In its governance proposal, the State Board of Higher Education has emphasized that affordable access to a quality higher education is a major objective and that without it the state cannot meet the goal of raising the education level of adult Oregonians. Affordability was called out as one of the elements in a compact with state government.

At the September 29 meeting of the Governance Committee, staff proposed some possible measures of affordability for use in the compact with state government. The principal measure was the percentage of unmet financial need provided as grant aid by the universities. A target of 12 percent was considered, a level that is equal to the highest level achieved in recent years.

Last spring and summer, a variety of other measures were considered and will continue to be tracked. These included the percentage of undergraduate tuition to be used for need-based aid for resident undergraduate students, tying need-based aid to maintaining the percentage of Oregon family income required to pay tuition, and requiring a portion of any tuition increase in excess of the growth in Oregon family income be used by universities for need-based financial aid.

The Board, for 2009-2011, established a requirement that 30 percent of the income received by universities from tuition increases that exceeded the estimated growth in Oregon family income be used to fund need-based financial aid for Oregon undergraduate students. This continued a policy established in the prior biennium and is the current Board policy regarding need-based financial aid.

In discussions in March, the Governance and Policy Committee considered several alternative policy options for need-based financial aid. Three dealt with setting aside a percentage of any increase in resident undergraduate tuition for need-based aid, including one that retained those funds at the campus where the tuition was paid, one that centralized those funds in OUS and redistributed them to campuses based on the need of students, and one of which sent the funds to the Oregon Student Assistance Commission for redistribution to students based on financial aid. These options were developed, in part, because the incomes of students with need are significantly different among the seven OUS campuses. However, the presidents opposed all but the first alternative.

Subsequent discussions with campus leaders also emphasized their opposition to changing the allocation of state enrollment funding from the current RAM approach to one that provided more funding to institutions serving higher proportions of Oregon students with financial need.
The Oregon Student Association has suggested using the earnings from investing tuition income for need-based financial aid. Since the earnings would be allocated based on tuition income, this would ensure that the earnings would be retained by the campus where the tuition was paid. Because these funds now are transferred to the State, authority to use the earnings in this fashion would require enactment either of the Board’s governance proposal or of a separate investment earnings statute. However, in either case, this suggestion has merit. But the amount of investment earnings is estimated to be relatively small in the upcoming biennium (perhaps less than $5 million systemwide for the two-year period).

The University of California, for some time, has had policies to direct 30 percent of tuition increases into need-based financial aid. Vice Chancellor Kenton, in surveying colleagues around the country and in examining average national fee remission data, has concluded that a target of using 15 percent of total tuition for need-based financial aid would be within common norms. (Provost Jim Bean has indicated that the University of Oregon is striving to remit an even greater share of undergraduate tuition in order to enhance affordability.) The OUS average currently is about eight percent. Oregon universities remit tuition at levels different from the systemwide average (e.g., PSU remits less than 6 percent of total tuition while EOU remits nearly 11 percent). (All figures are for undergraduate tuition since the use of fee remissions for graduate assistants skews the graduate figures substantially.) Because no university currently remits as much as 15 percent of tuition, it is likely that any policy to require such a level would be phased in over several years. Those presidents who have responded have opposed any Board target.

Board policy, therefore, could be for each campus to use any investment earnings for need-based financial aid for resident undergraduate students and to use a set portion (e.g., 15 percent) of the revenue it would normally receive from undergraduate tuition for need-based financial aid for resident undergraduate students. The two issues that should be considered would include how many years an expected phase-in of any target would take (e.g., growth from current levels and full implementation by 2020) and whether the need-based aid should be based on the total undergraduate tuition income or only on that related to resident students. This latter issue relates to the use of tuition from non-resident students to provide financial aid to resident students. Presidents were asked again to consider both these questions in advance of the October 21 meeting of the Governance and Policy Committee.

**RECOMMENDATION TO THE COMMITTEE**

1. Staff recommends that the Board continue its current policy that 30 percent of the income received from tuition increases that exceed the estimated growth in Oregon family income be used to fund need-based grant aid for Oregon undergraduate students;

2. Staff recommends that the Board direct that investment earnings on tuition income received by the universities (net of costs) be used for need-based financial aid for resident undergraduate students;
3. Staff recommends that the Board encourage each university to develop strategy for the use of fee remissions for need based financial aid for resident undergraduate students with a target that at least XXX percent of total undergraduate tuition be used for this purpose by 2020; and

4. Staff recommends that universities be required to report the percentage of financial need for resident undergraduate students requesting aid covered by the universities as need-based fee remissions or as grant aid from other university and philanthropic sources (exclusive of state and federal need grants but inclusive of investment earnings from tuition revenue). (This is aligned with the performance measure discussed at the last Governance Committee meeting.)