OHIO'S FORBEARANCE

HOW OUR CURRENT HIGHER ED POLICY **FAILS MINORITIES**, **WOMEN**, AND **WORKING-CLASS FAMILIES**

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ABOUT OHIO STUDENT ASSOCIATION

Formed in 2012, Ohio Student Association (OSA) is a statewide organization dedicated to unleashing the power of young people in Ohio. We accomplish this through organizing, movement-building, civic engagement and leadership development. On campuses and communities in six key geographies, we organize young people to build independent political power.

As Ohio goes, so goes the nation. This phrase is normally applied to presidential races, but it is also thought to represent the notion that Ohio is a microcosm of the nation. In terms of student debt and higher education policy, Ohio is not doing well, and neither is the nation. Outstanding student debt is now the second largest debt category in the United States at $1.3 trillion, second only mortgage debt. Debt of this size could easily push us towards another financial implosion in the near future as the debt gets bought and sold as default rates rise—similar to the 2008 financial crisis. More importantly, at this very moment student debt is causing very real hardships for hundreds of thousands of Ohioans. Outstanding debt is the state is currently around $20 billion, and is held by nearly 700,000 current or former borrowers.

Student debt negatively impacts almost all borrowers, but it is society's most disadvantaged members that feel the sting of student debt most. Women, underrepresented minorities, the poor, single parents, and the elderly have the highest stakes and the lowest gains in the postsecondary education system and labor market. Women, minorities, and students with few financial resources are forced to borrow more in student loans, struggle more to pay them off, and have higher rates of default which comes with devastating financial consequences. And while the word "student" in the term "student loan debt" may generate visions of young people, seniors are one of the fastest growing categories of student loan borrowers. In 2015 alone, the federal government collected $4 billion from defaulted senior borrowers, much of this collection coming in the form of garnished Social Security checks[1].

One of the most aggressive engines driving the rapid advance of student debt is the collective influence of for-profit colleges (FPCs). These institutions aggressively attempt to recruit low-income and minority students through fancy and well placed advertising that often use exaggerations, if not flat out lies, in their claims of post-graduation employment and wages. FPCs are profitable because they are eligible to receive federal financial aid, Pell grants, and state level need based grants, therefore the often disadvantaged students they seek do not have to pay anything

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1 What States can do about Abusive Higher Debt" Webinar. Center for Responsible Lending July 19, 2017.

out of pocket to attend a school claiming to be the solution to all of their problems. For the vast majority of these students, their problems are only compounded when they enroll in a FPC, where they are misled, overcharged, undereducated, and unlikely to even earn a degree—most students who enroll in FPCs drop out prior to completing their degree.

The state funded need based aid in Ohio, referred to as the Ohio College Opportunity Grant (OCOG), is the lowest funded program of its kind in the Midwest. So the fact that millions of dollars from this cash strapped program is being sent to underperforming, if not fraudulent, FPCs is alarming to say the least. To make matters worse, Ohio's cheaper, better performing community colleges are NOT eligible to receive OCOG dollars where they would be a much better investment both for the state and for Ohio's postsecondary students.

We must take immediate action on the state level to improve our system of higher education because all signs from the federal level point to a worsening of the problem rather than a remedy on the horizon. Thankfully, there are very real measures that Ohio could take to lessen the cost of higher education, reduce the growth of student debt, increase the support of women and minority students, reign in the abuse at the hands of FPCs, and as a result of these, improve the state economy.

OHIO'S HIGHER ED LANDSCAPE IS A DEBT MINEFIELD

The Buckeye state is on the wrong side of many student debt statistics, and a recent report by Wallet Hub named Ohio the worst state in the nation for student debt[2]. The report used a number of metrics including: average debt balance, proportion of students with debt, percentage of borrowers who are past due or in default, percentage of borrowers who 50 years of age or older, among others to rank each state's student debt landscape. Recently compiled data from 2015 determined that Ohio had the 10th highest average debt per student at $30,239, although the student debt monster continues to grow rapidly. For example, in February of this year Forbes estimated that nationally, 2016 graduates had an average loan balance of $37, 172—a figure that exceeds the 2015 leader in average debt, New Hampshire with $36,107[3].

Many Ohio communities have a deficit of good paying careers that do not require some kind of postsecondary certificate, license, or degree. In fact, by the year 2020 it is estimated that 64% of Ohio jobs will require some type of postsecondary certificate or degree[4]. Gone are the days where dad can find a good paying job out of high school, buy a house, take his

2 https://wallethub.com/edu/best-and-worst-states-for-student-debt/7520/
3 https://www.forbes.com/sites/zackfriedman/2017/02/21/student-loan-debt-statistics-2017/#75d282f65dab
4 "Investing in Ohio's Future Now: A Postsecondary Education Access and Affordability Agenda for Ohio," pg., 1-2.

family on vacation once a year, and retire comfortably. Of course for many communities—and especially for women and minorities—those days were never real to begin with, as discrimination and economic injustice barred them from many professions. These were families who made their living in the steel towns, factory floors, and agricultural fields of Ohio, some without benefits, healthcare, or pensions. Their children, however, were able to attend college without debt if they worked full-time during the summer (or completed internships), and worked part-time (10 hours a week) during the school year.

