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Paying for College
Sharing Responsibility the Oregon Way

By David Longanecker

This paper has a very simple mission – to help the Oregon public policy community devise a more contemporary approach to providing state financial aid to students than exists under current policy. This is not intended to denigrate past or current efforts, but simply to reflect real funding shifts that have occurred in Oregon and the U.S. over time and to develop a policy framework that provides a stronger nexus between Oregon’s current institutional appropriations and tuition policies, its state financial aid policy and practice, and today’s federal financial aid policies.

To accomplish this, the paper begins with a brief discussion of past financial aid policies, then describes current financial aid practices, and concludes by proposing a specific concept of shared responsibility, similar to the model currently used in Minnesota, but altered in significant ways to fit the culture, resource constrained environment, and politics of Oregon

The Past

Historically, particularly in the Western United States, it was generally perceived that the best way to assure affordable access to higher education was to keep tuition low. This strategy worked well for quite a while. In great part this was because most people who attended college came from middle-class/middle-income families, which meant that they could afford to pay modest tuition and the other costs associated with attending college, including room and board, transportation, books and other supplies.

Although this approach to finance worked reasonably well for students attending low-priced public institutions, it clearly never worked for students attending higher priced private colleges and universities. Consequently, the benevolent concept of need-based financial aid evolved within this private sector of higher education. Students from families that could not afford the higher price of private education, but whom private institutions wished to attend their institutions were provided financial aid. And to avoid capricious behavior between institutions, the private higher education community, through the College Board (then known as the College Entrance Examination Board) developed a standard way of assessing financial need.

Low-tuition, at least as the primary avenue to affordable access to public higher education, began to erode in the 1960s as more and more Americans, particularly students from low-income families, sought to attend college. It became clear that although low tuition made it appear as though college was affordable to most folks, the other real and substantial costs of attending college – room and board, etc. – often presented an absolute barrier to financial access for many prospective students from low and moderate income families. As the egalitarian spirit rose in America, so too arose the

1 interest in providing need-based financial aid to ensure that all students who wished to
2 attend college could do so. As a result, the philosophy that had guided the concept of
3 assisting needy students in private higher education began to seep into public higher
4 education at both the federal and state level. This spirit led to a major federal thrust in
5 this direction with passage of the original Higher Education Act (HEA) in 1965. And,
6 the Higher Education Act, through the State Student Incentive Grant (SSIG) program,
7 enticed many states, including Oregon, to begin providing state need-based grants to
8 students.

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10 **The Present**

11 More recently, another factor in Oregon – the abandonment of low-tuition in
12 public institutions – has contributed to the erosion of financial access. Oregon has moved
13 away from low-tuition not for philosophical reasons, but rather because the diminution of
14 state resources for all state services, including higher education, has been so great that
15 institutions had to increase tuition just to generate ample funds to sustain educational
16 programs of viable quality. The same fiscal constraints, however, lead to a coincident
17 erosion of support for the State funded need-based financial aid. The confluence of these
18 two effects – declining state grant aid and increasing tuition costs – combined with two
19 other external factors – declining federal assistance and increasing demand for higher
20 education have substantially reduced the affordability of college in Oregon. Many
21 current students and their families lack the resources to truly “afford” college, and thus
22 are making monumental efforts, through loans and work, to attend college. Yet such
23 efforts often impede these students likelihood of success in college. And many other
24 Oregonians would like to attend college but simply can’t afford to do so.

25 Another factor, however, has contributed to the erosion in support for financial
26 aid, both within Oregon and throughout the country; that is, the philosophy under girding
27 support for financial aid since the 1960s has become stale; it simply does not fit the
28 public policy environment in the twenty-first century. The original purpose of such aid –
29 to assist “needy” students – remains as germane today as it has ever been. But the
30 concepts behind it have begun to erode. The concept of need itself has become so defuse
31 and has expanded to include such a large share of the population that it is less defensible
32 in the more conservative environment of America today. This is even more poignant in
33 the constrained fiscal environment of state government in Oregon. Over the years
34 champions for more financial aid have made the case; but the case has not been
35 compelling enough to garner the necessary support.

36 As price has increased and aid has declined, financially affordable access in
37 Oregon has eroded. To restore affordability and assure access to quality education in
38 Oregon in the future will require a sounder concept of financial aid than currently exists.

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1 **The Future – A Philosophy of Shared Responsibility**

2 The basic premise of the Shared Responsibility Concept is that assuring
3 affordable higher education, from a public policy perspective, many partners either share
4 responsibility or concern for assuring college affordability. Four partners legitimately
5 *share responsibility* for financing the costs of attending college.

6 **The first partner in this shared partnership is the student**, who, after all, is the
7 principal beneficiary of the education being received. With pecuniary returns on a
8 college education now exceeding, on average, more than \$1 million for a baccalaureate
9 degree, and about one-third that amount for an associate’s degree, it is entirely
10 appropriate to expect that the student will accept responsibility for a reasonable portion of
11 her or his own education. Furthermore, the student’s responsibility comes in two forms.

- 12 1. The student must put forth a serious effort to achieve the education.
- 13 2. The student must be willing to help finance the costs of the education.

