

ASET Initiative

The AAWG Committee will be presenting the proposed ASET parameters to the Oregon State Board of Higher Education (Board) at the June Board meeting, and will work to finalize the structure during the summer as funding options are explored with the Governor's Office and the State Economist. It is likely that the final funding mechanism will require revisions to eligibility or other grant features. On April 14, a Legislative Concept was filed as a placeholder with the Department of Administrative Services called Access Scholarships for Education Trust (580-02), with the final due on July 1, 2004. The brief description notes that the concept is to "reduce financial barriers to attaining postsecondary education in Oregon," and includes the intent, pending OSBHE approval, to develop a proposal for a legislatively referred constitutional amendment to establish an endowment for financing access for postsecondary students.

Driving Concepts:

A higher level of educational attainment for all Oregonians is critical to the prosperity and security of Oregonians and positioning our small state at the leading edge of a globally competitive economy¹. The educational attainment level of the adult working-age population is linked to a state's economic health (e.g., average personal income, poverty levels, unemployment rate) and capacity to develop a workforce with the right skill sets for high-wage knowledge work and innovation.

Being able to afford a college education is a priority to Oregonians—parents, neighbors, and grandparents wonder if their children will be able to attend college at all. According to a recent study, more than 70 percent of Oregonians rated college affordability as "very important" (Adam Davis, Meeting of the OSBHE Meeting, March 4, 2004). Yet, higher college tuition and fees and the total cost of a college education have created an opportunity and affordability gap in Oregon. This "gap" is the difference between what a student *can* pay and what a student *must* pay to go to college.

This is not surprising given (1) the rapid rise of college tuition and fees at Oregon's public two-year colleges and four-year universities without a corresponding increase in student financial assistance, (2) the fact that average personal income level share increased only two percent in the last five years, (3) people without college degrees actually have experienced income losses since the 1970s, and (4) Oregon has one of the highest unemployment rates in the nation. These conditions have created a situation in which only the most well-off Oregonians will be able to attend college.

Governor Kulongoski called upon the reconstituted Oregon State Board of Higher Education to reconnect postsecondary education to its statewide mission—access—and better align higher education with the statewide priorities. In a recent speech, the

¹ The U.S. Census Bureau reports that 25.9 percent of Oregon's population 25 years and over has at least a bachelor's degree.

Governor called upon the postsecondary education community to work collaboratively to design an access program that would benefit all Oregonians:

I'm asking all Oregonians to join me in creating a fund that will support access to college for every eligible Oregonian – and to put this fund in the Constitution where it will serve as an economic engine for generations to come. (need date)

The Board responded by creating the Access and Affordability Working Group (AAWG), one of three Working Groups tasked to develop strategic directions for postsecondary education linked to advancing Oregon's economy. The Board charged the AAWG with drafting policy goals and objectives, proposing basic policy elements for access scholarships, costing policy alternatives in relation to the objectives, drafting an amendment to the Oregon Constitution, and proposing performance measures or yardsticks to demonstrate successful outcomes.

Board Access and Affordability Working Group Process

Tim Nesbitt, OSBHE Director, and Nan Poppe, Campus President, Portland Community College, Extended Learning Campus, serve as Co-chairs to the OUS Board Access and Affordability Working Group. Other members include two OSBHE Directors, Bridget Burns and Howard Sohn; Paul Bragdon, President, Lewis and Clark College; Samuel Brooks, President, Oregon Association of Minority Entrepreneurs; Randy Choy, Program Officer, Oregon Community Foundation; Vanessa Gaston, President and CEO, Urban League of Portland; Roman Hernandez, Attorney, Schwabe, Williamson, & Wyatt, PC; and Kate Peterson, Student Financial Aid Director, Oregon State University.²

Since March 2004, AAWG has held six public meetings and completed a series of fact-finding and development activities. (*Attachment A due June 1 summarizes data findings*) The AAWG has reviewed data and information about the cost of attending college as well as policies that increase the affordability of college used by higher-performing states. The AAWG is in the process of developing a proposal for increasing need-based financial aid for students entering postsecondary education for a first undergraduate degree or certificate.