What made college affordable, literally, for a wider range of students was government investment in higher education. Last year, Consumer Reports found that if states had collectively kept pace with the same level of higher education spending as in 1980, an estimated $500 billion would have been invested in university systems since then[5]. State per student higher education spending decreased 29% over the last 25 years, and at the beginning of this decline state funds covered 75% of the cost of attending college[6]. To drive the point home, in 1979 15% of Ohio's budget went towards higher education, but today the state only devotes 7% of its budget to higher education expenditures; the current national average stands at 10%[7]. In response, colleges have doubled the amount of their tuition and fees over the last twenty years to close the funding gap created by state disinvestment[8]. By 1996, the price tag of tuition and fees at Ohio's public universities was 47% higher than the national average, and rose at a 9% clip until 2006[9]. Today the cost for postsecondary education in Ohio is 11.5% higher than the national average at 4 year institutions, and 14.5% higher at community colleges. One factor contributing to this high cost is the fact that state expenditure per student in Ohio is 27% lower than the national average[10].

OHIO COLLEGE OPPORTUNITY GRANT

Not only does per student state funding fall short of the national average, but so does the per student spending on need-based state grant dollars (OCOG). In the 2014-2015 academic year, Ohio spent an average of $188 dollars per full-time student, while the national average stood at $573. For comparison, Indiana spent $955 per student, while Kentucky and

5 https://www.consumerreports.org/student-loan-debt-crisis/lives-on-hold/
6 Mark Huelsman, "The Affordable College Compact" http://www.demos.org/publication/affordable-college-compact
7 Karen Farkas, "Ohio Lags in Providing Need-Based Grants for College Students" http://www.cleveland.com/metro/index.ssf/2017/03/ohio_lags_in_need-based_grants.html, March 6, 2017.
8 http://www.demos.org/publication/affordable-college-compact
9 http://www.cleveland.com/metro/index.ssf/2017/03/ohio_lags_in_need-based_grants.html
10 Investing in Ohio's Future Now: A Post-Secondary Education Access and Affordability Agenda for Ohio"

Pennsylvania spent $497 and $841 respectively[11]. The reason need based grants are so low is due to the fact that OCOG is woefully underfunded. Need based aid used to come from OCOG and an accompanying fund, the Ohio Instructional Grant, which legislators ended in 2009. In the 2007-2008 academic year the two grant programs had a total budget of $224 million; however, the Ohio Instructional Grant was ended in 2009, and by 2012 need based grant dollars plunged to $69 million. OCOG monies have slowly increased since then—$100 million was earmarked in 2016-2017—but the state still has a shortfall in excess of $100 million compared to the 2007-2008 funding levels. OCOG dollars are critical in helping to defray the cost of higher education for low-income students. To qualify for OCOG, the student's annual family income cannot exceed $75,000 and they cannot use OCOG monies at community colleges.

Ohio must reinvigorate its OCOG spending not only because the state should support its most disadvantaged students, but such investment would also reduce debt loads, boost Ohio's flagging enrollment numbers, and help to protect against brain drain. Students need these dollars more than ever since federal need based grants, Pell Grants, were reduced in size in scope in 2012—the same year that saw OCOG dollars dip to their lowest point. In 2011 and 2012 the maximum Pell Grant was reduced from $30,000 down to $24,000, while the period of eligibility was cut from 9 to 6 years. Since only 56% of full-time student graduate with a B.A. within 6 years, the reduction of the maximum Pell Grant means that student who take longer than 6 years to complete their degree will have to heavily rely on loans after their Pell Grant period expires[12]. While Ohio has little control over Pell Grant policy, it is in full control of its own need-based grant program and would be well served if they doubled down in OCOG investment (which would still be over $20 million short of where the need based grant aid stood in 2007).

NEW INEQUALITY, SAME VICTIMS

If Ohio increases its overall higher education and OCOG spending, Ohio could push itself outside of the top ten states for highest average loan balance at graduation and engage in some economic justice. It may come as surprise but economic injustice is rife in higher education, and statistics clearly indicate that those on the receiving end are the usual depositories of injustice—women, minorities, and the poor. While school integration and Title IX undoubtedly created a massive expansion of minority and women access to higher education, that access now comes at an extremely high cost—a cost that is higher for women and minorities than white men. Women, minorities, and the poor are forced to take on higher student loan balances, are preyed upon by unscrupulous FPCs, and

11 "Ohio Lags in Providing Need-Based Grants for College Students" Cleveland.com March 6, 2017.
12 Mark Huelsman, "The Debt Divide: The Racial and Class Bias Behind the "New Normal" of Student Borrowing" Demos.org May 19, 2015.

struggle to repay loans due to lower graduation rates and wage gaps.

College unaffordability is a result of both macro and microeconomics. Public and private institutions have economically assaulted and/or barred minorities for decades through an overwhelming combination of laws, regulations, and policies. The result is that tens of millions of minorities have been segregated into low-income communities with few resources, bleak economic opportunity, failing schools, and overaggressive criminal justice procedures. That is why even though minority graduation rates have been on the rise for a generation, the racial wealth gap is actually growing. In the 1990s the average white family possessed seven times more wealth than the average African-American family and six times more than the average Latino family. Today, the average white family possesses at least thirteen times more wealth than the average Black family, and ten times more than Latino families. In terms of higher education, this means that many minorities have no choice but to more often rely on (larger) student loans to pay tuition; that's a given. However, for such economically depressed students, affording even everyday necessities while pursuing their education can be extremely difficult. In addition, many minority students are financially independent as their families may struggle to help them with any money at all. Nearly 59% of minority students are financially independent, versus just 40% of white students[13]. Financially independent does not mean well off; 64% of black students are low income, while only 36% of white students are. The fact that higher percentages of African American students borrow is a reflection of these realities.

