Funding Oregon's Future: A Strategic Finance Plan for the State's 40-40-20 Attainment Goal

DRAFT

Executive Summary

TBD.

DRAFT

A STRATEGIC FINANCE PLAN FOR OREGON'S 40-40-20 ATTAINMENT GOAL

This report is a Strategic Finance Plan for Oregon to invest in its educational attainment and its future. It analyzes the costs associated with delivering postsecondary credentials, examines postsecondary finance and available resources, and provides strategies for targeted investments and policy development. The report is broken into five sections: a preface outlining the development of 40-40-20, the economic impact of higher education and Oregon's current attainment, the cost of postsecondary education, the current breakdown of who pays for postsecondary education, and a playbook for future investments.

Preface: The Development of 40-40-20

Adopted into law in 2011, Oregon's 40-40-20 goal is the state's articulation to significantly improve education attainment levels and economic prosperity by 2025. The goal states that 40% of the population should have a bachelor's degree or higher, 40% of the population should have an associate's degree or certificate of value, and the remaining 20% of the population should have a high school diploma. 40-40-20 has come to encapsulate combined efforts from the Legislature, Governor, state education boards, commissions, and state agencies dedicate to improving life for all Oregonians.

The goal clearly states a target and progress can be measured annually. However, it has morphed beyond its technical aspects. Through the familiarity and emphasis on the goal, is has come to serve as a "North Star" pointing policy makers in a direction that supports Oregonians' economic, civic, and social dreams. The goal expressly articulates that every Oregonian is capable of achieving at least a high school diploma, and policymakers must tackle barriers and adopt policies that make it achievable. As a "North Star," the goal should remain a flexible aspiration for Oregon. Becoming too restrictive and using the goal to drive strict, arbitrary policies and practices would hinder the state's outcomes.

The goal's design draws from other state experiences to create a reflection of the state's economic needs, education's role in economic advancement, and the intrinsic and peripheral benefits of education. Coinciding with the adoption of 40-40-20 in 2011, the Oregon Education Investment Board noted Oregon's changing economy in a report to the Legislature. The report highlighted a shrinking number of well-paying jobs for individuals with only a high school diploma, and new job openings will increasingly demand a postsecondary credential.

DRAFT

Seizing on the opportunity to develop a goal for a changing economy, Oregon's policymakers took the bold step to signify that 80% of the state's adults should have some type of postsecondary credential. However, labor market projections seem unlikely to necessitate a goal that high, so instead of being a pure response to the labor market, the 40-40 is a representation of the economy and life that Oregon wishes to build. This thinking barrows from the premise that a well-educated society will fuel economic transformation.

The targets also reflect the intrinsic and associated benefits of education beyond a high school diploma. Education is linked to better health care outcomes, longer lives, reduced reliance on social services, decreased likelihood of interactions with the criminal justice system, higher employability, and increased civic engagement. These are critical components that Oregon sees as necessary for its future prosperity.

A. 40-40-20: Defining and Applying Oregon's Attainment Goal

Implementing new goals creates a host of execution challenges. Since its creation, definitional questions have swirled around 40-40-20. As the goal is not intended to be a strict measuring tool, evolutions have provided more guidance and fewer strict definitions.

Oregon is a large, diverse state, and in keeping with the goal's intent, the Higher Education Coordination Commission (HECC) proposed that the 40-40-20 breakdown apply equally to the state's demographics. In striving to build the Oregon represented in the economic underpinnings of 40-40-20, the state must reach new populations. As such, historically underserved racial/ethnic groups and rural Oregonians should be equally represented in the state's goal.

A key component of the goal's intention to serve all Oregonians is equity. State policy makers have made it clear that the goal applies to all demographics in Oregon, and there is particular consideration that historically underrepresented racial and ethnic populations are included. Explicitly, this means that the state's underserved populations should meet the components of 40-40-20.

As a call to serve all Oregonians, and by law, 40-40-20 applies to all adults across the state. However, the goal is intentionally viewed as a goal for increasing the attainment of both young Oregonians and the state's adult population. Balancing these priorities ensures that the state does not shift too far toward serving one population at the expense of another. The goal promotes traditional and non-traditional pathways to attainment alike.

As a pipeline goal for younger Oregonians, 40-40-20 expresses the state's aspiration for increased attainment for students graduating high school. Under the goal, an entire cohort would graduate high school, with 80% achieving a postsecondary credential within a reasonable time of completing high school.

DRAFT

For adults, the goal focuses on Oregonians age 25-60 regardless of where they received formal education or training. For this population, the credentials obtained should reflect existing and projected labor market conditions, and should continue to be refined as the labor market shifts.

As the state has continued to refine the goal, there has been a concerted effort to ensure that the 40 percent that applies to associate's degrees and certificates be flexible and broad. The state does not want to go so far as prescribing the certificates and types of additional learning that are included in this count, but the credentials that are included should reflect the state's economic needs and employer values.

B. 40-40-20: The Basis for Strategic Finance

Oregon's future economic prosperity is inextricably linked to its higher education attainment. As the state's "North Star" 40-40-20 is the guiding force behind that link, articulating the state's desire to build a future economy that works for all Oregonians. The goal also prioritizes equity by applying the same attainment goals to traditionally underserved populations. The goal is intended to be flexible, not restrictive, as Oregon continues to evolve. The material presented in this report support policy development and funding initiatives that push the state toward achieving its goal.

This report is constructed to align with the evolution and current application of 40-40-20. The cost estimates follow a cohort-based approach that aligns with the pipeline application of the goal. Equity and affordability are key areas of focus within the report as they are within 40-40-20. The next section goes more in depth into current attainment, attainment gaps, and the economic importance of higher education.

WHAT IS THE GOAL AND WHY IS IT IMPORTANT?

40-40-20 is Oregon's measuring stick for attainment. Fundamentally, it lays the foundation that all Oregonians can achieve at least a high school diploma, with 80% of the population going on to achieve some level of postsecondary credential. It is a representation of the state's efforts to build its future economy through increased postsecondary attainment, and requires prioritizing success for Oregon's traditionally underserved populations. This strategic finance plan serves to build off this foundation identifying the current postsecondary costs, financing structures and resources, and strategies to increase attainment.

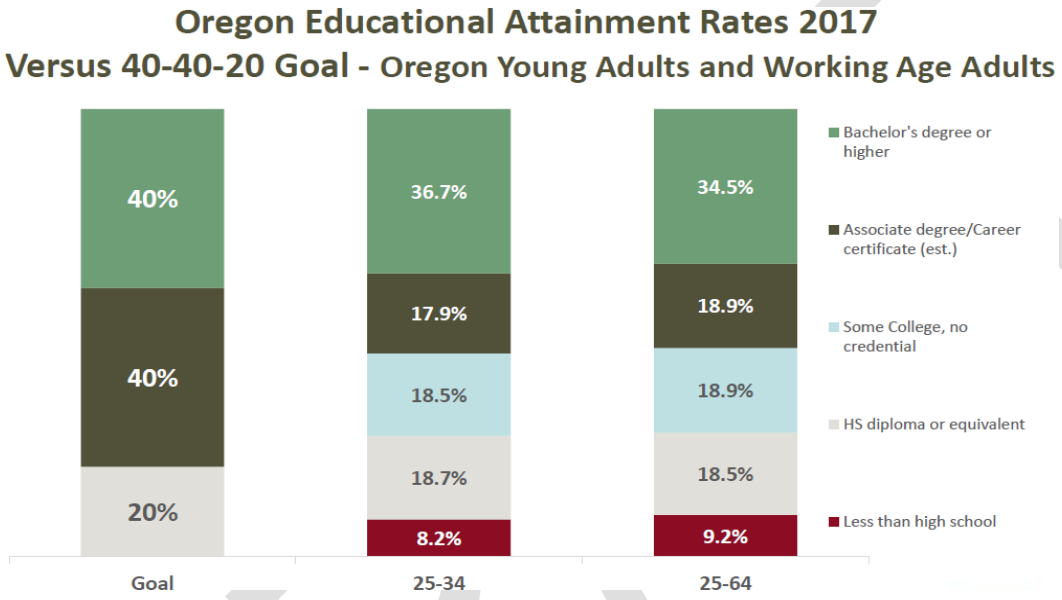
A. 40-40-20: Current Attainment and the Impact of Migration

Based on 2017 attainment, Oregon is short of its goal. As shown in the graph below, the state is close on bachelor's degrees, with 34.5% of working age adults having a bachelor's or higher. The percentage of the population with a high school diploma or equivalent is nearing the target of 20%. The biggest gap is for associate degrees and other sub-bachelor's level credentials, with about 19% of the population falling into that

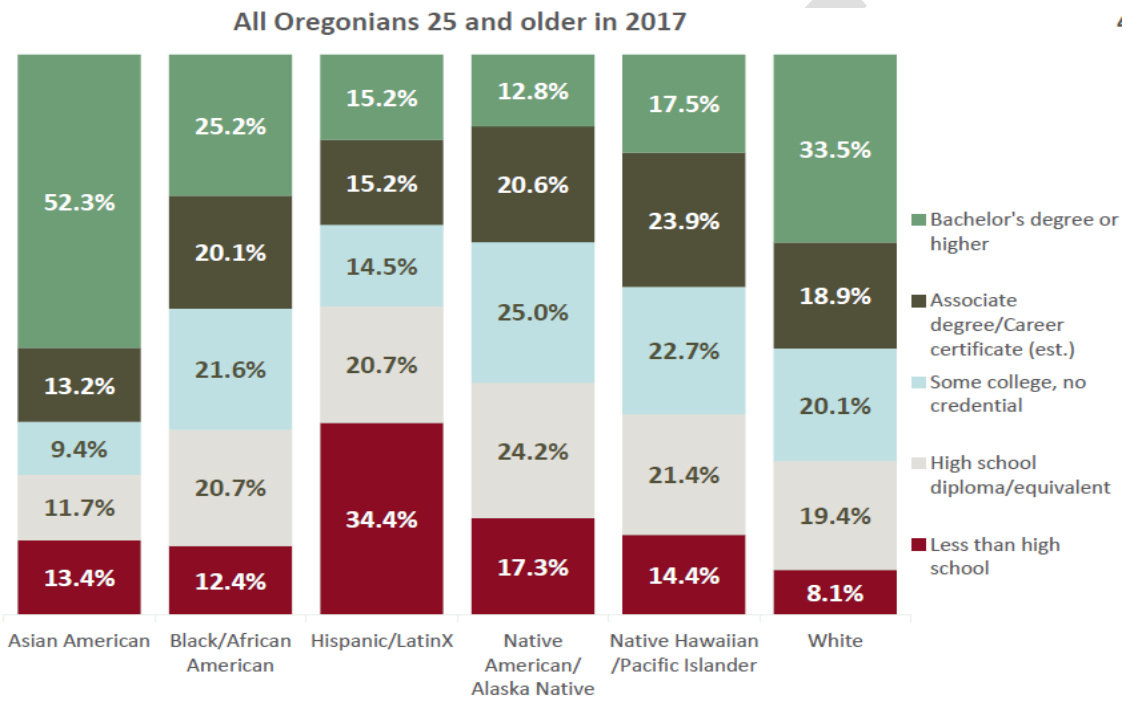
DRAFT

category. About 19% of Oregon's working-age population has some college but no degree, and the percentage of Oregonians without a high school diploma or equivalent is about 9%.

