategic decision. Do we respond to our current economic problems as proposed by the Ohio House of Representatives? Or do we take a very different path, recognizing the harsh demands of a knowledge based economy and making the required investments that will enable Ohio to compete and thrive in that economy?

We ask the Ohio Senate to make dramatic and decisive changes to the budget that has been presented to you by the House:

- We ask for the restoration of the \$285 million removed by the House from the State Share of Instruction line and the \$15 million removed from the Clinical Teaching lines, which provide similar types of core funding support for our medical schools.
- Restore the guarantee language that had been proposed by the IUC and supported by the Board of Regents and the Governor.
- Restore the \$37 million removed by the House through the elimination of the Capital Component line.
- Remove the House's regulatory language that places moratoriums on investments in academic programs and in the \$13 billion capital plant for which we are responsible. Remove also the other new regulatory language in the House bill.
- Restore the authority of Boards of Trustees to set fees or, at a minimum, establish limits on that authority that are sensitive to the amounts of funding being provided by the state to subsidize those fees.

We know that we are asking you to make extraordinary changes in the budget before you. We make this request because we believe that Ohio's future requires no less and because we have faith that you have the vision to see what is required and the will to accomplish it. Thank you for your kind attention.