On average, when we're talking about post-secondary students and their debt, we're talking about women. The American Association of American Women (AAUW) estimates that women collectively owe about $884 billion in student loan debt (64% of all outstanding debt), while men owe approximately $447 billion[14]. Today, women do ac-

13 https://edtrust.org/resource/race-conscious-admissions-data-say/
14 AAUW, D.I.D.

INEQUALITY BY THE NUMBERS

PERCENTAGE OF MINORITY STUDENTS WHO ARE FINANCIALLY INDEPENDENT FROM THEIR FAMILIES

59%

PERCENTAGE OF WHITE STUDENTS WHO ARE FINANCIALLY INDEPENDENT FROM THEIR FAMILIES

40%

PERCENTAGE OF BLACK STUDENTS WHO ARE LOW INCOME

64%

PERCENTAGE OF WHITE STUDENTS WHO ARE LOW INCOME

36%

PERCENTAGE OF OUTSTANDING STUDENT DEBT OWED BY WOMEN

64%

AVERAGE PAY DISPARITY BETWEEN AMERICAN MEN AND AMERICAN WOMEN

24%

count for 57% of all college grads which means that they should possess a somewhat higher collective loan debt. The leading factor attributing to women's debt standing at 64%, rather than graduation rate, is the wage gap that women college grads face. The wage gap is the pay differential between men and women who possess equal qualifications and work in the same position— for all American workers the wage gap stands at 24% in favor of men. In other words, men make almost a quarter more than women, who work the same job, with the same hours. Although the wage gap rears is discriminatory head as soon as college grads enter the workforce, and applies to non-college grads as well, the gap grows as men and women work their way up the corporate ladder, and separate studies show that women are frequently denied promotions in favor of men[15]. These are some of the factors that force women to borrow $400 more per year than men, extends their repayment period by 1.9 years, and results in women paying more than men to borrow money in the long-run due to accumulation of interest[16]. As a result of these embarrassing statistics, 34% of women reported that student loan payments restricted and/or prevented their ability to meet essential expenses for themselves and/or family.

For black women, student loan debt proves to be even more debilitating and burdensome, causing them significant financial and physical stress. Compared to 34% for all women, 57% of black women reported that stu-

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dent loan payments prevented them from being able to meet their essential needs within the last year. Many black women have fewer resources to begin with due to the legacy of collusion between government and private interests to ensure that minorities possessed the fewest resources along with the most economic restrictions, a higher wage gap that black women face (along both racial and gender lines), and the disproportionate hit that black families took during the 2008 Great Recession. Today, young black women (aged 18-34) are saddled with the highest rate of poverty in Ohio. Therefore, black women borrow more on average than any other group of college students male or female, of any race[17]. For example, the average student loan balance for 2011-2012 graduates

15 AAUW, D.I.D.
16 AAUW, D.I.D.
17 AAUW, D.I.D.

was $20,300, but for black women the average was $29,000[18]. Considering women of all races who hold over $40,000 in debt, black women have the greatest representation in this category with 34% (10% for white women)[19]. The result is that the current debt based system of financing education, for all its negatively disproportional aspects, impacts black women with the most severity. In term of repayment in the 4 year period from the 2007-2008 school academic year to the 2011-2012, black women had the slowest pace — 12% as compared to 18% for Hispanic women, 33% for white women, and 60% of Asian women[20]. Repaying student loans is so much more difficult for black women to achieve due to the double wage gap they face and hardships in being granted promotions. While women of all races make 76 cents for every dollar an equally qualified and employed white male earns, the wage gap separating black women and white men stands at 67 cents to the dollar. So as black women become the highest per-capita participants in higher education, it costs them more than students of any other race or gender, thus debt based higher education financing only doubles down on societal economic injustice.

The treatment of black men by our system of debt based financing of higher education is not much better. For the 2008 graduates of B.A. programs, black men had the second highest average debt load—second only to black women. And while by 2012, black women had the slowest rate of repayment, black men's balances on average actually increased[21]. They also reported financial distress by an additional twenty percentage points compared to that of their white male peers, 44% to 24%[22]. Latino men and women both indicated higher rates of financial distress than their white peers as well. Increased distress rates are the result of having fewer financial resources to begin with (prior to acquiring debt), fewer economic opportunities in minority communities, in addition to the gaps they experience in hiring, wages, promotions, and banking. These are the statistic applying solely to minority graduates, and unfortunately, many minority students drop out before they earn their degree.