Attainment is similar for younger adults. For adults between 25 and 34, about 8% have less than a high school education, and their bachelor's degree or higher attainment is about 2% higher than the statewide attainment rate.



Educational attainment by race/ethnicity is shown in the following graph. Please note that this graph includes adults of all ages, not only those aged 25 through 64 as in the previous graph. As such, the racial/ethnic breakout below includes adults past retirement age who are less likely than the working-age population to increase their education and who are in a generation with lower attainment rates in general. Even with these differences, however, the gaps in attainment by race/ethnicity are substantial, especially within the Hispanic, African American, and Native American populations, which represent Oregon's traditionally underserved populations.



The two preceding graphs were created using census data. This data reflects a snapshot in time and does necessarily capture migration trends over time. According to the Oregon Office of Economic Analysis, the population moving into Oregon is a little more diverse than the state's current population. A significant portion of the state's Hispanic population is Mexican-born and migrated to the state a couple of decades ago. Current and past trends have slowly shifted the state's diversity through migration and births.[1] These trends impact the current attainment levels for underrepresented populations and the pipeline of students Oregon.

The HECC's analysis on high school graduates by race/ethnicity shows a steep increase for Hispanic students from 2000-01 to 2016-17, and the number is projected to increase into the future. The number of Asian American high school graduates is also projected to increase, and while this demographic group has higher overall attainment, there are first-generation and migrant students in this population that still face

[1] https://oregoneconomicanalysis.com/2019/01/08/migration-diversifies-oregon-barely/

challenges. Past growth and projections for African American and Native American high school graduates show much smaller increases.[2] However, the high school graduate population is projected to stay relatively stagnant, so the state's traditionally underserved populations will become a larger share of the population Oregon will need to serve in order to meet 40-40-20.

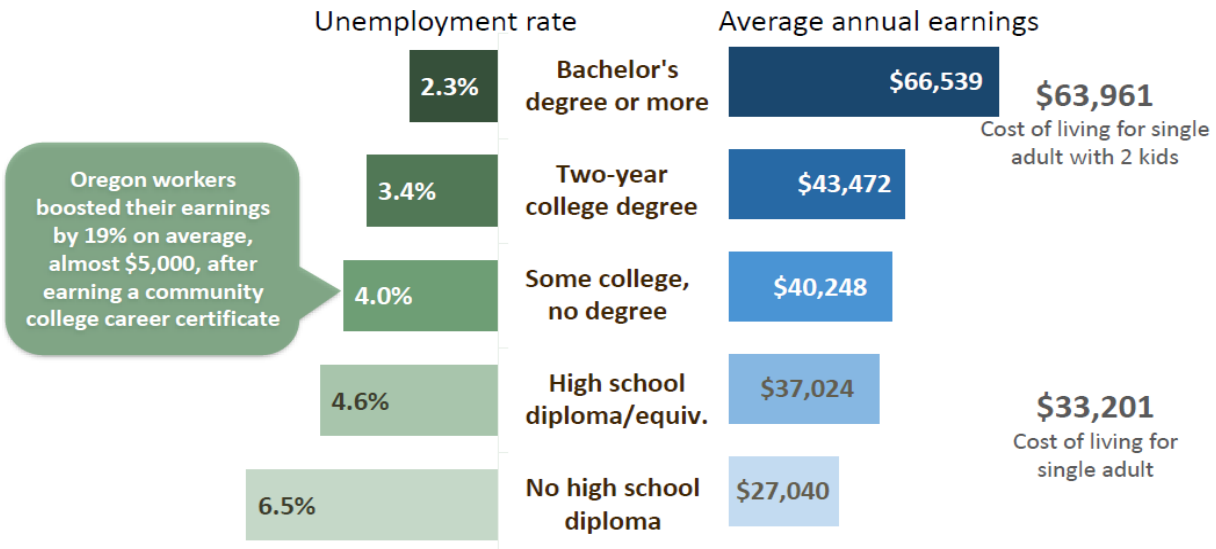
B. The Economic Importance of Higher Education

As a goal, 40-40-20 sets attainment figures that are in part based on the economic conditions the state wants to develop through higher educational attainment. The goal is forward-looking and is not meant to be reactionary to any specific economic demand. The benefits impact both individuals and the state. Oregon residents directly benefit from increased attainment in the form of higher earnings. The higher earnings potential for postsecondary graduates can lead to increased tax revenue for states to reinvest.

State employment data show that the average annual earnings for an individual with a bachelor's degree are roughly two and a half times greater than the average annual earnings for an individual without a high school diploma, and the unemployment rate for individuals with a bachelor's degree is a third of that for those without. With a statewide unemployment rate around 4%, individuals with an associate degree have an unemployment rate below the statewide average and almost two times lower than individuals without a high school diploma. The earnings potential for an individual with an associate degree is about 20% higher than it is for an individual with a high school diploma. The chart below shows the correlation between attainment and individual earnings.

DRAFT

[2] https://www.oregon.gov/highered/research/Documents/Legislative/HECC-WM-Ed-DAYS-1-4-FINALpdf.pdf



Individuals with a postsecondary credential also require fewer state resources. Governments spend approximately $800 to $2,700 less on public benefit programs for a 30-year-old credential holder [what is the frequency? Per month?] than they do for a high school graduate of the same race and gender. Individuals with a postsecondary credential are less likely to be incarcerated, and it is also more expensive for states to incarcerate somebody for a year than it costs to enroll them in college for the same length of time.[3] Adults with higher educational attainment have better health, diminishing their reliance on programs like Medicaid.

Benefits of higher attainment are especially significant when extended to underserved minority populations. A RAND study identified a return of between $2 and $3 for each dollar spent on promoting college entrance for underserved populations. The return was split between increased tax revenue and decreased reliance on social benefit programs.[4] As states work to articulate the value of higher education, there must be an equity lens applied to the work, and Oregon has adopted that message in its 40-40-20 goal.

C. Meeting the 40-40-20 Goal

Oregon has a strong attainment goal that prioritizes serving a variety of different populations. The state prioritizes racially/ethnically underserved populations, rural Oregonians, and low-income residents. Oregon could import well-educated individuals as a means to meet its goal, but that would directly conflict with the intent of 40-40-20 to serve the state's resident population.

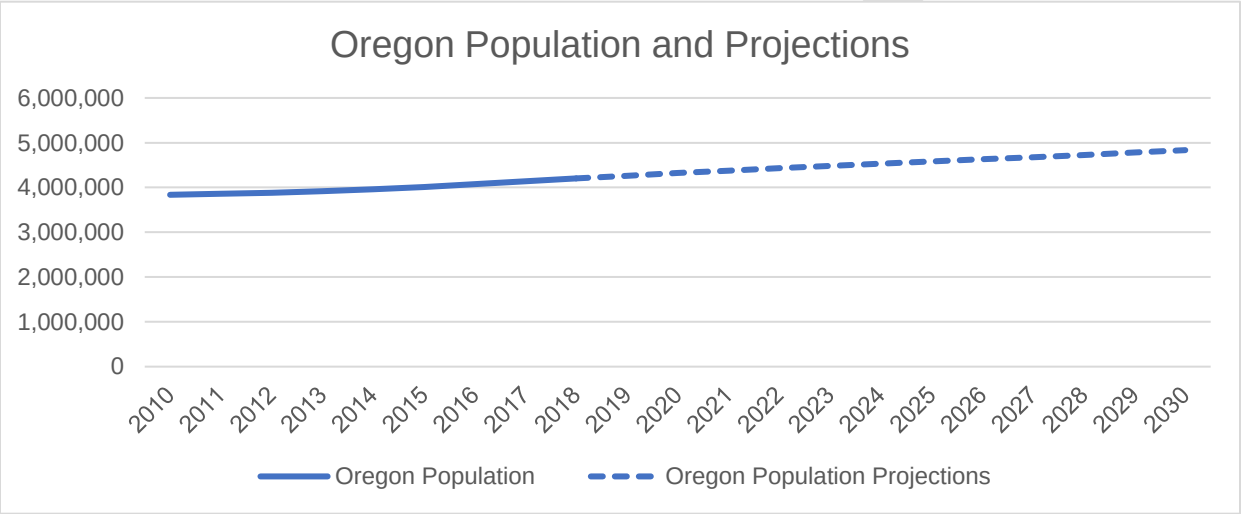
---

[3] Bell, Julie D. "Getting What You Pay For: Higher Education and Economic Development." Accessed February 2019. https://www.wiche.edu/info/gwypf/bell_economicDevelopment.pdf.

[4] Bell, Julie D. "Getting What You Pay For: Higher Education and Economic Development." Accessed February 2019. https://www.wiche.edu/info/gwypf/bell_economicDevelopment.pdf.

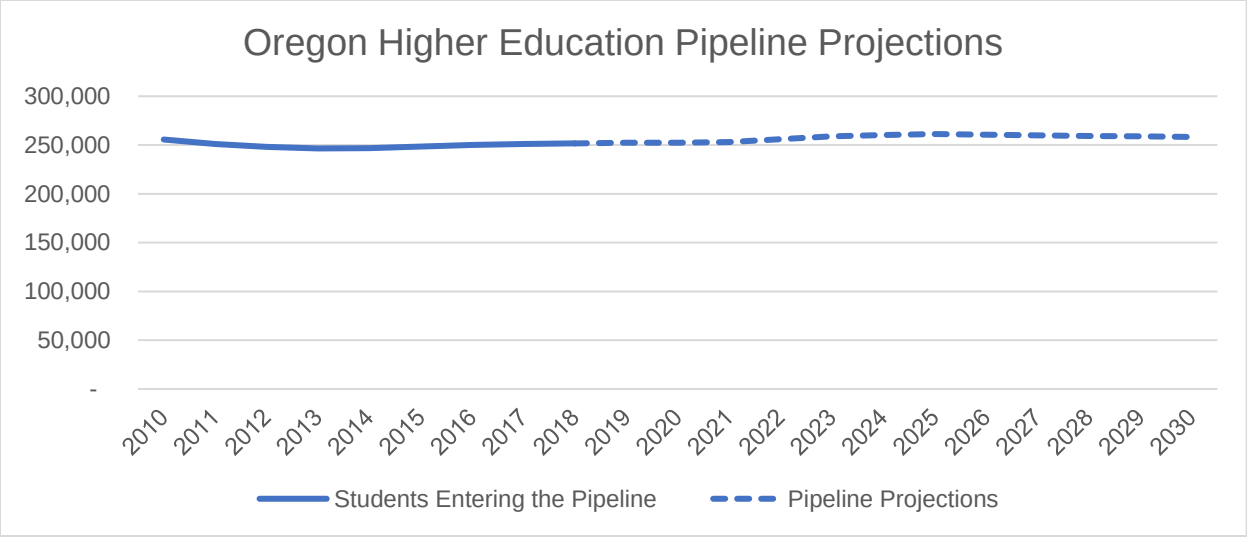
The goal is impartial about the types of degrees produced. However, in shaping the state's economic future, the types of degrees will play a role. A system of higher education that provided a diverse range of degrees will be key to shaping the future economy.

The graph below depicts the state's population projections to 2030. The population was approximately 3.8 million people in 2010, and the projected population in 2030 is approximately 1 million people more, with about half of this growth having already occurred.