14 For purposes of the Oregon shared responsibility model, it is recommended that the
15 student’s share be set at 50 percent of the costs of attending college. In principle, this
16 suggests that the student, who benefits most, shares equally with all the other partners in
17 financing her or his education. Furthermore, this just happens to work out nicely from a
18 practical point of view. At a 50% share,

- 19 • A student attending the lowest cost option in Oregon, a community college,
20 would be able to pay her or his share by *either* working *or* borrowing.
- 21 • A student attending an Oregon public university would be able to pay through
22 work *and* borrowing.
- 23 • And a student attending an Oregon private university would be able to pay
24 through work, borrowing, and saving.

25 Furthermore, students who have *earned* scholarships for the current or past academic
26 performance should be able to use this earned resource toward their contribution.

27 Recent changes in federal legislation will provide some needy students with
28 Academic Achievement Awards or Science and Math Awards, based on achievement,
29 and these federal supplements to the Pell grant should be considered part of the students
30 earned contribution, not part of the federal contribution. This has two positive effects.
31 First, it rewards students appropriately for accepting their responsibility to prepare and
32 perform well academically. And, it provides a positive incentive for civic and
33 philanthropic partners to provide student assistance.

34 **The second partner in the shared responsibility partnership is the parent(s).**
35 After the student, the parent(s) of a dependent student should clearly accept
36 responsibility, to the extent that they can, for educating their child before they expect
37 others to do so from tax-supported public funds. Clearly, families differ greatly in
38 wealth, so their capacity to help varies greatly, but to the extent possible they should be
39 expected to contribute. Recent changes in federal law increase the incentive for parents
40 to save for their college education through state savings and tuition prepayment plans,
41 further reinforcing the ability of parents to meet this responsibility.

1 Unfortunately, some parents refuse to accept this responsibility, which clearly impedes
2 the educational opportunity of their children. It would be neither prudent nor practical,
3 however, for public policy to step in to replace the expected parental contribution in such
4 cases. In a resource constrained environment, there simply aren't sufficient public funds
5 to fill in where irresponsible parents don't step up.

6 **The third responsible partner is the federal government**, which through the
7 federal Pell grant program assists virtually any student from a low and moderate income
8 family, and through tax credits and deductions assists most students from middle-income
9 backgrounds. While the state can not *count on* the federal government to provide
10 sustained predictable support, it would be foolish not to take full advantage of whatever
11 federal aid is available.

12 **The fourth shared responsibility partner is the State.** If the student and her or
13 his parents are tapped out, and federal resources have been taken full advantage of, then
14 the state must do what ever it can **to fill the gap** or accept the reality the college won't be
15 truly affordable.

16 Two other types of partners— institutions of higher education and
17 civic/philanthropic funders— while not responsible for assuring affordable higher
18 education, have historically shared substantial *concern* about college affordability, and as
19 a result have provided substantial financial assistance to students, both to reward merit
20 and to enhance affordability.

21 **Institutions** provide substantial financial aid, but for three reasons **should to be**
22 **considered a *concerned party* rather than a *responsible party*.**

- 23 1. The foremost responsibility of the institution is and should be ensuring the
24 delivery of quality educational services. As a result, the institutions first concern
25 must be providing sufficient resources to quality assurance, resulting in limited
26 institutional funds for financial aid.
- 27 2. The availability of institutional aid is not readily *apparent* to prospective
28 students, thus contributes little to the public policy goal of *transparency*.
29 Because institutions have limited funds for financial aid, they must withhold their
30 decisions on who receives this aid until students indicate an interest in the
31 institution, which means that young people thinking about whether college is in
32 their future or not, have little information from institutions about the likelihood
33 of receiving aid.
- 34 3. Institutional financial aid officers are the only people who can logically put all
35 the pieces together, and thus are best used to fill the gaps that real life presents,
36 with the limit resources available from the institution. Private institutions of
37 higher education must bare an additional burden, if they chose to provide broad
38 access to financially needy students. While it is reasonable in public policy to
39 recognize a portion of the difference in public and private tuition rates, it is
40 neither prudent nor possible to reflect the full difference.

41 The model presented here suggests that Oregon's shared responsibility model
42 recognize the amount that Oregon, on average, subsidizes comparable public
43 institutions in establishing the overall budget for private college students in the

1 shared responsibility model. This recognizes a legitimate portion of the
2 difference in price between public and private institutions, but also reflects a cost
3 to the student of choosing to attend a private institution.

4 Civic and philanthropic organizations also often assist students and it is prudent
5 for public policy to encourage such activities. If such funds simply replace public funds,
6 however, there is little reason for these civic and philanthropic sources to provide such
7 assistance. The shared responsibility model, however, provides a strong incentive for
8 such partners because their assistance helps the student meet her/his share and does not
9 replace public resources.

10 Through this shared combination of reasonable contributions from responsible
11 partners – the student, her or his parents, the federal government, and the state
12 government, combined with the partnership of institutions and other concerned partners,
13 Oregon can restore affordability. This shared responsibility is not as benevolent as past
14 policy has been, at least in principle.

- 15 • This concept expects much more from students.
- 16 • It expects no less from parents.
- 17 • By being more intentional and intelligent, it takes full advantage of what is
18 available from the federal government.
- 19 • It encourages institutions and civic and philanthropic organizations to partner,
20 as well.

21 But, in the end, when all these other resources have been incorporated, this
22 concept presumes that the state of Oregon will accept responsibility to fill the gap
23 remaining after these other partners have been tapped out if Oregon truly wishes to assure
24 affordable higher education. And, this is wholly consistent with *the Oregon Way*.

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