

## **Access & Affordability Working Group (AAWG)**

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### **STATUS REPORT**

#### Introduction

A higher level of educational attainment is critical to achieving prosperity and economic security for Oregonians and to effectively positioning our state within the globally competitive economy. 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 skills for high-wage knowledge work and innovation.

For these reasons, the Oregon Progress Board has established ambitious goals as a key public policy "benchmarks" for Oregon by 2010

- 80 % of Oregon adults (25 and older) will have completed some college;
- 45% of Oregon adults (25 and older) will have completed a four-year degree (compared to just 26% in 2000).<sup>1</sup>

But the ability to complete a college education is, for many Oregonians, dependent on their ability to pay for a college education. Many wonder if their children and grandchildren will be able to attend college at all. According to a recent study, more than 70% of Oregonians rated college affordability as "very important."<sup>2</sup> Yet, higher college tuition and fees and the total cost of a college education have created an "affordability gap" in Oregon – the difference between what a student **can afford to pay** and what a student **must pay** to go to college.

#### Findings

The affordability gap represents a financial obstacle for young adults from low-income and middle-income families to secure the post-secondary education they hope for and need. It also represents a lost opportunity for those individuals to realize their potential, and for our state to maintain and grow a successful and sustainable Oregon economy. It is estimated that 12,000 Oregon high school graduates did not go on to college in the 1990s because rising tuition and stagnant family incomes discouraged their participation and another 9,000 may have the same fate in this decade.<sup>3</sup> Our state economy cannot recover the economic and social benefits that would have flowed from having more citizens with college degrees.

The affordability gap in post-secondary education is worsening throughout our nation, but it has widened to a chasm in Oregon. Oregon's state-level higher education policies

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<sup>1</sup> The US Census Bureau reports that 25.9% of Oregon's population 25 years and over has at least a bachelor's degree.

<sup>2</sup> Adam Davis, Principal, Davis, Hibbits & Midghall, Inc., Presentation at the Meeting of the OSBHE, March 4, 2004.

<sup>3</sup> Oregon University System, Office of Institutional Research Services (2003). Projections based on freshman participation rates and community college transfer rates before and after Measure 5 and assuming current persistence and completion rates for each cohort to yield a cumulative total number of students who would have been expected to enroll and complete degrees in the 1990s.

received an 'F' in affordability in *Measuring Up*<sup>4</sup> compared to California (which rated an 'A') and Washington (which rated a 'C'). The reasons for this poor rating are higher-than-average tuition rates at Oregon's public, two-year colleges and four-year universities compared to median family income, lower-than-average incomes (exacerbated by the severity of the recession in Oregon), and lower-than-average state-funded financial aid.

The last factor is most telling. State-funded, need-based financial aid for higher education students in Oregon averaged only \$133 per enrolled undergraduate student in 2002-03, before further retrenchments in the Oregon Opportunity Grant<sup>5</sup>.

- Nationally, states contributed more than twice that amount for such financial assistance at \$354 per enrolled student in the same academic year.
- In California and Washington, state-funded need-based financial aid totaled \$367 and \$483 per enrolled student, respectively, in 2002-03.
- Across the nation, spending on state-funded, need-based financial aid has increased more than 70% over the last five years.<sup>6</sup> (See Appendix A)

Tuition and fee policies based on median family income and state support for need-based financial aid are critical for increasing the success rates of students at the four key transition points spanning the period from high school to completion of a college degree (i.e., high school graduation, entry into higher education, persistence in higher education, and completing higher education).<sup>7</sup> The success rate of the traditional "educational pipeline" varies widely by state indicating state-level educational policies make a difference to educational outcomes.

- Only 15 of every 100 ninth-grade students in Oregon are progressing successfully from ninth grade to completing a college degree within a continuous and progressive educational cycle, ranking 35th out of 50 states.
- The U.S. average completion rate is 20% better than Oregon's – with 18 of every 100 ninth-graders securing a two-year or four-year degree within the same time frame.<sup>8</sup>

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<sup>4</sup> The National Center for Public Policy and Higher Education *Measuring Up: The State-by-State Report Card for Higher Education* provides biennial, state-by-state report cards for higher education. This report grades states on their performance in five categories: preparation, participation, affordability, completion, and benefits. The first edition was produced in fall 2000 and a second in fall 2002. The next edition will be produced in fall 2004.