Oregon's high school population will also remain relatively flat. The current number of 15-19 year-olds is about 252,000, which Portland State University's Population Research Program projects will increase to 258,000 by 2030. Migration from other states and countries will add more to the state's overall working-age population, but in helping the state's own youth reach the 40-40-20 benchmark, the number of residents involved will not change significantly.

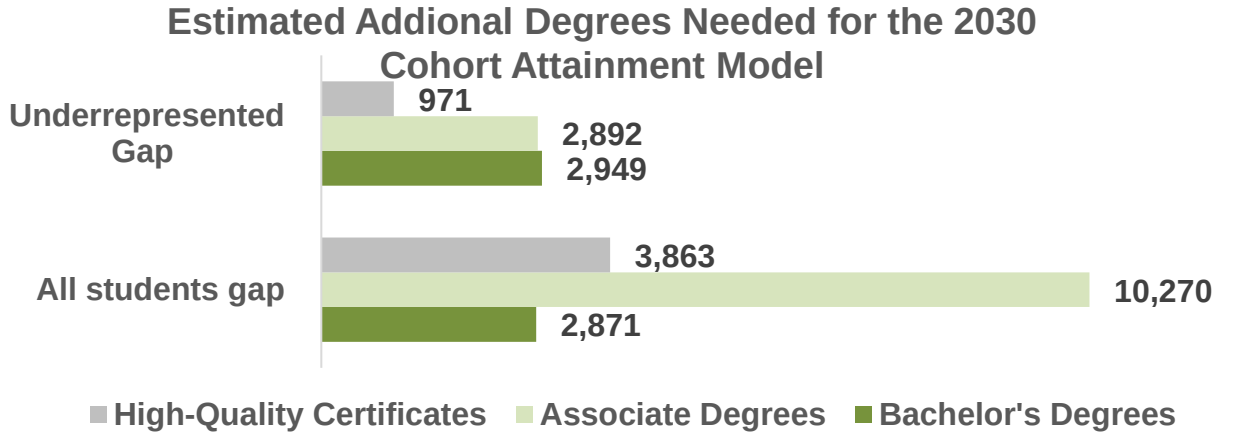
Overall, about 50,000 students enter the higher education pipeline annually, and the number is not expected to vary much over time. However, the racial/ethnic makeup of the pipeline will change over time, highlighting the need for Oregon to continue its equity focus. In thinking of the 40-40-20 goal as a pipeline, Oregon will need to increase the throughput for high school students.



D. 40-40-20: The Cohort Model for Attainment

This plan focuses on serving annual cohorts of Oregon youth and is aligned with the state's pipeline approach to the 40-40-20 goal. If Oregon focuses on increasing attainment for resident students moving from high school to postsecondary to meet the goal, over time the entire population will reflect that shift. To reach the goal, approximately 17,000 more credentials are needed for each cohort of 17-year-olds (or about the same number each year for all age groups). A majority of these credentials will be in the two-year sector.

For Oregon's underserved populations, the state needs about 6,800 additional degrees per year to meet the goal. For the goal to be applied equitably across populations, the number of bachelor's degrees needed for underserved populations actually exceeds the overall number needed. This is due to below-average bachelor's degree attainment for underserved populations coupled with bachelor's attainment rates for other students that already exceed 40%. To meet the state's need and ensure equitable outcomes, the system will need to shift how it serves these populations.



The model used to develop these estimates is available online at _____ ?. The breakdown among degree levels can be adjusted as desired. These selections are based on what one additional year of postsecondary education could produce based on current levels of young adult attainment: those with less than 1 year of postsecondary education could expect to attain a high-quality certificate credential; those with a year or more of postsecondary education could be expected to complete an associate or bachelor's degree. Since the population with 3 or more years of college but no degree is relatively small and since the biggest gap in attainment is at the associate degree level, most of those degrees are assumed to be two-year credentials.

E. Strategic Financing to Meet the 40-40-20 Goal

40-40-20 concretely links economic prosperity and equity to attainment. To meet the goal, Oregon must develop a better understanding of what it costs to produce a degree, how those degrees are currently paid for, and the policy levers that will increase attainment and align incentives with serving traditionally underserved populations. The state must also keep affordability for students in mind when working to increase attainment. The following sections outline the costs, current financing structure, and policy approaches to move the state forward.

HOW MUCH DOES EDUCATION & TRAINING COST?

Most discussions about higher education cost center on one of two issues: affordability in terms of costs to students in tuition, fees and other expenses; or public investment in terms of what states contribute through the appropriations process. While these are important angles, neither is complete. This plan starts instead with the total cost of providing education, regardless of who pays for it. In this view, there is no such thing as "free college." Either students pay for it, or someone else does. Governments can choose to make higher education tuition-free—at a greater cost to taxpayers, or they can choose to make it entirely private, shifting the burden entirely to students and their families.

Arguments about who should pay—in the form of battles over tuition rates or biennial appropriations—also risk losing sight of the total cost of the system. Keeping total costs manageable is critical to Oregon's goal, since neither students nor taxpayers should be asked to pay for an inefficient system.

A. Oregon's Cost Per Completion

In looking at the total cost of reaching Oregon's goal, the key measure is not tuition or state appropriations per student (or per "FTE"). It is the cost per completed degree. That measure is driven by three key factors, each of which can be a target for improvements:

Annual cost of education

X

Time required to complete

+

Cost of education to non-completers

Between 2006-2015, average institutional costs per degree awarded in Oregon, converted to 2018 dollars, were approximately:

- $91,000 for a bachelor's
- $46,000 for an associate
- $23,000 for a one-year certificate.

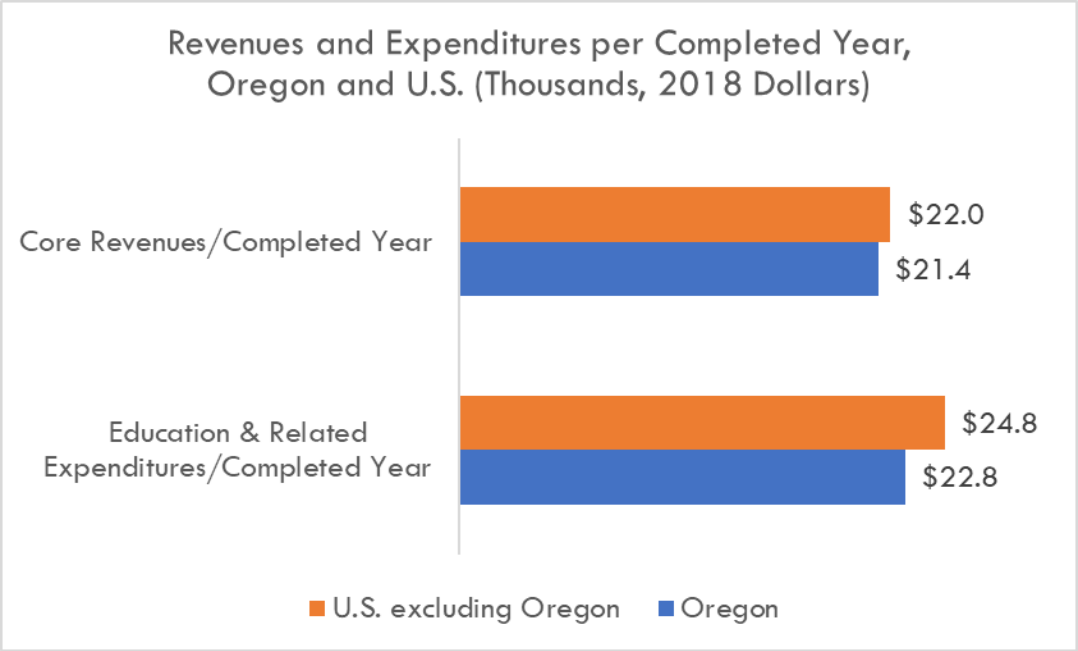
Those numbers do not include students' non-tuition costs, which are also important to consider, especially when designing financial aid programs. But they do give a sense of the scale of operating funds institutions need to graduate students in the system as it is currently configured. These estimates are based on:

- taking the total number of degrees and certificates awarded over a ten-year period,
- multiplying by the standard number of years needed for each type of degree, and
- dividing that result into the total amount that institutions reported over ten years in education and related expenditures.[5]

The result is $23,000 for each "completed year" of education, which can be multiplied to calculate the cost for a two- or four-year degree. It is a rough estimate that is best used, as in this analysis, for state-level planning. Given that students typically attend more than one institution, it is hard to disaggregate to individual institutions or even sectors. Oregon's costs are comparable to other states, with the national average computed the same way coming out to $21,300 for public institutions and $23,350 for all institutions.

DRAFT

[5] Education and related expenditures include the direct cost of providing instruction and student support services (admissions, advising, career counseling, etc.) as well as the indirect costs of supporting the institution (accounting, maintenance, libraries, administration, etc.). See Appendix 2 for detailed calculations.



This cost per degree, or cost per completed year, differs from the annual cost per student because it includes costs associated with students who do not graduate or who take more or less than the standard time to complete. In Oregon, the education and related cost per FTE averaged about $15,500 from 2006-2015.

In a system where no one dropped out or took additional time to complete, the cost per completed year would also be $15,500, so the ratio of that number to $23,000 (68%) is a measure of the system's completion efficiency. Some inefficiency is inevitable—Oregon's level is comparable to other states—and maybe even desirable in a system that values flexibility and opportunity. But in the context of estimating the cost of reaching an ambitious attainment goal, it is worth thinking about whether reducing that gap might free up resources that could be reinvested in serving additional students.

In practice, some degrees will cost less and others more than the average cost of $23,000. Programs that require significant individual student attention, highly paid faculty, or specialized equipment are costlier than those that do not. STEM fields are a common example of these programs that have higher costs. Location can also impact cost. Programs in remote parts of the state or in expensive urban neighborhoods may also incur more costs than those in other locations.

Credit hours vary in cost. Upper-level courses tend to be more costly than lower-level courses, and certain programs of study, like engineering, physical sciences, and health care are costlier than other programs. A study by the State Higher Education Executive Officers association gives a good overview of how per-student costs vary by discipline

DRAFT

and level.[6] Oregon's outcome funding formula for four-year institutions also reflects differences in the costs of academic disciplines.[7]

As institutions work to meet the equity component of Oregon's 40-40-20 goal, they will need to invest in proven success strategies for traditionally underserved populations. Prioritizing these populations within institutional budgets may increase the cost per degree, but the state cannot meet its goals without better serving these populations.

OREGON COST PER COMPLETION 2006-2015		
		Annual Average
Education & Related Expenditures	$	3,004,601,539
Full-Time Equivalent Enrollments		194,759
Education & Related Expenditures Per FTE	$	15,427
Degrees & Certificates		48,440
Completed Year-Equivalents		131,850
Completion Efficiency (Completed Years/ FTE)		68%
Education & Related Expenditures Per Completed Year	$	22,788
2-Year Degree Completion	$	45,576
4-Year Degree Completion	$	91,152

The table above shows the average calculations for Oregon and serves as the basis for the cost estimates in this document. Oregon's numbers are comparable nationally and results are similar if based on "core revenues" (tuition plus appropriations) instead of education related expenditures. As an initial approximation, $23,000 per completed year is a reasonable starting point for an analysis of the education costs of reaching Oregon's goal.