This status report to the Board reflects the discussion with the Working Group, resource experts, and interested parties attending the public meetings. Other stakeholder groups were briefed prior to the June Board meeting including the financial aid community, presidents of OUS campuses, Oregon's community colleges, private/independent,

² Non-voting "Resource Experts" participated in the meetings. These experts include Cam Preus-Braly, Commissioner, Oregon Department of Community Colleges and Workforce Development (CCWD); Julie Suchanek, Director of Communications and Student Issues, Oregon Community College Association (OCCA); Gary Andeen, Executive Director, Oregon Independent Colleges Association (OICA); John Wykoff, Executive Director, Oregon Student Association (OSA); Brian Clem, Chair, Oregon Student Assistance Commission (OSAC) Board; Jeff Svjecar, Executive Director, OSAC; Mardilyn Saathoff, Governor's Policy Advisor for Higher Education; and Mark Ellsworth, Loaned Executive, Department of Administrative Services (DAS). These resource experts not only provided data and information, but important reality checks for this Working Group.

non-profit four-year colleges in Oregon (OICA members), and a joint legislative higher education working group convened by Senator Schrader.³

Before advancing the developing legislative concept in the policy development process, we seek the Board's reactions to the overall direction represented in the objectives and proposed policy elements. By the time of the Board meeting, AAWG will have cost estimates of the proposals to better reflect upon the priority of need-based assistance, the magnitude of the investment, and priorities for phasing in access scholarships should funding fall short of budget projections. (*Attachment B by June 1*)⁴

Draft Policy Goals and Objectives

The goals and objectives espoused include:

- To expand access and make postsecondary education more affordable for all Oregonians;
- To increase the number of Oregonians who are successful in achieving their individual postsecondary goals; and
- To ensure the well-educated workforce required by Oregon's current and potential employers (Oregon Benchmark target of 45 percent of Oregon adults with at least bachelor's degrees by 2010).

Proposed Policy Elements

In deliberations, it was concluded that the Oregon Opportunity Grant (OOG) is perceived as a good product with value. However, the pressure to fund more eligible students without corresponding increases in revenues has resulted in fewer qualified students receiving an award.

Instead of creating a new or parallel grant program, the AAWG recommends using the brand name "Oregon Opportunity" for the endowed trust. It is projected it would take up to ten years to create an endowment with a corpus sufficient to generate interest income to support access scholarships. If the Board concurs that this is a critical need today, bridge funding would be needed in this biennium and the next several biennia to support the increased demand for the OOG. (*Attachment C due on June 1 with estimates for bridge funding*)

The design specifications for redesigned and better-funded access scholarships include six elements:

1. Use OOG to leverage the federal Pell Grant. (Varies from OOG policy.)
 - Streamline processes related to determining eligibility and setting award levels;

³ Senator Frank Morse, Representative Susan Morgan, Representative Alan Bates, and Representative Betsy Johnson.

⁴ Mark Ellsworth, loaned executive, DAS, is working with a small group to determine cost parameters and postsecondary capacity needed.

- Include income and assets in determining eligibility (excludes primary dwelling and automobile);
 - Replace income eligibility cut off (cliff) with a graduated income cut off (slope);
 - Extend eligibility to students from middle-income families.
2. Base eligibility of students on acceptance into an academic program leading to a degree (associate's and bachelor's degree) or certificate (courses are pathways to degree programs), maintaining full- or half-time enrollment, and making adequate academic progress. (Current OOG policy.)
 3. Allow students to chose to apply the access scholarships toward tuition and fees at any eligible two- or four-year college or university in Oregon. (Current OOG policy.)
 4. Reduce the financial barrier to postsecondary education by tying the level of award to tuition and fees. (Varies from OOG policy.)
 5. Set the maximum grant amount available to any eligible student equal to no more than the average of full-time resident undergraduate tuition and fees of the seven OUS universities, with the actual award not to exceed actual tuition and fees charged by the enrolling institutions.⁵ (Varies from OOG policy.)
 6. Providing other criteria are met, the length of eligibility would be 150 percent of required program time (six years for a 4-year bachelor's and three years for a 2 year associate's degree).

In recommending these major policy elements, we acknowledged that a college education is a major investment today. The responsibility for providing the resources involves appropriate contributions by various partners—the student, the family, state and federal governments, employers, and philanthropic organizations. It would be useful to have a statewide conversation about the proportion each partner should contribute to optimize diversity in postsecondary education opportunities (e.g., economic, racial/ethnic, geographic).