<sup>5</sup> The Oregon Opportunity Grant, formerly the Oregon Need Grant created in 1971, is the state's assistance program designed to reduce barriers to postsecondary education for low-income students. For 2004-05, the award amounts vary by sector for the publics and by institution for the eligible private colleges. The award level for recipients going to Oregon's community colleges is \$1,257, to OUS institutions is \$1,487, and to OHSU is \$2,064. For students attending eligible private institutions, the award level averages about \$3,200. The award level is set at 11% of the annual cost of attendance (tuition and fees, books, room and board).

<sup>6</sup> NASSGAP (2004) Annual Survey Report of State-Funded Student Financial Assistance. Springfield, ILL. Internet download date of May 24, 2004 <http://www.nassgap.org/>

<sup>7</sup> The National Center for Public Policy and Higher Education (2004, April). *Policy Alert. The Educational Pipeline: Big Investment, Big Returns.* Education Pipeline Success Rate.

<sup>8</sup> Data are from 2002 and calculated from data from the following sources: ACT. "Institutional Data Questionnaire 2003"; National Center for Educational Statistics (NCES). "Common Core of Data": <http://nces.ed.gov/ccd> (accessed 1/26/04); NCES IPEDS Fall Enrollment Survey 2002; NCES IPEDS Graduation Rate Survey 2002; NCES IPEDS Residency and Migration File 2002; WICHE, *Knocking at the College Door: Projections of High School Graduates from 1988 to 2018.* Boulder, CO: 2004

- The average success rate of the top 25% is almost double that of the bottom 25%. Massachusetts ranks first with 29 out of 100 ninth graders completing a college degree.
- The highest performing states are almost three times as productive in college degree attainment as the lowest performer.<sup>9</sup>

Albeit colleges and universities are accommodating student demand for different pathways to college, more students could be more focused and efficient with adequate financial assistance. According to an increasing number of policy experts, developing effective education policies is a state's primary tool for gaining high numbers of knowledgeable, skilled workers in the workforce. Oregon's financing policies for postsecondary education have created a situation in which only the most well-off Oregonians are assured of a path to college. Other qualified Oregonians will require some assistance to attend.

In November 2004, Governor Kulongoski called upon the Oregon State Board of Higher Education (OSBHE) to reconnect postsecondary education to its statewide mission – access – and better align higher education with state priorities. 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:

*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.*

The OSBHE responded by creating the Access & Affordability Working Group (AAWG), one of three work groups tasked to develop strategic directions for postsecondary education linked to advancing Oregon's economy. OSBHE charged 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.

### OSBHE Access & 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 & Affordability Working Group (AAWG). Other members include two OSBHE Directors, Bridget Burns and Howard Sohn; Paul Bragdon, President, Lewis & 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, &

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<sup>9</sup> The top ten performing states include Massachusetts (29%), Pennsylvania (28%), Iowa (28%). New Hampshire (27%), Connecticut (26%), North Dakota (25%), Minnesota (25%), New Jersey (25%), Wisconsin (25%), Rhode Island (23%). Performance of western states include Colorado (20%), Wyoming (20%), California (19%), Arizona (17%) Washington (15%), New Mexico (10%), and Nevada (10%).

Wyatt, PC; and Kate Peterson, Student Financial Aid Director, Oregon State University.<sup>10</sup>

Since March 2004, The Access & Affordability Working Group has held six public meetings and completed a series of fact-finding and development activities. 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 bachelor's degree.

This status report to OSBHE reflects the deliberations of the working group, resource experts, and interested parties attending the public meetings. Other stakeholder groups were contacted about this effort prior to the June meeting of the OSBHE including the directors of student financial aid in Oregon's private and public sectors, presidents of OUS campuses, presidents of Oregon's community colleges, presidents of private/independent, non-profit four-year colleges in Oregon (OICA members), and a joint legislative higher education working group convened by Senator Kurt Schrader, Senator Frank Morse, Representative Susan Morgan and Representative Betsy Johnson.

Before advancing the legislative concept in the policy development process, the OSBHE's feedback to the overall direction represented in ASET's objectives and proposed policy elements is needed.

### *Draft Policy Goals and Objectives*

The goals and objectives 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.
- To ensure the well-educated workforce required by Oregon's current and potential employers (Oregon Benchmark target of 45% of Oregon adults with at least bachelor's degrees and 80% with some college by 2010.)