B. Cost vs. Tuition and Fees

The cost to educate students is not the same as the price students pay in tuition and fees. At public institutions, taxpayers contribute to the budget through appropriations. For example, if a particular program costs $10,000 per student to offer, and the state contributes $5,000, the remaining $5,000 would likely need to be charged to students

[6] SHEEO Four-State Cost Study (citation needed)

[7] Citation needed

DRAFT

via tuition and fees. Increasing or decreasing appropriations can change the amount that is charged in tuition, but it does not shift the cost of education. Over time, institutional core revenue (tuition and fees and public appropriations) tends to track with core education and related expenditures.

Private institutions shift the cost almost exclusively onto tuition and fees. Separate activities like food service, parking, athletics, and externally-funded research usually have their own revenue sources to finance their expenditures.

The purpose of this section of the finance plan is to estimate the cost to reach Oregon's education goal, separate from the question of who pays for it. We will address the balance of paying for credentials in the next section, but first it is important to understand what the overall costs are and what causes them to increase or decrease.

There are four categories of cost drivers that combine to produce Oregon's cost per graduate. Each will be important as the state moves from the broad plan to implementation of specific budget initiatives:

- **Institutional expenditures.** Faculty and staff salaries and benefits account for most of this, along with utilities, supplies, professional services, and everything else that an institution needs to operate. Spending more or less on the same number of students will make the cost per student go up or down.
- **Number of students served.** The more students served with the same budget, the lower the cost per student. The fewer students served, the higher the cost. The challenge is to find the right balance between under-utilization and overcrowding without jeopardizing educational quality.
- **Time.** The first two factors produce an annual cost per student. To get the cost of a single credential, multiply by the number of years it takes students to complete. Shorter programs cost less per completion than longer programs with similar annual expenditures and enrollments. Students who take more or fewer than the standard number of courses—remediation or acceleration—can also affect the amount of time (and cost) that goes into a degree.
- **Attrition.** The first three factors account for the costs of all students who graduate, but not everyone does. To estimate the statewide cost of graduating a certain number of students, we need to build in a factor to account for attrition. In Oregon and nationally, about 1/3 of students who start in postsecondary education leave without a degree. But since they do not take as many courses as degree completers, college dropouts account for only about 20% of all institutional expenditures.

C. Past and Future Costs

The $23,000 per completed degree year is based on actual education and related costs at Oregon institutions. Using this number as a basis for estimating the cost of meeting Oregon's goal assumes the state's system graduates more students with approximately the same underlying mix of education and support services currently in place. Additional

DRAFT

students would participate in approximately the same mix of high- and low-cost programs; average faculty and staff compensation and non-personnel expenses would keep pace with inflation; additional personnel would be hired to maintain faculty/student ratios; students would take the same time to complete degrees and persist at similar rates.

In practice, these assumptions are all likely to hold true, although deviations from some of them in one direction may offset other deviations in the opposite direction. For example, increasing the efficiency and graduating more current students may drive down the cost per completion, but prioritizing success for underserved students needed to meet Oregon's goal may require increased investments.

Going forward, each specific investment proposal should make a case for its cost per additional completion using the historical average costs as a reference point rather than assuming it is a fixed point to apply in all cases. A proposal that identifies ways to reduce the average cost might be well received, but other proposals might identify good reasons the costs to provide critical types of degrees or serve targeted student populations need to be higher.

i. Sources of upward pressure on costs:

- As institutions increase access for underserved populations, there is a need for investments to ensure success. These students may require additional or different supports and therefore be more expensive to serve than existing students.
- Prioritized degree programs related to economic demands (e.g. STEM, applied technical programs, health programs) may be more expensive than average.
- Personnel and other costs may rise faster than inflation because of labor market pressures or policy and budget choices.
- Linked to personnel, the costs associated with Oregon Public Employees Retirement System (PERS) have an explicit and meaningful impact on institutional budgets.

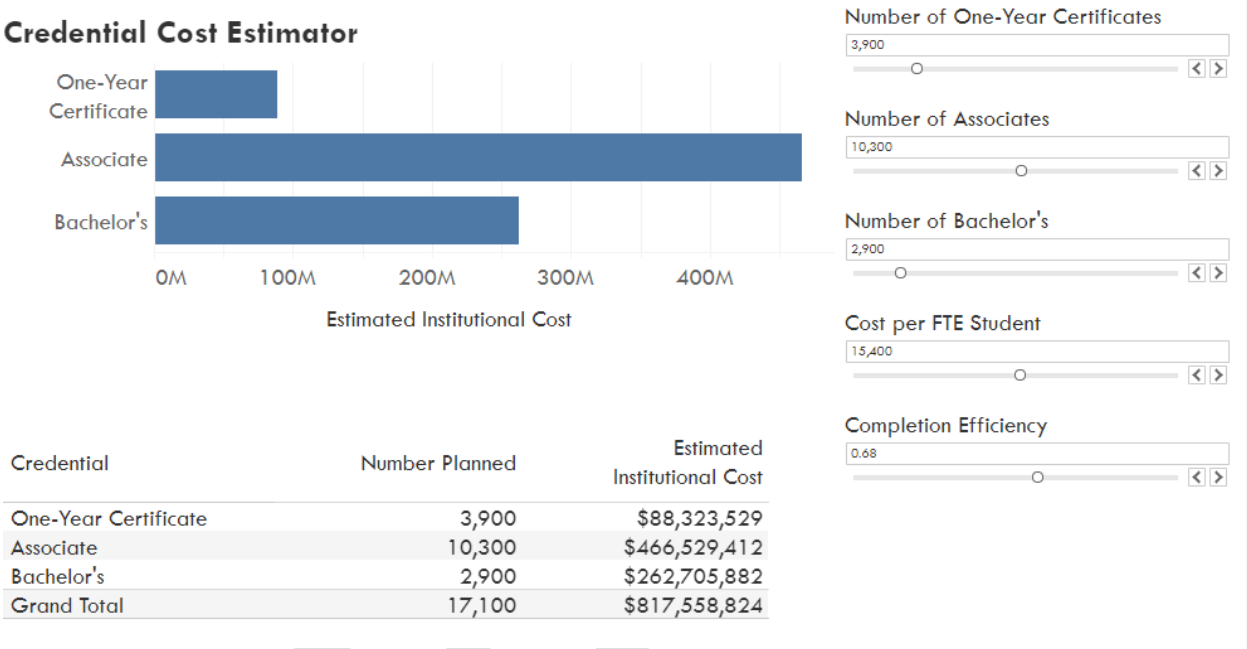
ii. Sources of downward pressure on costs:

- Economies of scale may be possible in some under-utilized programs or institutions allowing more students to be served without increasing costs at the same rate.
- New programs may be in areas or at levels requiring less than the average historical level of investment (e.g. general studies, business, lower-division programs).
- Other improvements in institutional efficiency (e.g. reduced energy use, back office functions) may reduce institutional costs.
- Improvements in academic and student services may reduce attrition or time-to-degree.

DRAFT

D. Additional Investment to Reach Goal

If historical costs hold as Oregon finds ways to annually graduate the 17,000 additional students estimated to reach the 40-40-20 goal, institutions would need about $800 million in annual additional funding. Putting this into perspective, average education and related expenditures for institutions in Oregon were about $3.0 billion. Increasing expenditures by $800 million reflects a 26% increase.



Credential	Number Planned	Estimated Institutional Cost
One-Year Certificate	3,900	$88,323,529
Associate	10,300	$466,529,412
Bachelor's	2,900	$262,705,882
Grand Total	17,100	$817,558,824

There are various resources available to finance the $800 million and maintain current levels of expenditure. These include: additional state appropriations, federal resources, tuition and fees, and other resources. Changing the amount spent per student would also impact the cost.

Increased efficiency (graduation rates, excess credit hours, etc.) can drive down the cost. For example, increasing the state's completion efficiency per FTE from 68% to 78% would reduce the cost from $800 million to about $713 million. Conversely, decreasing efficiency would increase the cost. Changing the mix of longer and shorter degree types could significantly move this number up or down. A tool to estimate costs based on these variables is available here: https://public.tableau.com/profile/postsec#!/vizhome/CredentialCostEstimator/InstitutionalCredentialCosts?publish=yes

$800 million is a substantial investment. It is worth pointing out that between 2006 and 2015, total spending increased by $690 million (in 2018 dollars) and the number of degrees and certificates awarded increased by more than 15,000, so the increases needed are not implausible by comparison. However, that entire $690 million came from increases in the amount of tuition and fees collected at public and private colleges while

public investment stagnated. This approach will not work if Oregon is to meet its goal and ensure affordability for resident students.

In alignment with 40-40-20's equity component, if Oregon is to reach traditionally underserved populations, rather than simply keeping up with population growth or enrolling more out-of-state students, it will require focused, public investments that target student success and affordability. Ensuring success for underserved Oregonians also requires that the state's institutions prioritize the necessary supports these populations need to be the most successful.

E. Additional Considerations

Two important categories of cost are not included in this analysis, although they will be important at other key points in the process of turning the finance plan into specific policy solutions.

i. Capital

Major capital investment costs are not included in these numbers. If growth requires additional land, buildings, capital equipment, etc., that would need to be accounted for separately. On average capital costs in the U.S. have historically amounted to about 20-30% of operating costs over long periods of time.[8]

ii. Student Cost

We are also not including students' non-tuition costs in these numbers, but it is important to keep them in mind when estimating how much students can afford to contribute. Non-tuition costs include books, supplies, and transportation, as well as living expenses that students have to cover without being able to work as many hours as they would if they were not enrolled. They may also have childcare expenses or face higher costs to live on or near campus than they would otherwise incur. Students' total non-tuition costs may be equal to or greater than institutions' costs to provide the education.

WHO SHOULD PAY FOR IT AND HOW SHOULD PUBLIC INVESTMENTS BE DISTRIBUTED?

As presented in the previous section, the institutional cost to produce a credential ranges between $23,000 and $91,000 for a one-year certificate to a bachelor's degree. These averages reflect the direct amount spent on instruction and student supports as well as indirect costs related to education. In practice, degree costs vary, but these averages are a tool Oregon can use to develop a structure to finance higher education.

[8] Find source from NAS report.