ENROLLMENT AND GRADUATION GAPS

One of the leading factors that increases the difficulty of repaying student loans for minorities and low-income students is their higher rate of dropping out of their program before they earn their degree. Accounting for all institutions, 4 in 10 black borrowers drop out without a degree versus 29% of white borrowers[23]. For low-income student borrowers of all races, the dropout rate is 38%. Other factors that lead to the increased underrepresented minority dropout rate is a lack of institutional knowledge

18 AAUW, D.I.D.
19 AAUW, D.I.D., 20.
20 AAUW; D.I.D., 27.
21 Deeper in Debt, 26.
22 Deeper in debt, 29.
23 Debt Divide

and familial responsibilities. Black and Latino students are more likely than their white peers to be first time college students—58% to 41%--and they are also more likely than white students to be parents of dependent children[24]. Parenting responsibilities obviously put a strain on students, while being their family's first college generation means that these students cannot rely on advice from their parents in the same way a child of a college graduate would.

Colleges and universities are also not supporting their minority and low-income students with the resources and attention that they need to ensure that they graduate. Over the last few decades minority and male-female attendance gaps have closed, but a class attendance gap remains along with a graduation gap between white and minority students[25]. The Education Trust studied 489 colleges and universities and found that from 2003-2013, the graduation gap between white and minority students closed only .6%, which left a 14 percentage point gap between the graduation rate for whites and minorities[26]. Ohio had one shining example of closing the graduation gap in Miami University, but the Buckeye state unfortunately leaned more towards the naughty list. Wright State allowed their minority graduation rate drop 5.8 percentage points in the 2003-2013 period, causing their graduation gap to increase 8.2 percentage points; The University of Toledo saw their gap 7.5 percentage points during the same period.

To place these figures into perspective, at Wright State in 2014 the six-year graduation rate for white students was 44.6%, for black and Latino students the figure stood at a dismal 19.4% and 20% respectively[27]. At the University of Toledo the figures were equally poor, the gap between black and white students stood at 28.9 percentage points, for white and Latino students the gap was 19.4 percentage points. Out of the largest colleges in Ohio only Ohio State, Miami University, and University of Dayton had black graduation rates over 50%. There are proven steps that Ohio's universities could take to close their graduation gaps such as providing students with improved and more accessible college advising and outreach programs that identify and recruit high achieving minority students. On the state level, Ohio could boost its grant funding in order to lessen the financial burden that forces many minorities to dropout or enroll part time. After all there are countless benefits if more students graduate, rather than dropping out with tens of thousands of dollars of debt. One way that Ohio can boost graduation rates while also lowering debt levels is by cracking down on deceptive and unprincipled for-profit colleges.

24 https://edtrust.org/resource/race-conscious-admissions-data-say/
25 Debt Divide.
26 Kimberlee Eberle-Sudre and Meredith Welch, "Rising Tide: Do College Graduation Rate Gains Benefit All Students?" The Education Trust, Dec. 2015.
27 http://collegeresults.org/search1ba.aspx?institution id=203535,204501,204796,204024,202480,204857,201885,203517,201441,206084,200800,206604,206695,482574,205443,201690,204820,202806,204839,439297

THERE IS SUCH A THING AS A BAD EDUCATION

For-profit institutions cost more than non-profits and provide fewer career opportunities, while simultaneously preying on low-income students, minorities, women, veterans, and single parents. These institutions are eligible for federal and private student loan dollars, federal and state grant money, and some FPCs even possess their own in-house student loan programs. These businesses in the shape of schools are not new, and neither are their predatory tactics. After Congress enacted the GI Bill, officials had to step in to crack down on the abuse of veterans by these types of institutions. Since the 1960's, however, the market infiltration and maneuverability of FPCs has only increased as they improved their organization, tactics, and political (lobbying) power. The 2008 Recession created an explosion of demand as millions of Americans sought to recoup their financial losses by increasing their income through additional training and degrees. In her study of for-profit colleges entitled *Lower Ed*, Tressie Cottom pointed out that "for-profit colleges…read the conditions of the new economy as being profitable because of, and not despite, labor market failures—failures [FPCs] could easily predict would affect millions of workers across traditional divides like "white collar" and "blue collar."[28]" For-profits have increased substantially over the past 30 years, and are today more financially and politically entrenched than ever. From 1980-2010 for-profit colleges increased from 147-649, while Cotton noted that from "1998-2014 for-profit enrollment rose 225% to 2.1 million students.[29]"

Nationally, as well as in Ohio, the statistics relating to for-profit students' debt levels and employment outcomes are not rosy, and are unlikely to change if for-profits are allowed to operate as they currently are. FPCs make their millions by successfully attracting, and often taking advantage of, hundreds of thousands of disadvantaged students in the effort to obtain their easy federal loan dollars. Individuals who enroll in FPCs often have the most to gain from a earning a certification, the least institutional knowledge about the differences between non-profit and for-profit institutions, and possess the fewest resources to pay for higher education. Unfortunately, FPCs rewards their students' initiative to better themselves and their livelihood by charging exorbitant prices (on average 19% higher than 4 year public universities in 2012), providing subpar instruction and training, in addition to saddling them with burdensome debt and shaky career possibilities[30]. In Ohio, only 10 FPCs had 50% of their grads earn more income than the average high school graduate[31]. The Department of Education identified 30 for-profit programs in Ohio that failed the Gainful Employment test (failing this in 2 out of 3 years bars a school from receiving federal funds), and another 44 that were in the danger zone (being in

28 Tressie Cottom, Lower Ed: The Troubling Rise of For-Profit Colleges in the New Economy," (New York: The New Press, 2017), 14.
29 Cottom, 19.
30 Cottom, 97-98.
31 Risky Business

this zone 3 of 4 years bars a school from receiving federal funds)[32].