To achieve these goals, Oregon policymakers must address the needs of both current and future generations of students. In the short-term, better funding of the Oregon Opportunity Grant (OOG) is needed to reach the current generation of students and provide a bridge to the ASET program. But ASET is a longer-term promise designed to give hope and incentives to students that they will be able to attend college if they work hard and do well. Therefore, implementing ASET also requires the creation of a

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<sup>10</sup> Non-voting "Resource Experts" participated in the meetings. These experts include Cam Preus-Braly, Commissioner, Oregon Office of Community Colleges and Workforce Development (OCCCED); 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 Adviser for Higher Education, and Mark Ellsworth, Loaned Executive, Office of the Governor. These resource experts not only provided data and information, but important reality checks for this committee.

constitutionally protected endowment for the longer-term. The full-effects of ASET would be realized in the next generation.

Further, in seeking to increase state-funded need-based financial aid for post-secondary students, the AAWG noted its intention that such aid should not be viewed as a trade-off for direct state support for its community colleges and public universities and for keeping tuition affordable for all.

Finally, in seeking to identify appropriate resources for the long-term endowment, the AAWG recommends that existing General Fund revenue sources should not be carved out for the proposed endowment, because of the continuing pressures on the state's fiscal capacity to meet existing obligations for K-12 education, human services and public safety.

### Proposed Policy Elements

Throughout AAWG deliberations it was obvious that the Oregon Opportunity Grant (OOG) is perceived as a good, cost-effective program with high value. However, the pressure to fund more eligible students without corresponding increases in revenues has resulted in fewer qualified students receiving an award and accounts, in part, for the "F" in affordability in *Measuring Up 2002*. Eligibility for an Oregon Opportunity Grant is based on Oregon's median family income (MFI) by family size and student status (dependent or independent according to federal definitions).

- For a family of four with one dependent student in college the MFI is \$56,987. To be eligible for need-based assistance, this family would have to earn no more than 55% of the MFI or \$31,340.
- For a single, independent student, the income threshold is \$8,890 or less. (See [Appendix B for Eligibility Tables for 2004-05.](#))

The numbers of students eligible for the grant far exceeds the revenue capacity.

- Fifty percent of the students eligible to receive an OOG received one in 1998-99 (15,710 of the 30,954 eligible students).
- Only 27% of the students eligible to receive an OOG received one in 2003-04 (14,491 of the 53,175 eligible students) before funds ran out at a much lower threshold than in previous years.<sup>11</sup>

Instead of creating a new or parallel grant program, the AAWG recommends using the brand name "Oregon Opportunity" for the access scholarships. The committee estimates it would take at least 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 an Oregon Opportunity Grant.

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<sup>11</sup> The threshold for qualifying

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

1. Better align the OOG with the federal Pell Grant.<sup>12</sup> (New policy)
  - Streamline administrative processes related to determining eligibility and setting award levels;
  - 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 or bachelor's degree) or certificate, maintaining full- or half-time enrollment, and making adequate academic progress. (Current OOG policy.)
3. Allow students to use the access scholarships at any eligible two- or four-year college or university in Oregon of their choice, excluding majors in theology or ministerial studies. (Current OOG policy.)
4. Set the maximum grant amount available to any eligible student equal to no more than the average resident undergraduate tuition and fees of the seven OUS universities, with the award not to exceed the tuition and fees charged by the institution in which the student chooses to enroll.<sup>13</sup> (Varies from OOG policy.)
5. Providing other criteria are met, the length of eligibility would extend to 150% of published length of time to complete a first bachelor's degree (6 years for a 4-year bachelor's and 3 years for a 2-year associate's degree).<sup>14</sup>

With the better alignment with the Pell Grant (particularly the level of the grant graduated according to family income level) and a larger Opportunity Grant tied to the level of average tuition and fees at OUS institutions (also graduated according to family income), qualified students who cannot afford the rising costs of attending college would not remain untapped resources for Oregon's economy. (See Appendix C for the effect of proposed grant funding on unmet need for three Oregon institutions.)

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<sup>12</sup> The federal Pell Grant, established in 1972 with an amendment to the 1965 Higher Education Act, is the foundation program for federal student financial aid and is the largest grant program. In 2002-03, 23% of all undergraduates received a Pell Grant. The federal need formula is set in statute and the program is structured as an entitlement— if you qualify you get an award. But, it is funded through the annual appropriations process by estimating the number of students who would be eligible. The maximum award level authorized in statute is not the actual maximum award, which at this time is slightly more than \$4,000.

<sup>13</sup> The student must be full-time to be eligible for the average full-time tuition and fee grant. If the student were enrolled 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.

<sup>14</sup> This reflects total time and would preclude resetting the clock for subsequent degrees. It would cover the first certificate degree, the first associate's degree, and the first bachelor's degree. It would not cover students who completed a first bachelor's degree and then go back to complete a certificate program. Employers and federal workforce programs are other support options for training needs throughout careers.