Proposed Amendment:

Pending the consensus of the Board that access is a high priority for Oregon and agreement on the basic policy elements, an amendment to the Oregon Constitution is proposed as follows:

Preamble:

Postsecondary education has become the gateway to economic opportunity, just as a high school diploma used to be. We the people of Oregon believe that a higher level of

⁵ The student must be full-time to be eligible for the average full-time tuition and fee grant. If the student is half-time, the grant amount would be calibrated against the tuition and fee charges for the average half-time tuition and fees at OUS universities.

educational attainment for all Oregonians is critical to the prosperity and security of the state and its people. Therefore,

The people of the State of Oregon add the following new section to the Constitution:

The Oregon Opportunity Trust is hereby established to make college education more affordable for all Oregonians and to increase the number of Oregonians who hold college degrees.

The program shall provide grants to residents of Oregon who have demonstrated the interest and ability to pursue higher education programs that lead to associate's and bachelor's degrees. Such grants shall be designed to reduce financial barriers to the pursuit and completion of such degree programs in Oregon's eligible colleges and universities.

The grants shall be distributed to students in a manner that maximizes the successful participation of all income groups in higher education in Oregon in a cost-effective manner.

In addition, up to 10 percent of the grants awarded may be used to address exceptional statewide priorities needed to advance Oregon's competitiveness in the global economy.

Exceptional Statewide Priorities:

Although the overall emphasis of AAWG has been on reducing financial barriers to college before anything else, the Governor's priority of making targeted investments in higher education suggests that the recommendations of the other two Working Groups, Academic Excellence and Economic Development and Excellence in Delivery and Productivity, might come into play. Among the suggestions offered for targeted investments are loan forgiveness programs for critical occupations contingent on Oregon employment (e.g., health care, information technology), scholarships for talented students ("merit within need"), and incentives for community college students to transfer in the junior year to a four-year institution. The specific programs would not be fixed in Constitutional or statutory language to permit the greatest flexibility. A governing or advisory body would be formed to develop processes to evaluate, and terminate when no longer needed, targeted investment areas.

Performance Measures:

Among all the barriers to postsecondary education, financial ones consistently show up in research. Other important barriers include adequate preparation to do college-level work, the focus of Excellence in Delivery and Productivity Working Group. Possible indicators of realizing the access and affordability objectives identified supra include:

1. Number of associate's and bachelor's degrees produced using the full capacity of all Oregon institutions.

2. Number of students completing associate's degrees that transfer successfully to a four-year institution and complete bachelor's degrees.
3. Percent of low-income students that enroll in postsecondary education in Oregon following high school graduation and complete a degree.
4. Enrollment and degree completion gaps between the third, fourth, and fifth quintiles compared to the two highest income quintiles.
5. Performance gap in "affordability" of higher education for residents of Oregon compared to residents of California and Washington.
6. Average number of terms it takes to complete degrees or percent of students completing bachelor's degrees within four years.
7. Average borrowing by Oregon undergraduates.

Challenging, but reasonable, targets of improvement are needed to track performance of students receiving grants compared to those who do not. We must demonstrate that the investment in access scholarships makes a difference in both individual and societal benefits.

Conclusion:

Many states have created strong need-based student financial aid programs that approach the value of the Pell Grant, thereby, leveraging the federal resources and creating a federal-state partnership or commitment to help students build human capital assets. Some states have enacted policies to maintain balance among state appropriations per student, tuition and fee charges, and student financial assistance. These include requiring state aid program adjustments for tuition and fee increases; setting aside a proportion of tuition and fee increases as fee remissions or tuition discounts for low- and moderate-income students,⁶ and/or basing tuition and fee increases on an independent economic indicator (e.g., such as the Consumer Price Index). As Oregon contemplates finding a new revenue source to expand need-based assistance, the Board may want to consider how to align other financing policies with an improved state financial aid policy.

These policies are designed to create stability, predictability, and choice for students and their families by providing the conditions for students to make better enrollment choices that have long-term consequences—taking on debt loads they can comfortably afford to pay back, working fewer hours to focus on academics and get started earlier on careers, attending full-time instead of part-time or attend part-time consistently, and holding on to aspirations for a college education.

⁶ The University of California System requires UC campuses to set aside 30 percent of tuition and fee increases for need-based assistance. The System is currently considering a reduction to 20 percent.

Many Oregonians, including the Governor, recognize that a college education deeply changes a person's prospects for a better life and, in turn, contributes to a better Oregon. Children from minority and low-income groups in Oregon do not have the same opportunities to go to college that they have in other states. Yet, these children are a growing share of Oregon's future workers, parents, and citizens. In a recent speech, the Governor called upon the postsecondary education community to work collaboratively to design an access program that would benefit all Oregonians. This report summarizes the work completed to date and is the result of a collaborative effort.

(Board action required.)