FPCs prey on individual's desire for higher wages, better jobs, superior schools, and safer neighborhoods. Individuals from these demographics and communities are bombarded with television, radio, and online ads that proclaim that all their problems can be solved in a short amount of time if they simply enroll in the advertised program, and of course funding

Students who enroll in FPCs often have the most to gain from a earning a certification, the least institutional knowledge about the differences between non-profit and for-profit institutions, and the fewest resources to pay for higher education.

is available. The problem is that the claims made by for-profit colleges are often untrue, or out of context. They are in business to make money, rather than supporting and molding workers who can enter, graduate, and excel in their field of choice. Therefore for-profit colleges: spend more on advertising and recruitment than instruction, use high pressure sales tactics rather than student counseling, prefer their potential students visit their campus without their parents, accept students that they know are not academically prepared for college, stress loans rather than out of pocket payment plans that can be hard to recoup, and use individuals' trauma and shame to convince them to enroll right away.

The average for-profit college student in America is a non-white (52%) woman (64%) with dependent children (50%) who works full-time (51%), and is deemed by the federal government as having no disposable income available to use to pay for any portion of their education out of pocket (59%)[33]. FPCs still continue their tradition of preying on veterans of the armed services, who make up about 10% of their students. Their usual victims are women and minorities, for example, African American and Latino students make up less than a third of all college students, but account for nearly half of all for-profit students[34]. Statistics clearly show that FPCs do not provide their minority students with the attention and resources they needed to cross the finish line of graduation. For example, the dropout rate for African American students across all postsecond-

32 Risky Business
33 "Deeper in Debt: Women and Student Loans" American Association of University Women, 2017.
34 Mark Huesleman, "The Debt Divide: The Racial and Class Bias behind the "New Normal" of Student Borrowing," Demos.org, 2015.

FOR-PROFIT COLLEGES AND THE PRIVATE PRISON INDUSTRY

The fact that FPCs insidiously prey on minority and low-income students should come as no surprise if we consider the fact that they are closely linked with another industry that preys on the same communities and demographics—for-profit prisons. One of the largest publically traded for-profit prison companies in the country, GEO Group, offers tuition reimbursement at a number of for-profit colleges. In return, University of Phoenix, Chamberlain College of Nursing, Ashford University (online), and DeVry all offer discounted tuition to GEO employees and their family members. GEO has a jail facility in Ohio, Columbiana County Jail in Lisbon, and all of the FPCs listed above also have programs in Ohio. Although, FPCs are not the only postsecondary institutions with ties to the prison industry, non-profit colleges are also in cahoots with for-profit prisons—most often through investing endowment dollars in hedge funds that then invest in private prisons. The most alarming connection on the state level is the fact that Donna M. Alvarado serves as the Vice President of the Board of Regents in Ohio, and is a member of the governor's commission on Higher Education and the Economy, all while also sitting on the board of directors for CCA—one the largest for-profit prison firms in the country[1]. Her dual service is an unfathomable contradiction of priorities, and some would say, serves as tangible proof of the school to prison pipeline connection.

For-profit prisons are good investments for the same reasons FPCs are, both know that there are tens of millions of Americans who are struggling financially. For young middle- and low-income Americans, the majority: are or have enrolled in some type of postsecondary institution, or are working low-paying jobs, or they are or have been in jail, prison, parole, or probation. By working together, these institutions can profit off of the social and economic injustice that inflicts millions of Americans, through the classroom, jail cell, and guard control tower.

1 Hannah K. Gold, "5 Links between Higher Education and the Prison Industry," Rolling Stone, June 18, 2014.

ary institutions is 40%, but at FPCs that figure stands at 65%[35]. Acquiring student loan debt from a FPC only to later drop out without a degree is a recipe for default since students acquire thousands of dollars in student loan debt but do not enjoy any increase in wages. The additional debt without additional income explains why FPCs enroll 10% of all students but account for 43% of defaults[36].

A 2017 report from Policy Matters compared the debt levels and income of graduates of Ohio's non-profit colleges with those of graduates from the same degree programs in the state's for-profit colleges, the results are sobering. The study found that "for-profit colleges cost more, create more debt, and leave many graduates earning less than the poverty threshold.[37]" Across the board, students who earned their certificate from non-profit schools earned, on average, $9,000 more annually than for-profit graduates[38]. The comparisons of student outcomes in specific programs are even starker, in almost every program studied for-profit graduates retained higher annual student debt obligations but lower annual income. Yet these are the statistics solely dealing with for-profit graduates who obtain jobs in their field. The majority of for-profit enrollees do not graduate, much less find jobs in their field of choice. For those who do gradu-

35 Debt Divide.
36 "What States can do about Abusive Higher Debt," Center for Responsible Lending, July, 2017.
37 Risky Business.
38 Risky Business.

ate, Cottom found that for-profit graduates are as likely to get a call back for a job interview as an applicant who has only a high school diploma, or as an applicant who lists a fake college[39]. If these outcomes are not enough evidence to support the further regulation of for-profit colleges, the fact that they have been found guilty (or settled) for committing fraud and abuse numerous times, all while receiving federal and state funds, should further the reasoning for FPC regulation.