DRAFT

If Oregon succeeds in finding ways to get more students into and through their postsecondary credentials, it will also need to find means to pay for those additional costs. There are four main sources of funding the state could look to in order to finance this expansion:

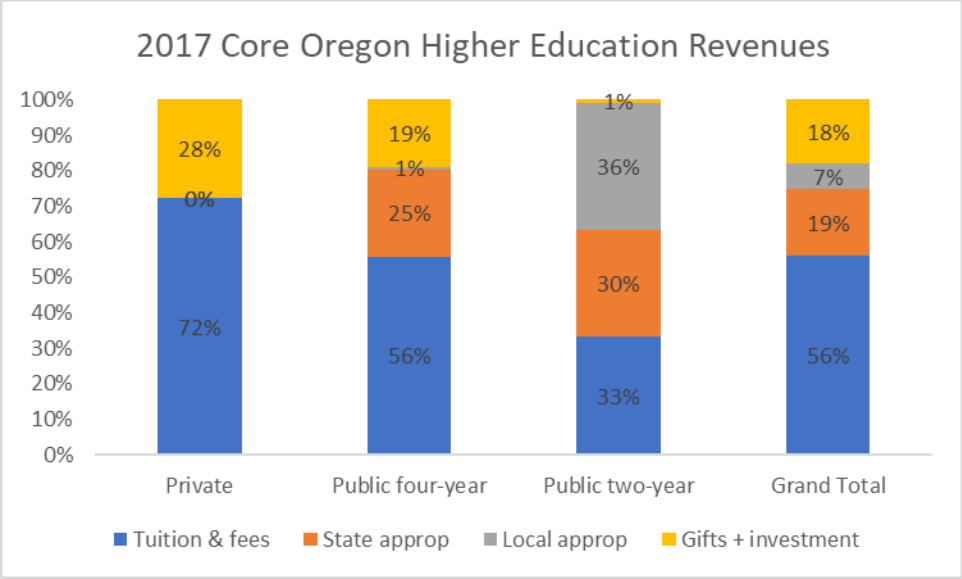
- **Students**, in the form of tuition and fees. Students in turn may get support from their families, the federal government, or third-party supporters (employers, private scholarships).
- **Taxpayers**, primarily in the form of state and local government appropriations. The federal government does not provide a significant amount of support directly to states and institutions for instructional purposes, although it does subsidize students through grants and loans.
- **Private donors** and investment return. This can be a significant source of support for some institutions, but most have relatively little compared to the other two. It is also a volatile source and can even be negative in some years.
- **Reallocation of state/institutional savings in other areas.** This is not really a revenue source as such, but can function the same way. If an institution can find a way to save a dollar, that dollar becomes available for other purposes. In effect, this would reduce the cost per degree awarded.

In 2017, Oregon's institutions took in about $3.3 billion from these revenue sources.[9] Across all institutions, most of this revenue was tuition and fees with a small share from gift and investment income.[10] However, two-year and four-year public institutions receive different percentages of their revenue from tuition and fees. At Oregon's two-year institutions, about 33% of their core revenue was tuition and fees, and at the state's four-year institutions, tuition and fees were about 56% of core revenues. Since public institutions enroll about 88% of Oregon's students, most of this section will focus on the tradeoffs between tuition and fees and public appropriations, with a note at the end about the role of private colleges.

DRAFT

[9] Excluding OHSU.

[10] Gift and investment income fluctuate much more than the other sources, and can even be negative, since they are tied to financial markets. 2017 was higher that most years, and a longer-term average would probably be about half as much.



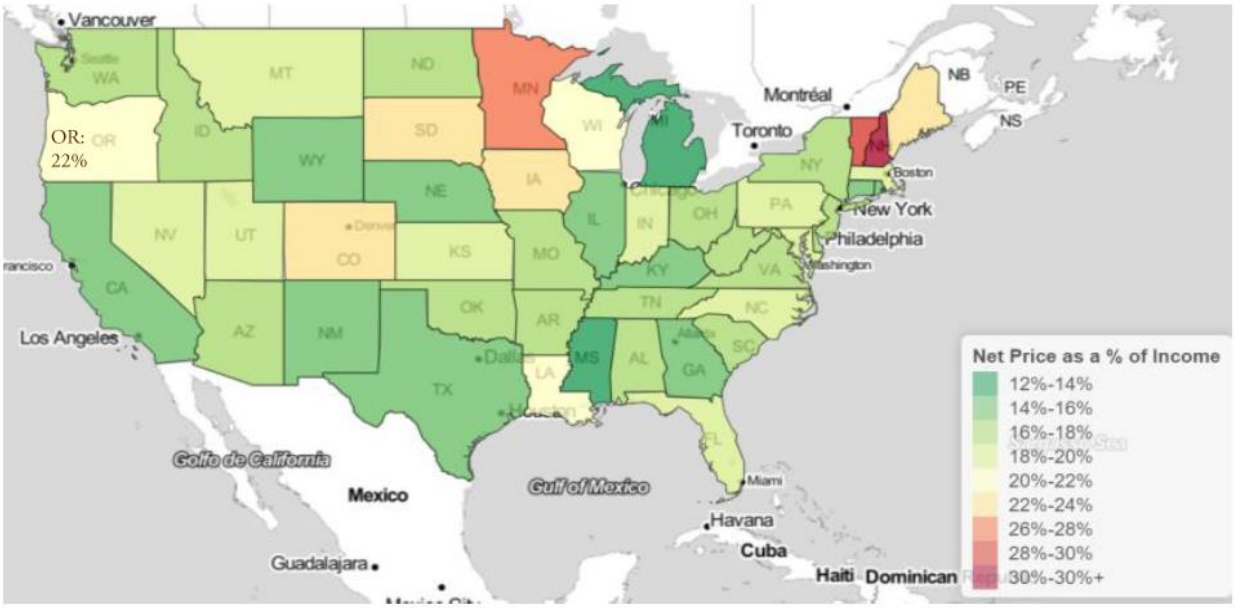
Ideally, states are determining the appropriate level of state financing (from the Legislature and/or local tax levies), by first estimating how much can reasonably be expected from students, their families, other private contributors, and federal sources. Then any remaining amount needed would be covered by taxpayers and the state. The state can also choose to shift the contribution structure by providing additional resources that ease the burden on the amount students and families are expected to pay.

A. Ability to Pay and Expected Family Contribution

From a student and family perspective, income directly determines the ability to pay for college. The graph below illustrates Oregon's net price, tuition and fees with financial aid subtracted, relative to family income. Roughly 22% of family income goes toward covering net price at an Oregon community college, less on average than in most other states as shown in Figure X. For four-year public institutions, the percentage of family income is 32%. This includes both the tuition and fee expenses and non-tuition costs such as books and room and board. For low-income families, the percentage could be much higher, while even for middle-income families these numbers reflect a significant burden.

The relatively high percentage of family income needed to obtain a credential may impact student choices. Ensuring that affordability remains part of the discussion is critical to increasing students entering and completing. The state can impact affordability by shifting the current balance on financing higher education through operational investments in institutions to minimize tuition growth and/or investments in financial aid. The percentage of income required could be reduced by cost savings and efficiency gains at institutions, or by raising Oregonians' incomes, which is one expected result of increasing postsecondary attainment.

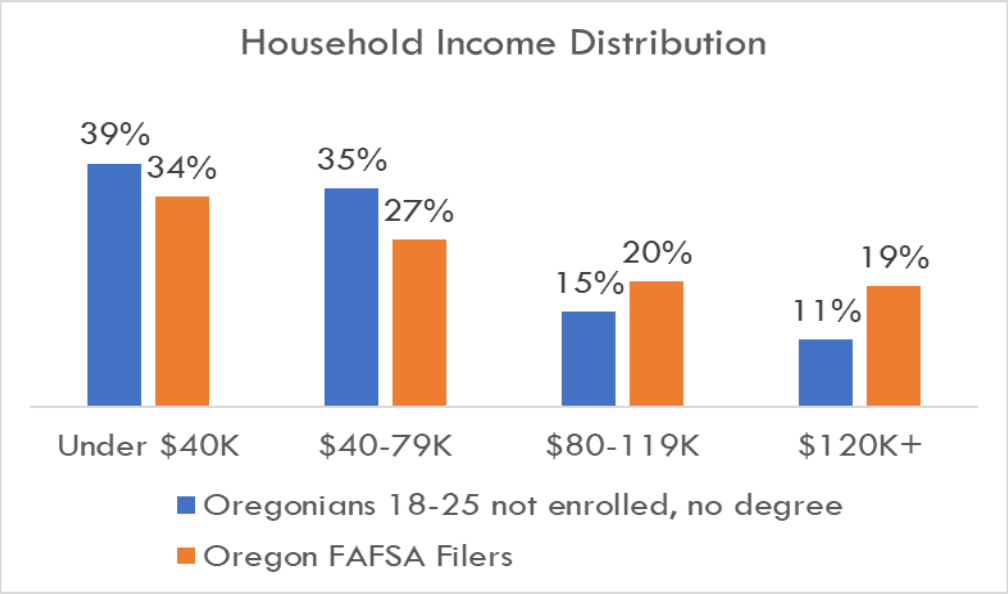
Average Percentage of Income Required to Pay Net Price at Two Year Public Institutions



Source: Institute for Research on Higher Education. (2016). College Affordability Diagnosis: National Report. Philadelphia, PA: Institute for Research on Higher Education, Graduate School of Education, University of Pennsylvania. http:// www2.gse.upenn.edu/irhe/affordability-diagnosis.
Map link: http://peabody.vanderbilt.edu/research/studies/affordability/maps_cc.php

Underserved students that are not currently in the postsecondary system likely have fewer available resources than the students current enrolled. Of all Oregonians who completed the federal aid application in 2017—representing most current students in the system--61% had incomes under $80,000. Among 18-25 year-olds who were not in college and did not already have degrees, 74% had household incomes under $80,000 and 39% had incomes under $40,000. Reaching this population requires an acknowledgement of the barriers that many low-income and minority students face. These students may not be able to cover the estimated expected family contribution, may not be able to pay for the rising costs of attendance beyond tuition, and may encounter systemic barriers that reduce access to federal student aid and other resources.

DRAFT



The incomes of the potential additional student population can be used to estimate how much any additional students might be able to contribute to their own expenses. The federal formula for expected student and family contribution (EFC) is quite complex, and includes factors for family size and assets, but on average, low-income students and families are expected to pay very little, while expected contributions for higher-income families average about 30% of income after about $60,000.

Household Income	EFC
0-40K	765
40-79K	5,423
80-119K	14,796
$120K+	$24,534

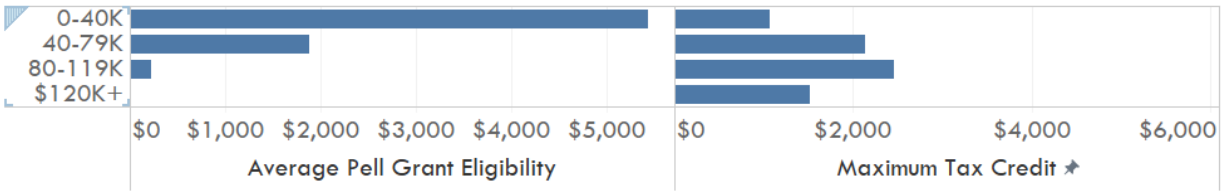
Since students have living expenses as well as tuition costs, much of the expected contribution up to $10-15,000 would not necessarily be available for institutional expenses. Only the 26% of current non-students – those with incomes over $80,000 – would be estimated to have household incomes that would allow them to contribute significantly to those costs. For the population with higher incomes and EFCs that is not currently engaged in postsecondary education, there is a question as to why they are not finding and engaging in opportunities In determining the reasonable contribution for students and families, Oregon should apply its existing affordability framework.

DRAFT

B. Federal Resources to Offset the Cost of College

After accounting for a reasonable expectation for students to contribute, Oregon should consider how much federal support students can expect before determining what is left for state taxpayers to cover. While the federal government does not directly support institutions, it does help students with low and middle incomes pay for the cost of college. For low-income students, the main tool is the Pell Grant, which offers up to $6,000 per year toward tuition and non-tuition expenses. For middle-income students, the main resource is the American Opportunity Tax Credit (AOTC), which provides up to $2,500 per year.