### Proposed Amendment

In order to establish a protected endowment to achieve these stated goals in the long-term, a constitutional amendment must be presented to the voters for their approval.

The intention is to present a proposal for such an amendment to the 2005 legislature for referral to the voters at some date thereafter.

A sample draft of an amendment is offered below, with the understanding that the purpose of such an amendment is to authorize, fund and protect an endowment for its stated purposes, while leaving flexibility for program design to be incorporated in statute.

#### *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 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 an associate's or bachelor's degree or qualifying certificate program. Such grants shall be designed to reduce financial barriers to the pursuit and completion of such degree programs in Oregon's public colleges and universities and in eligible private colleges and universities in Oregon.*

*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 ten percent of the funds awarded in any year may be used to enhance need-based assistance to attract and retain students in programs needed to advance Oregon's competitiveness in the global economy.*

#### Extraordinary Needs and Competitiveness Goals

The overall emphasis of AAWG has been on reducing financial barriers as a first priority. In addition to access, the Governor also noted other higher education priorities when he reconstituted the OSBHE:

*We must spend state dollars effectively by targeting investments to programs that drive economic growth and that give us return on our investment that aligns with our goals of access and excellence.*

Two other work groups, Academic Excellence & Economic Development and Excellence in Delivery & Productivity, are addressing programs that align with access and excellence that could be addressed within ASET. Among the suggestions offered for targeted investments include loan forgiveness programs for critical occupations contingent on Oregon employment (e.g., health care, information technology), scholarships for talented students (“merit within need”), incentives for community college students to transfer in the junior year to a four-year institution. The OSBHE will be receiving reports from these committees that have potential for shaping this aspect of ASET. To permit the greatest flexibility, the specific programs should not be fixed in Constitutional or statutory language.

### Administrative Agency

The Oregon Student Assistance Commission (OSAC) has responsibility for administrative oversight of the Oregon Opportunity Grant among other scholarship and loan programs. The intention is not to establish a second agency to administer the Oregon Opportunity Trust—or ASET.

### Performance Measures

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

1. Number of additional associate’s and bachelor’s degrees and certificates produced.
2. Number of community college students that transfer successfully to a four-year institution and complete bachelor’s degrees.
3. Percent of lower-income students that enroll in postsecondary education in Oregon following high school graduation and complete a degree (reduce gaps with students from middle and upper income groups).
4. Average number of terms it takes to complete degrees or percent of students completing bachelor’s degrees within four years (by racial/ethnic group, income group, age, gender).

If access scholarships are adequate to remove financial barriers, one would expect freshmen persistence rates to go up, community college transfers to increase,

graduation rates to increase, and average borrowing to go down.<sup>15</sup> In fact, Senator Schrader indicated that if access scholarships were funded, OUS would be expected to set targets higher for performance measures than those approved by the 2003 Legislative Assembly. Given that students could take the access scholarships to other institutions in Oregon, all eligible institutions should share in demonstrating accountability for delivering a return on this important investment.

### Next Steps

A college education is a major investment today. Currently, state and federal governments, colleges and universities, employers, and philanthropic organizations are concerned about optimizing equity and diversity in postsecondary education opportunities (e.g., economic, racial/ethnic, geographic). The next phase of the work includes refining projections of funds needed, developing a broad base of support needed to advance an access and affordability agenda, communicating with Oregonians about how they will benefit from more people completing bachelor's degrees, and identifying a new source of revenue for ASET.

### Conclusion

Many states have created strong need-based student financial aid programs that approach or exceed the value of the Pell Grant in order to build human capital assets through support of students' degree attainment. Some states have enacted policies to maintain balance among direct support of public institutions (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,<sup>16</sup> basing tuition and fee charges on median family income, and/or basing annual tuition and fee adjustments on an independent economic indicator (e.g., such as the CPI). As Oregon contemplates finding a new revenue source to expand need-based assistance, the OSBHE 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 reasonable debt loads they can comfortably afford to pay back, working fewer hours to focus on academics and getting started earlier on careers, attending full-time instead of part-time or attending part-time consistently, and holding on to aspirations for a college education.

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<sup>15</sup> Several of these yardsticks are already included as performance measures for the Oregon University System (OUS) and are reported annually to the Department of Administrative Services (DAS) aggregated for the seven OUS universities. See the OUS website for performance data, trends, and targets.

<sup>16</sup> The University of California system requires UC campuses to set aside 30% of tuition and fee increases for need-based assistance. The System is currently considering a reduction to 20%.

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, taxpayers 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 represents the thinking and work of many individuals.

*Board Action.* Board approval required.