SOLUTIONS

END THE PASS-THROUGH TAX BREAK

So how can Ohio steer its vessel of higher education away from the rocks that spell financial disaster for both individuals and the state? The first step is to make more efficient and effective use of state and college budgets. Like so many other proposed solutions, the first question geared towards fixing the student debt crisis in Ohio will likely be, "where will the money come from?" Where can the state find the money to realign OCOG funding with 2007 levels? Where will colleges and universities find the funding to dedicate additional resources to low-income and minority students in the effort to close the class attendance gap and the racial gap?

On the state level, Ohio could rescind what is known as the "Pass-through Tax Break" which is expected to cost the state $580 million for the 2018 fiscal year and grow to nearly $600 million in 2019[40]. The tax cut passed in 2013 is a classic attempt at the now thoroughly debunked theory of trickle-down economics—give huge tax breaks to corporations and billionaires, and in return they will hiring workers and raise wages. The problem with this philosophy undergirding the enactment of the Pass-through Break, in addition to a long history of failures like the one most recently witnessed in Kansas, is the fact that most of the of the corporations who qualified for the cut do not even employ anyone. In addition, the average savings per firm was a mere $1315, nowhere near enough to hire even one employee.

Even more embarrassing is the reality that job growth was actually higher prior to the passage of the Pass-through Break; in other words, this tax cut is nothing more than additional income for the most well off Ohioans. By ending the Pass-through Break the state would recoup over half a billion dollars in tax revenue annually. That pot of money could accomplish a lot more than refunding the OCOG budget, millions would still be leftover to improve the state's infrastructure, provide additional childcare for Ohioans, fund foodbanks and homeless shelters, and could be used to battle the opioid epidemic.

39 Cottom, 28.
40 Zach Schiller, "Budget Bites: Pass-through Tax Break" Policy Matters Ohio, February, 2017.

TUITION AND FEES SHOULD COVER INSTRUCTION AND STUDENT RESOURCES, NOT ATHLETICS AND CAMPUS BEAUTIFICATION

One step Ohio's state colleges and universities could take towards making college more affordable without state funding increases is to reign in their athletic and beautification spending sprees. A recent report by AAUP found that from 2005-2015 at 13 of the 14 state colleges in Ohio, the average increase of the amount of institutional debt increased 121%. Some institutions saw meteoric debt increases such as: Northeast Ohio Medical University (4010%), Central State University (601%), and Youngstown State University (411%). Overall, the collective debt at the 13 institutions (all but Shawnee State University) rose from $3,093,859,753 to $6,822,512,529. Much of this debt isn't being appropriated to cover the funding decrease created by slashed investment, but rather, colleges and universities are taking on debt to build new stadiums, sports facilities, and fancy dormitories. To make matters worse, Ohio's state colleges also plunder academic budgets to cover athletic pursuits, in the 2013-2014 school year the transfer was $15.5 million more than it was 2012-2013. Some institutions have enormous imbalances in the subsidization of athletic programs with monies from students' tuition and fees (rather than from tickets, sold merchandise, and donor contributions). For example, 82% of Cleveland State's athletic budget is funded by tuition and fees, while the figures for Wright State and Kent State are 79% and 74% respectively. These economic imbalances trickle down to students when they encounter the ever increasing price tag of their education. Since the steep price is outside the means of the vast majority of American (and Ohioan) families, students are forced to borrow loans if they want to pursue post-secondary education—it's their only option, and they have little say over whether those dollars go to scholarships or stadiums.

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State universities should also divest endowment dollars from risky and sometimes unethical hedge funds. The University of Cincinnati lost $9.3 million in hedge fund investment in the last two years alone[41]. To be fair,

41 James McNair, "UC's Secret, Money Losing Investments" City Beat, May 17, 2017. http://www.citybeat.com/news/article/20861528/ucs-secret-moneylosing-investments

UC hedge fund investments held an average return of 2.9% over the last 5 years. Although had financial managers invested that money in the S&P 500, UC would have received an average return of 12.1%. To make matters worse, investors must pay astronomical fees to hedge fund managers for servicing their accounts. City Beat found that in 2015-2016, hedge funds accounted for 18% of UC's overall investment portfolio, but hedge funds accounted for 38% of fees paid to investment firms. In addition to being economically inefficient, hedge funds also invest in questionable industries such as oil companies and the same for-profit prisons that are in cahoots with FPCs. Columbia University made national headlines in 2013 when students discovered that their school held $8 million worth of CCA stock, and subsequent public pressure convinced Columbia that the CCA stock was not worth further tarnishing the school's brand. Unfortunately, the public is often blind to the nature of the hedge fund investments made by Ohio's public universities due to the fact that the schools and hedge funds view them trade secrets. We must call for more transparency in this area, especially is millions of dollars can be lost in one year, to hold universities accountable financially and ethically. The state should also force Donna M. Alvarado to choose between her position as board member for a for-profit prison firm and her role in shaping Ohio's postsecondary education landscape; we cannot ethically allow her to continue in both roles.