Pell Grants and Tax Credits Available to Current and Potential Oregon Students



- On average, the 39% of potential students with family incomes under $40,000 would qualify for about $5,400 in Pell Grants and $1,100 in AOTC.
- The 35% with incomes in the $40-79K range would qualify for an average of $1,900 in Pell grants and $2,100 in AOTC.
- The 15% in the $80-120K range would qualify for $200 in Pell grants and $2,500 in AOTC.
- Those above $120K would not qualify for Pell and would average about $1,500 in AOTC (which starts to phase out after $180K in adjusted gross income).

The charts below illustrate the total amount of Pell investment and tax credits that are flowing into the higher education system in Oregon.

Federal Resource: Pell Grants

Current Oregon total:
$300m

Est. Percent Eligible: 60%

Est. Average Amount:
$4,000

Est. for 36,000 "Degree Years": $86m

Federal Resource: Tax Credits

Current Oregon total:
$200m

Est. Percent Eligible: 80%

Est. Average Amount:
$1,500

Est. for 36,000 "Degree Years": $43m

DRAFT

Since both the Pell Grant and the AOTC are entitlements, there is no limit theoretically to how much more the state's potential students could bring into Oregon's institutions and its economy if they were enrolled and retained at higher rates. That additional support would reduce the potential cost to the state of paying for its attainment goal.

C. Work and Debt

The next two variables in the equation are expectations for students to borrow and/or to work while enrolled in postsecondary education. The graph below shows that Oregonians who are enrolled in college are working less than those not enrolled. Despite working fewer hours, 74% of students enrolled in Oregon's postsecondary system were working.

This can impact time to degree for current enrollees. Most potential students who are not enrolled are working 30 hours or more. To entice this population into the postsecondary system, there must be a clear articulation of the value of a postsecondary credential as well as appropriate financial investments to help these students cover the cost of education and supports to navigate the system while working.

How Many Hours are Students and Non-Students Working?

Weekly Hours Worked	In School Population		Not in School Population	
	Percentage of Population	2016 Population	Percentage of Population	2016 Population
0	26%	50,286	19%	136,320
1-10	10%	18,922	3%	19,205
11-20	22%	41,649	5%	39,821
21-30	16%	30,257	11%	77,560
31-40	21%	40,949	44%	321,254
41+	6%	11,444	18%	130,415

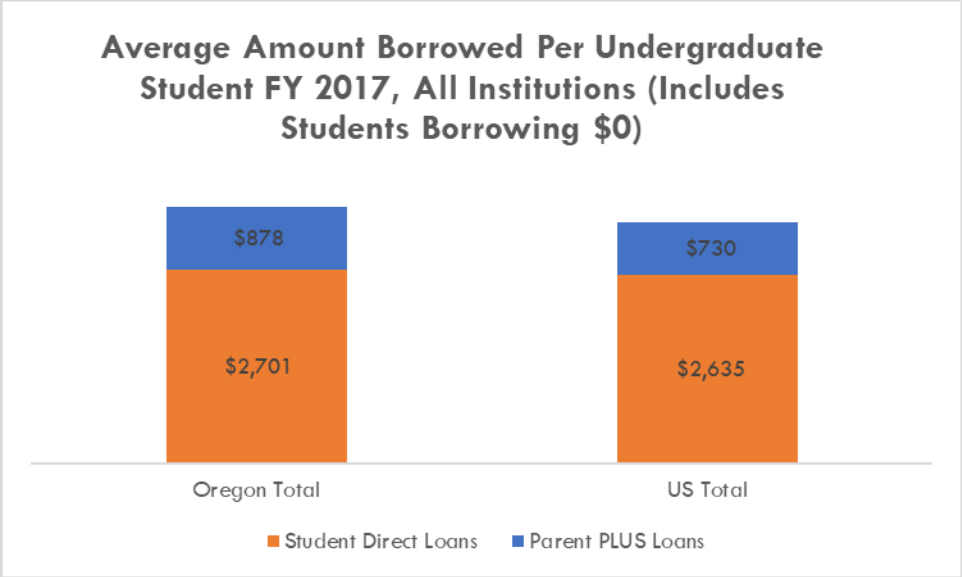
There are two ways the state could approach the issue of how work fits in with the expectation of greater postsecondary attainment. The state could assume that people should continue to work the same amount as they currently do, and fit the additional postsecondary education into their schedules. That would reduce the opportunity cost of education but would require institutions to design programs that better accommodate working students.

The state might want to enable students working in low-wage jobs to reduce the number of hours they have to work so that they can complete credentials more quickly. The state may want to define what a reasonable number of working hours is for a student—currently most students are under 20 hours per week—and make that a target. As part of this, the state and institutions must work with students to determine the appropriate

DRAFT

amount of financial aid that would allow them to both cover any costs and complete in a timely manner by allowing them to work less.

In addition to working while in college, the other way students make up for the gap between postsecondary costs and their current resources is to borrow. Oregon students borrow a little more on average than their counterparts in other states. In 2016-17 they borrowed about $3,600 in federal loans to students and parents, compared to $3,400 in other states.[11] Data on private loans were not available by state, but the national average is about $600 per student per year.[12]



As with student working hours, Oregon may want to set a target for what it considers to be a reasonable amount of student borrowing, whether that is zero or some amount that most citizens would consider to be manageable.

This target could also vary by program of study and degree type. Some degrees and programs are more costly to produce than others, but these programs may also have higher earning potentials. A debt threshold for these programs may be higher due to the increased ability to pay it back. As it currently stands, the state is fairly dependent on student debt, with about $700 million annually in undergraduate borrowing and $1.2 billion in total student borrowing occurring each year. If the state wanted to reduce or eliminate debt, it would have to consider where additional funding on this scale might come from.

D. State Financial Aid

States can directly subsidize students through investments in financial aid. However, one of the most crucial investments states can make is in need-based aid to help offset

[11] IPEDS enrollment data and Department of Education Title IV loan volume reports.

[12] NPSAS 2016 Data

comprehensive costs for the neediest students. Oregon makes a significant investment in financial aid overall and particularly in need-based aid. The chart below shows the number of students and amount of investment Oregon makes in this financial support for low-income students. Need-based aid is an important tool for Oregon to meet the needs of a new population and maintain affordability. When there is a gap between what students can afford based on EFC and other resources, the state can fill the gap through need-based financial aid.

Oregon Opportunity Grant Students Served					
Years	Community Colleges	Four-Year Public	Independent Colleges	Total	Total Disbursement
2008-09	20,013	16,710	2,744	39,467	$68,002,596
2009-10	26,211	14,615	2,310	43,136	$76,571,536
2010-11	5,278	6,174	1,517	12,969	$18,833,947
2011-12	15,105	11,461	2,348	28,914	$43,340,729
2012-13	17,009	13,555	2,360	32,924	$51,647,449
2013-14	17,123	14,686	2,520	34,329	$54,932,806
2014-15	17,681	16,240	2,620	36,541	$57,315,298
2015-16	18,528	18,091	2,645	39,264	$64,344,797
2016-17	22,617	17,100	2,554	42,271	$71,695,568
2017-18	21,150	16,212	2,396	39,758	$68,126,670
***Source: HECC Office of Research and Data and Office of Student Access and Completion**					

The Oregon Opportunity Grant award amounts are tied to the cost of attendance, so the amounts per student can increase with costs. The intention is to support the students most sensitive to price changes by tying the award to price. The grant is awarded to students with the highest levels of demonstrated need, starting with an EFC of 0 (not

enough family resources to contribute at all). Awards are made until funds are exhausted.

However, there is a gap between the number of recipients and the number of eligible students. In 2017-18, the EFC cutoff was $3,500, which provided awards to almost 40,000 students, but approximately 50,000 eligible applicants did not receive an award due to a lack of funds.

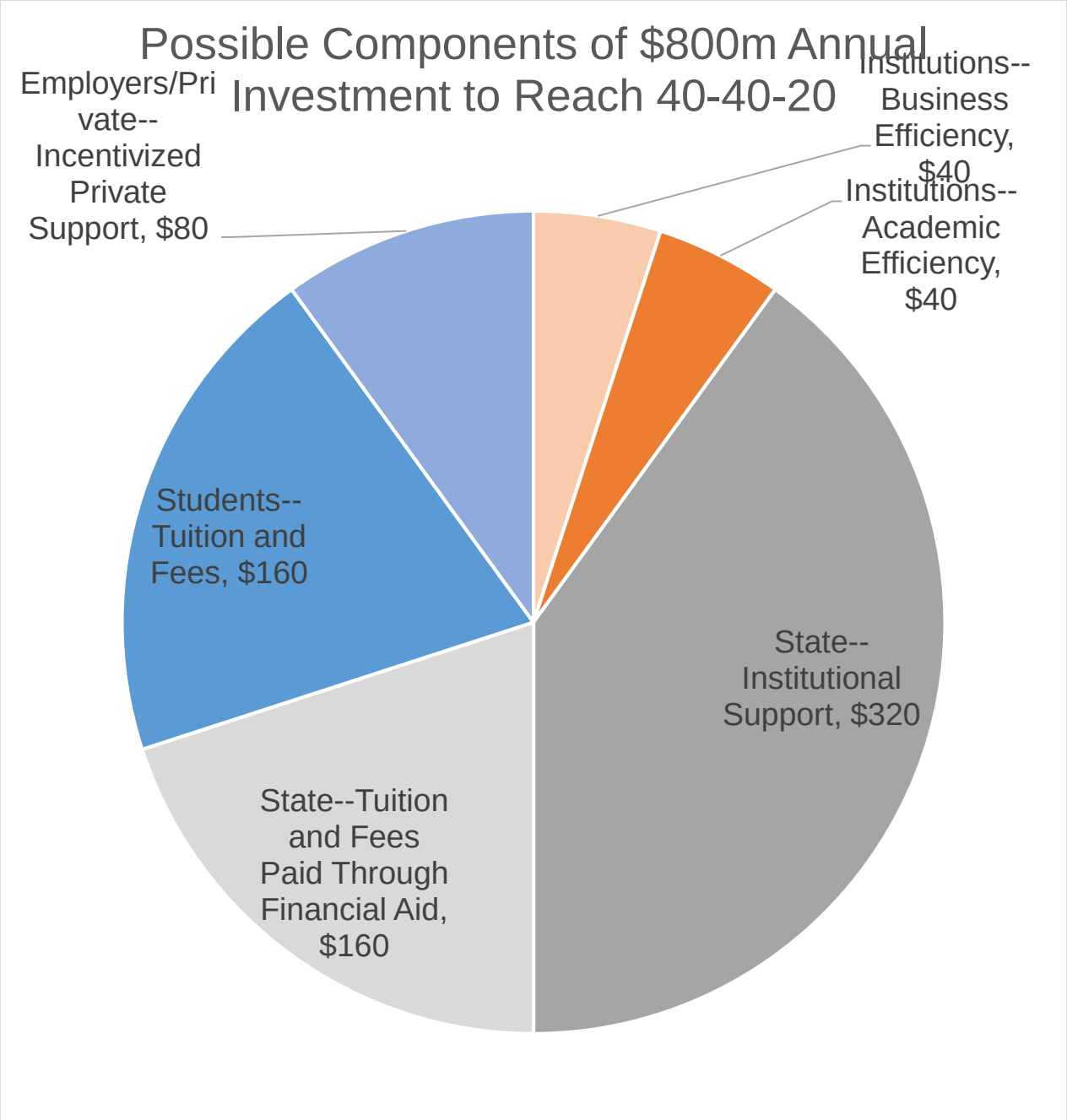
Recent grant awards, while not covering everyone eligible, are serving Oregon's access and equity goals. More underserved students are receiving an award than not.