REIGN IN FOR-PROFIT COLLEGES

In their May 2017 report on FPCs in Ohio, Policy Matters found that they "cost more, create more debt, and leave many graduates earning less than poverty threshold.[42]" A 2012 Senate investigation found that costs were indeed higher at FPCs than public non-profit schools and that A.A. programs offered by FPCs were in fact four times more expensive than those offered by community colleges[43]. Keep in mind that this high cost is being covered by student loans taken by individuals who are often low-income to begin with, and if they graduate, they can likely expect to be making wages that place them near or below poverty threshold. Debt to earnings ratios in Ohio are as high as 30%, meaning that an individual would have to dedicate almost one-third of their annual income to loan payments if they were to pay the full amount[44]. Although, most students who attend FPCs do not graduate—some FPCs in Ohio have graduation rates in the single digits. The reason that all Ohioans should care about these wolves in sheeps' clothing is the fact that up to 90% of FPC revenue can come from tax payer dollars[45]. These tax dollars come from the federal government through federal student loans, state financial aid, and state grant dollars. Last year FPCs received $7.3 million in financial aid, $6.3

42 "Risky Business: For-Profit Education in Ohio" Policy Matters Ohio, May 25, 2017.
43 Cottom, 98.
44 "Risky Business: For-Profit Education in Ohio" Policy Matters Ohio, May 25, 2017.
45 "What States Can Do about Abusive Higher Debt" Center for Responsible Lending July 19, 2017.

million in OCOG funds, $717,561 in National Guard Scholarship funds, and tens of thousands of dollars in War Orphan's Scholarship funds. FPCs are attracted to current and former military members due to the easy money they can acquire through earmarked funds like the GI Bill, National Guard Scholarship, and War Orphan's Scholarship. Considering their history of unpatriotically preying on military members, which stretches all the way back to the 1940s, FPCs should be barred from receiving service related educational dollars held by members of the armed services. FPCs should also be prohibited from using the official seals of the armed services in their commercials and other marketing materials. Our veterans deserve a much better, and much cheaper, postsecondary education than what is being offered by FPCs.

In their May 2017 report on for-profit colleges in Ohio, Policy Matters found that they "cost more, create more debt, and leave many graduates earning less than the poverty threshold."

The same goes for all Ohioans, and therefore FPCs should also be prohibited from receiving OCOG dollars. These funds should go to schools that provide superior instruction, lower costs, and better post-graduation prospects than FPCs. Community colleges should replace FPCs in OCOG eligibility, since currently they are barred from receiving these dollars (some full time community college students apply; 65 students qualified in 2015)[46]. It is community colleges that have taken the biggest hit in market share with the rise of FPCs, as both often serve the students from similar demographics. At the same time, community colleges also have the tightest budgets since they do not have large endowments like large state and private universities, nor the business model of FPCs. When state and federal funding dried up over the last few decades community colleges lost the most. Allowing them to receive OCOG dollars would serve to boost their enrollments, which dropped by 35% from 2010 to 2015[47]. The state tax dollars that are washed down the drain by the Pass-through Tax Break could provide the funding to provide community colleges with the additional resources they need to ensure the success of their minority, low-income, and other non-traditional students.

46 Hannah Halbert, "Budget Bite: Affordable College" Policy Matters Ohio, March 1, 2017.
47 Hannah Halbert, "Budget Bite: Affordable College" Policy Matters Ohio, March 1, 2017.

In addition to shifting OCOG funds from FPCs to community colleges, Ohio could follow the lead of Connecticut, Massachusetts, California, Maine, and Maryland by introducing bills aimed at further regulating FPCs. Bills such as the "Tuition Integrity Act" require that FPCs spend at least half of the tax-payer income on instruction (rather than marketing or advertising), set benchmarks for employment/income outcomes, and would bar FPCs from enrolling students into degree programs who could not practice said profession in the state (due to a criminal record or other injunction). Additional language and guidelines could also be included to regulate the advertising, recruitment, and enrollment procedures of FPCs, especially as they apply to the recruitment of military members, minorities, and the elderly[48].

These are short-term to intermediate goals. In the long term however, the best way to boost community colleges and strike down avaricious FPCs is to follow the lead of Tennessee and New York and make community colleges free for Ohio residents.

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HELP OHIO GRADS "GET ON THEIR FEET"

New York's "Get on Your Feet" program is a measure that Ohio could pursue that would help to relieve the burden of student debt for recent graduates, while also ensuring the best and brightest minds remain in the Buckeye State. If Ohio were to adopt this policy, the state would cover two years of federal loan payments for graduates from a public Ohio university who remain in the state, earn less than a set income ($50,000 in New York), and enroll in an Income-Driven Repayment plan (IDR). The maximum qualifying income would likely be lower in Ohio due to lower cost of living, but the rest of the plan would remain the same. By adopting this plan Ohio would ensure that recent graduates get off to a strong financial start, allow them to have additional disposable income until they get on their feet, and the program would prevent Ohio graduates from fleeing the state in search of higher wages. The "Get on Your Feet" program would

48 "What States can do about Abusive Higher Debt" Center for Responsible Lending, July 19, 2017.

also help to boost enrollments in state universities and community colleges, which are down 15.3% since 2010—the worst decline of any state in the nation[49]. A more widespread and long term solution could be accomplished if Ohio was willing to refinance federal student loans with lower interest rates, such a measure would both lessen the interest paid by students while also boosting state revenue.