Additionally, private entities and employers can invest in student financial aid. Using data from the National Postsecondary Student Aid Study (NPSAS), it was estimated that private employers provided approximately $120 million in financial aid and assistance in Oregon. The estimated average was about $4,000 per recipient. The estimated amounts for Oregon were similar to the national average. While not the complete picture of private investment in financial aid, this estimate shows that there is potential employer support for students in their quest for a postsecondary credential.

E. Funding Oregon's Goal: Striking the Balance between Students and Taxpayers

Ultimately, Oregon's 40-40-20 goal will be meaningful to the extent the state has a plan to finance it. It will require significant investment of time and money from public agencies, students, families and institutions. It will also mean doing things differently, ensuring that existing funds and new funds are deployed more efficiently and effectively. While the additional $800 million annual cost—plus students' non-tuition costs—is significant, it should also be viewed as a shared investment. This section outlines one way to think about allocating that responsibility among all those who will benefit from the plan.

DRAFT



i. Financing Institutional Costs

The chart above shows a possible breakdown of the components that could support an $800 million annual investment toward reaching the 40-40-20 goal, paying for 17,000 additional degrees per year.

- 10%, or $80 million from institutions in the form of increased efficiency and economies of scale. Of this, 5% would be expected from “business efficiency”, such as savings on utilities costs and economies of scale as the marginal cost of

serving more students should be, on average, lower than existing costs. The other 5% would be from “academic efficiency”, including improvements in graduation rates and time-to-degree within existing institutional and state financial aid budgets. Institutions asking for or receiving funding under the 40-40-20 plan should be able to show their own contribution, through efficiency, to the cost.

- 10% of the needed support would be expected from the private sector, including employers. Some might be entirely voluntary, but incentives could also be provided either in the form of tax credits or commitments to address specific workforce issues as part of the plan. Some could come in the form of additional access provided at private institutions using philanthropic or endowment resources.
- 40% would be in the form of increased institutional support specifically designated for the 40-40-20 goal. These funds would help keep tuition and fee levels reasonable for all students, even for those who do not qualify for financial aid. This portion of the funding could be tied directly to degree outcomes, through outcomes-based funding that prioritizes success of underserved populations. Additionally, it could be allocated for proven methods such as those outlined in the “playbook” section of this plan.
- 40% would come from tuition and fee revenue, half of which would be covered by the state in the form of increased financial aid. Given the limited resources of the Oregon population without postsecondary credentials, expecting a larger direct contribution to institutional costs would likely be counterproductive. Having a significant share of overall funding from tuition, even if it is subsidized through financial aid, helps create a strong “market” for institutions to compete to serve more students.

The financial aid component should be designed according to principles that make it maximally effective in promoting access and completion.

Financing Student Costs

The increase in student non-tuition costs resulting from this expansion of Oregon’s postsecondary system would also require significant additional funds. Fortunately, much of this support could come from resources such as federal Pell grants, tax credits, and SNAP benefits. A small investment in coordination, education, and student advocacy could help make sure these resources are used to the maximum legal extent possible. Components of a comprehensive program to address non-tuition costs could include:

- A commitment that state financial aid would be provided at levels sufficient to cover tuition and fees for students who qualify for Pell Grants so they can use the Pell Grants to partially offset their non-tuition costs.

DRAFT

- An expectation that students would be not have to borrow more $3,000 per year nor to work more than 20 hours per week to cover both their tuition and living expenses
- Ability for private institutions to participate in the increased financial aid provided they can offer the same terms to students (e.g. no more than $3,000 in annual borrowing, Pell grants available for non-tuition costs).
- Involvement of K-12 schools and the Department of Education to identify ways to increase the participation rates of underserved populations in programs such as dual enrollment and advanced placement that help reduce the time (and cost) related to postsecondary credentials.
- Assistance from the Oregon Department of Revenue to work with institutions and student advocacy groups to develop a program to help taxpayers maximize their use of the American Opportunity Tax Credit, including possible advance funding of the credit for some taxpayers.
- Help from other state social service agencies to ensure maximum student participation in other federal benefit programs, such as SNAP and Medicaid, further reducing the net cost to low-income students of enrolling in postsecondary programs.

While there could be other ways to share the cost of reaching the goal, this plan provides a starting point and a framework for thinking about what a realistic budget could look like.

F. Private Colleges

Oregon relies on tuition and fees to support higher education in two different ways. First, public institutions in the state cover some of their costs by charging tuition, which is one of the main variables in the funding matrix above. Second, however, about 12% of Oregon students attend private institutions, which are entirely tuition supported, although the state does provide a small amount of financial aid (about $220 per student in 2017). If these students attended the public sector instead, the state would either have to provide more in public appropriations or charge higher tuition to cover the costs of the additional enrollments. On the other hand, if more students chose private institutions and did not require the same subsidy public institutions receive, the cost to the state would be lower.

HOW DO THESE NEW INVESTMENTS RESULT IN CHANGE? WHAT ACTIVITIES TRANSPIRE AS A RESULT OF NEW INVESTMENT?

Oregon has made progress toward its 40-40-20 goal. However, meeting the goal requires acceleration beyond current trends. New investments, alignment of the educational pipeline, and increased efficiency within the current system are all required,

DRAFT

with focus on student outcomes and statewide impact if Oregon is to meet its goal. Focusing on equity and affordability are key as the state strives to meet its goal.

This section of the report provides a strategy playbook for Oregon as it pursues its goal. It is broken up to reflect existing tools that Oregon has and new tools that the state can adopt.

A. Existing Tools: Utilizing Oregon's Existing Financing to Increase Attainment

Oregon invests in its higher education system through both direct subsidies to institutions to offset operating costs and investments in student financial aid. The table below illustrates the key financial investments that were approved by the Oregon Legislature for the 2017-19 biennium. For that biennium, state's most significant investment, approximately 87.5% of the key investments, was a direct subsidy for institutional operations. These subsidies offsets costs that would otherwise be passed on to students through tuition. The state also made significant contributions in financial aid. The first part of this playbook outlines approaches the state can take to leverage its current resources to increase attainment.

Oregon's Key Postsecondary Investments

	2017-19 Legislative Approved Budget	Percent of Investment
Community College Support Fund	$573.9 Million	38.3%
Public University Support Fund	$736.9 Million	49.2%
Oregon Opportunity Grant (OOG)	$145.9 Million	9.8%
Oregon Promise	$40.0 Million	2.7%
Total	$1,496.7 Million	

B. Existing Tools: Institution Subsidies Aligned with Outcomes

In February 2015, Oregon's Higher Education Coordinating Commission (HECC) implemented an outcomes-based funding model (The Student Success and Completion Model) for the state's four-year institutions. It drives a significant percentage of the institutional funding for the four-year institutions through cost offsets and metrics tied to student outcomes. This approach was developed in alignment with Oregon's goals and supports the principles identified in the 40-40-20 Goal through a direct subsidy to institutions.

Oregon's existing model provides funding for a variety of specific initiatives that align with ideas outlined in this Strategic Finance Plan.

DRAFT

- There is a geographic recognition provided through the cost-offset in Mission Differentiation.
- The model is focused on specific degrees and overall degree production, and students from a variety of demographic populations, including the states traditionally underrepresented populations, are prioritized in the model.

However, Oregon's existing model is only applied to one sector of institutions. Expanding to an outcomes-based funding model for the two-year sector in Oregon will provide an additional funding lever that align with the state's goals and needs identified within this report.

As demonstrated in previous sections of the report, the state needs to increase associate degree and high-demand certificate by 10% and 7% respectively. This gap highlights the increased emphasis that will be placed on Oregon's two-year sector in efforts to achieve the state-wide goal. Currently, funds are distributed to community colleges on a per-FTE basis with recognition of the local property tax revenue that is available to each institution. The combination of increased investment directed to institutions in a manner linked to the 40-40-20 goal is critical to achieving these outcomes. An outcomes or student success funding model for the two-year sector that includes measures of access, success and completion with priority for better serving underserved populations is an important policy lever to consider.

A model for the two-year sector should be rooted in evidence and best practices. Models in both Washington and Tennessee have been found to have positive effects on associate's degree and certificate production. In Washington, the impact was found after the model was sustained for a period of time.[13] In Tennessee, the model had impacts on credential completion and progression for full-time students.[14] The models in both of these states align with many national best practices that should be considered in developing a new model. These best practices include:

- Aligning the model development to state goals nad priroiteis.
- Ensuring the model includes limited, clearly defined metrics focused on increasing the numbers of students completing degrees.
- Reflecting mission differentiation across different types of institutions, both within and across sectors.
- Prioritizing the success of underserved student populations.
- Phasing in the model to mitigate sudden redistributions

[13] Hillman, N., Tandberg, D., & Fryar, A. (2015). *Evaluating the Impacts of "New" Performance Funding*. https://journals.sagepub.com/doi/abs/10.3102/0162373714560224?journalCode=epaa

[14] Callahan, K., et al. (2017), *Implementation and Impact of Outcomes-based Funding Tennessee*". Research for Action. https://8rri53pm0cs22jk3vvqna1ub-wpengine.netdna-ssl.com/wp-content/uploads/2017/07/RFA-OBF-in-Tennessee-Full-Brief_updated-July-2017.pdf

- Sustaining the funding model over multiple years to incent change and
- Providing a consistent and formula driven structure that encourages continuous improvement.[15]

Adopting an outcomes-based funding model would change how funding flows to the institutions, but a model could be phased in with a recognition of local revenue to ease any burdens created through redistribution of funds.

C. Existing Tools: Supporting Students and Affordability Through Financial Aid

State financial aid programs are a critical tool for addressing student affordability. These programs provide direct support to students. Most states focus on need-based aid, which provides support to low-income students. These programs are particularly important during economic downturns, when family income and state revenue are susceptible to the economic changes. Recently, the idea of college promise programs, or "free college" have become prominent state levers in supporting attainment. Oregon has two key programs: the Oregon Opportunity Grant (OOG) and the Oregon Promise. These two programs currently align with 40-40-20, but there are opportunities to increase their impact.

i. The Current Structure and Funding for The Oregon Opportunity Grant (OOG) and The Oregon Promise

The HECC's Office of Student Access and Completion (OSAC) directly awards state financial aid investments to students. Centralized awarding gives Oregon the ability to target aid to students in a way that directly aligns with state goals. The state's main need-based grant program, the OOG, is aligned with the state's goals.

The program supports students with demonstrated need. Nearly $70 million was provided to approximately 40,000 Oregonians in 2017-18.[16] Students can use the grant at either two-year or four-year institutions, and it is open to adults. However, the program has not been able to address the needs of all eligible students, so prioritization criteria were adopted for awards. In 2017-18, an estimated 50,000 eligible students did not receive funds due to insufficient funds.