BORROWERS' BILL OF RIGHTS

If Ohio decides to pursue any legislation aimed at limiting the growth of student debt, the abuse of borrowers by lenders and debt servicers, and the fraud committed by FPCs, the state should create a version of Connecticut's Borrower Bill of Rights. This wide sweeping legislation has been referred to as the "gold standard" of student borrower protections. The bill in fact goes further than any existing federal guidelines that lay the ground rules who can service debt and what procedures they must abide by. Connecticut's Borrowers' Bill of Rights consists of a three-pronged approach whose main aim is better student loan/debt education programs and better loan servicing protections and oversight. The bill established a state ombudsman to oversee loan servicers who are also required to register with, and abide by the statutes of, the state banking department. As mentioned earlier no similar uniformly operating oversight and regulatory guidelines currently exist on the federal level. The conditions in Connecticut that pushed legislators to enact the bill—high levels of debt at graduation, high defaults and questionable practices at FPCs, and similarities to the mortgage crisis—are currently evident in Ohio; we would be wise to get ahead of the problem by enacting something similar to the Connecticut Bill. Such legislation is revenue neutral for the state because the funds that go towards the educational program and the ombudsman's office are derived from the fees that loan services pay when they register with the state department of banking.

Ohio would need to fine tune the Connecticut version of the bill to best serve the current and former students of postsecondary institutions in the state. Ohio would surely need more than the capped $500,000 budget that goes towards accomplishing the measures set out in the bill. A Borrowers' Bill of Rights could end the abusive practices and exorbitant fees of debt collectors hired by Attorney General Mike DeWine. David Pepper recently accused AG DeWine of running a pay to play scam where law firms who work in debt collection contributed to the campaign of DeWine, and in return DeWine grants the firms extremely lucrative contracts for collecting state debt. These contracts are so lucrative because under current Ohio law, because firms working for the state AG claim that they do not have to abide by the Fair Debt Collections Practices Act—and therefore they are uncapped in terms of what fees they can add onto debts they are collecting. Some of these debts are student debts, sometimes decades old, for things such as parking tickets, tuition, hospital/

49 Hannah Halbert, "Budget Bite: Affordable College" Policy Matters Ohio, March 1, 2017.

veterinarian visits, and small loans. As a result, a student with a $500 debt from the 1970s can be charged any amount the collector sees fit, often into the thousands of dollars; technically. Under current Ohio law these firms could tag a $1 million fee onto a debt of any amount. A Borrowers' Bill of Rights could regulate this greedy practice, and hopefully reign in the political corruption occurring in DeWine's office. Ohio could also adopt a statewide policy similar to one in Cincinnati and require that all state and city employees are made aware of their unique loan forgiveness options and IDR plans upon being hired. An Ohio Borrowers Bill of Rights should also include measures aimed at the startling trend of FPCs transitioning to non-profit schools in the effort to avoid paying taxes and to detach themselves from the 90/10 Rule (a federal guideline that states for-profit schools cannot have more than 90% of their income derived from federal financial aid and grant dollars). This occurs through what Robert Shireman termed a "regulatory blind spot" between the Department of Education and the IRS in guarding against these shady shifts, such as the transition Herzing University, which has a campus in Ohio, recently made in 2015[50].

In conclusion, Ohio must take immediate measures to protect Ohioans in their quest for higher education and social mobility. With for-profit pirates, bankers, and lobbyists at the helm of federal education policy Ohio has an obligation to protect its residents and students from fraud, mismanagement, and abuse. As mentioned above, Ohio is the worst state in the nation in terms of the depth and breadth of the state level student debt crisis. If we do not place guidelines and protection in place, and slow the increase in market share enjoyed by FPCs, our postsecondary landscape will become even more riddled with debt landmines.

Ohio also retains a duty to its most disadvantaged and beleaguered citizens, therefore, the state needs to help them when they show initiative and grit by pursuing a higher education. They must be rewarded with OCOG dollars and should be encouraged to make the wise financial and career choice of choosing a non-profit institution. In addition to closing the $150 million OCOG funding shortfall, Ohio must help students make their federal grant dollars go as far as possible. The state could accomplish this by changing its method of combining state and federal grant dollars, OCOG and Pell respectively. Grant monies are applied in Ohio through a practiced called "last dollar" where federal grants (Pell Grants) are applied to balances first, then state grants (OCOG) are applied to cover any remaining tuition and fees. The result is the state forces students to leave grant dollars on the table because "last dollar" does not consider the ancillary costs of higher education such as books, food, housing, and transportation. Such a policy economically hamstrings all students, but the effects are increasingly harmful to students from the lower portion of the economic spectrum. If Ohio were to instead use the "first dollar" policy, students would get their maximum state grant first, and since federal

50 Robert Shireman, "The Cover For-Profit: How College Owners Escape Oversight through a Regulatory Blind spot" September 22, 2015.

Pell dollars do consider the ancillary costs, students would still receive their maximum Pell grant. By changing to “first dollar” Ohio would help all of its grant eligible students maximize their funding.

Finally, Ohio must take the steps to improve the entrenched socio-economic injustice that affects women and minorities. We must take steps to close the wage gap that makes borrowing and repaying student loans more difficult for women, particularly women of color. The state must also improve the economic standing of minorities in the state, not only through investing in their communities, but also by strengthening their schools. For students, this would mean that they would have more familial resources to put towards paying for college, thus lessening loan dependency, and also improve the college counseling services in low-income and minority schools. These measures would help to steer students into higher achieving schools with more resources to devote to ensuring student success.

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