Created in 2015, the Oregon Promise is a last-dollar scholarship designed to increase access, completion, and affordability. The program requires students to file a FAFSA, and it builds off of a student's Pell Grant and OOG award. Oregon residents who recently graduated high school or hold an equivalence and meet certain academic criteria are eligible. To receive the grant, these students must enroll at least part time in

[15] Snyder, Martha, and Scott Boelscher. "Driving Better Outcomes: Fiscal Year 2018 State Status & Typology Update." Accessed March 31, 2019. http://hcmstrategists.com/wp-content/uploads/2018/03/HCM_DBO_Document_v3.pdf.

[16] https://www.oregon.gov/highered/research/Pages/state-financial-aid-data.aspx

one of Oregon's 17 public community colleges. The program is funded at $40 million dollars, and the HECC estimates that approximately $8 million more is needed to fully fund the program.

40-40-20 has a strong equity component, so it is critical to understand how current programs support the equity focus. Data on the OOG illustrates that higher percentages of underrepresented minority students receive the grant at the state's two-year and four-year institutions than those that do not. Early data on the Oregon Promise is promising and shows that the enrollment gaps for underrepresented minority students are shirking. However, more data and analysis are needed to understand the equity impacts of the programs.

ii. Strategies to Increase Attainment Through the OOG and Oregon Promise

These two financial aid programs are directly tied to affordability for students. Oregon Promise awards build off of the Oregon Opportunity Grant awards for eligible students attending two-year institutions, so there is a direct link between the programs. Enhancing each can have an impact on the other, but the state can also take advantage of opportunities to enhance the programs individually. This section provides strategies to leverage both programs into meeting the 40-40-20 goal. These strategies are tied to program funding and structure and serving adults/meeting workforce needs.

a. Strategies Related to Funding

Neither program is fully funded to meet the needs of all eligible students. Estimates for the Oregon Promise indicate that the shortfall is approximately $8 million. The funding gap for the OOG is more challenging to estimate because eligibility varies annually and awards differ between two-year and four-year institutions. However, as stated above, approximately 50,000 low-income Oregonians who are eligible for Pell were not able to receive the OOG. To address the constrained revenue available for the OOG, the state developed a tax credit. However, this approach is unlikely to yield much more additional support.

To increase funding, the HECC can seek additional appropriations from the legislature. To make the case, the agency can illustrate the impact on debt by supporting the eligible OOG students who are currently not receiving the aid. This will directly link the appropriation to affordability. For the Oregon Promise, HECC can estimate the amount of additional Pell revenue that will be generated by fully funding the program.

In taking a more aggressive approach, the HECC could work with policy makers and the public to pursue a path allowing the Kicker Rebate to be used for state financial aid. There is precedent for changing the Kicker, which is a rebate provided to tax payers when there is a revenue surplus. In 2012, the corporate rebate was repealed and the

DRAFT

amount was dedicated to supporting schools.[17] The rebate could go into a fund that supports the OOG and/or the Oregon Promise.

b. Strategies Related to Structure: Early Commitment of Awards

Independent of funding, there are opportunities to change the structure of both the OOG and the Oregon Promise to enhance the program's impact. For the OOG, the state can make an early commitment of the award, and for Oregon Promise, the state can allow the awards to be used in the summer, leveraging summer Pell.

Early commitment of aid is a proven strategy that has increased enrollment and completion in several states. This is a strategy Oregon could implement to drive increased enrollment and attainment via the OOG. In Kentucky a financial aid redesign spurred increases in attainment and enrollment. This was in part tied to their early commitment of aid and increased awareness for students. Kentucky used continuous mailers to inform students of their eligibility and the funding available. Based on the design of the program, students started accruing aid in 9th grade, and annual letters from the Governor informed students of their balance.[18] This approach had an impact. In 2011, 80 percent of ninth graders were aware of the state's need-based aid program and the aid available to them.[19] Providing students with an earlier commitment of financial aid, especially when paired with a robustly funded program, states can impact the perception of affordability as students make the choice to attend college.

Oregon's approach to an early commitment does not need to mirror Kentucky's. However, the example illustrates the impact that an early commitment of aid can have. Given the constrained resources, Oregon could develop an early commitment approach that works within the state's context. An early commitment could serve as an avenue to increase funding for the OOG, especially given the links between early commitments of aid and increased enrollment and attainment.

c. Strategies Related to Structure: Summer Oregon Promise

Currently, Oregon Promise funds cannot be used in the summer. Expanding fund eligibility to summer terms would allow the state to leverage summer Pell dollars and bridge programs for incoming first-year students. Summer bridge programs have been identified by the United States Department of Education's Institute of Educational

---

[17] Ely, Bruce. "Measure 85: Voters Repeal Corporate Kicker." *The Oregonian*, November 7, 2012. Accessed March 31, 2019. https://www.oregonlive.com/politics/2012/11/measure_85_ahead_as_voters_app.html.

[18] Johnson, Nate. "Three Strategies That Moved the Needle in Kentucky." 2014. Accessed February 2019. http://s10851.pcdn.co/wp-content/uploads/2014/06/Three-Strategies-that-Moved-the-Needle-in-Kentucky-formatted.pdf.

[19] Johnson, Nate. "Three Strategies That Moved the Needle in Kentucky." 2014. Accessed February 2019. http://s10851.pcdn.co/wp-content/uploads/2014/06/Three-Strategies-that-Moved-the-Needle-in-Kentucky-formatted.pdf.

DRAFT

Science as having potential positive impacts on attainment.[20] For community colleges that have summer bridge programs, the Oregon Promise funds can be used to help pay for summer-term math and English classes. For students that are not enrolled full-time during the academic year but enroll in summer courses, utilizing Oregon Promise funds could help students succeed quicker at a lower personal cost. This is another option to utilize the Oregon Promise in a way that impacts student outcomes.

d. Strategies for Serving Adults and Supporting the Workforce

There are opportunities for Oregon to enhance the impact of the Oregon Promise. Adults are eligible for the program, but much of the focus has gone toward the traditional, college-aged population. Indiana's Workforce Ready Grant is a well-publicized program targeted toward meeting economic demands while providing adults a clear pathway to return to college. The requirements are similar to a traditional promise program, and the program could be embedded within the Oregon Promise by allowing adults, who are already eligible for the program, to seek a high-demand certificate that is linked to regional workforce needs. This would help address the need for a 7 percent increase in certificates while being responsive to the regional economies across the state of Oregon. Given the limited resources, adults seeking certificates of value could receive priority awards.

The state currently serves adults through its Student Child Care Grant. This program assists adults seeking a high-demand certificate but facing the barrier of child care. Embedding this adult-centric approach within the Oregon Promise would assist the state in its efforts to achieve its adult attainment goal through existing resources.

D. Existing Tools: Addressing the Cost of Attendance Through Open Educational Resources

There is an opportunity for state and institutional partnerships to reduce the cost for students through Open Education Resources (OER). Textbook costs have escalated over time and are often an unknown cost for students. Leveraging open resource materials can reduce that cost to students.

Oregon has invested in OER over the past couple of bienniums. The state has a library database of OER material. Convenings and grants have been another method to incent investment in OER. As the state continues to evaluate its progress in reducing the cost of textbooks through OER, quantifying the cost savings to students would be an impactful way to make the case to the legislature for a larger investment and shift toward these materials.

Another opportunity for the state and institutions to utilize OER is in dual enrollment programs. Material costs are often passed along to students in these programs, so

[20] "Summer Bridge Programs." What Works Clearinghouse. 2016. Accessed February 2019. https://ies.ed.gov/ncee/wwc/Docs/InterventionReports/wwc_summerbridge_071916.pdf.

developing OER resources for state-funded dual enrollment would reduce the cost for students getting a head start on their college careers. These efforts should be made in coordination with the existing OER work that HECC is doing.

E. New Tools to Support 40-40-20

In addition to Oregon's existing policy levers, there is an opportunity to utilize new approaches to impact student outcomes. The approaches outlined include:

- Leveraging Federal Benefits
- Emergency Aid
- Postsecondary Opportunities and the K-12 Pipeline; and

Specific examples are provided in each section.

i. Leveraging Federal Benefits

Within finance policy, Oregon can leverage additional federal benefits to help students address costs beyond tuition and fees. Tuition and fees are often a proxy for the cost of higher education, but the total cost expands beyond that to things like room and board, books, and transportation. Expanding the resource base available to students can address these broader set of costs. New Jersey is increasing the number of SNAP eligible employment training programs to include all career and technical education programs offered at its state community colleges.[21] This provides students with a resource to address food costs and hunger.

This is a more comprehensive approach to addressing student needs that leverages and expands an existing resource. By expanding the eligible programs in the state, Oregon and its two-year institutions can work to identify students who are eligible for the federal benefit. This may help address an often-unseen barrier in student success.

ii. Emergency Completion and Retention Grants

Oregon's existing financial aid infrastructure provides several opportunities to impact student outcomes. Building on top of that infrastructure, the state has the opportunity to develop new, impactful programs. One example is a state-wide emergency aid program. Since emergencies are unpredictable, estimating the demand and the cost of this kind of program can be challenging. However, according to a study conducted by the National Association of Student Personnel Administrators (NASPA), emergencies were generally considered for be $1,500 or less.[22] A state program funded at $1.5 million, a

---

[21] Loyer, Susan. "Career and Technical Education Students to Be Eligible for SNAP Food Assistance Benefits." *Bridgewater Courier News*, November 23, 2018. Accessed February 2018. https://www.mycentraljersey.com/story/news/local/middlesex-county/2018/11/23/snap-benefits-eligibility-career-technical-education-students/2057984002/.

[22] Kruger, Kevin, Amelia Parnell, and Alexis Wesaw. "Landscape Analysis of Emergency Aid Programs." 2016. Accessed February 2018. https://www.naspa.org/images/uploads/main/Emergency_Aid_Report.pdf.

relatively small investment, would have the potential to reach about 1,000 students. These grants provide students with funding to offset unexpected emergency costs that may otherwise cause them to drop-out of college.

Many of these programs are operated at the campus level and have been successful. A report conducted by the Coalition of Urban Serving Universities and the Association of Public Land-Grant Universities identified several institutions with these programs and the increased success at these institutions related to the grant aid.[23] One of the most notable examples of this is the Georgia State Panther Retention Grant. Since the inception of the program at Georgia State, 86 percent of the grant recipients graduated.[24] Oregon State University is experimenting with a similar program.

At the state level, Minnesota operates a state-funded emergency aid program that provides institutions with resources to meet unanticipated student financial needs. The program is funded at approximately $175,000.[25] As a centralized financial aid state, Oregon can directly receive, process, and award student requests for emergency aid. However, in emergency situations, funds are needed quickly. For any emergency aid program it may be more effective to provide the funds to institutions who can be more responsive to immediate student needs. The HECC could start by developing a pilot program with a variety of institutions to help inform the number of students impacted and the costs. The state could use the pilot to scale a state-wide program to address student emergency costs across Oregon that works within the biennial budget structure.

iii. Postsecondary Opportunities and the K-12 Pipeline

A key component of achieving 40-40-20 is increasing the throughput in the K-12, higher education pipeline. As discussed in the previous section, early commitment of aid is one strategy to support higher levels of matriculation from K-12 to higher education, particularly for lower-income and underserved populations. Another policy lever for Oregon to support better transition is to enhance its dual enrollment offerings. The state currently supports dual enrollment programs, but there is a new opportunity to use this lever to drive toward equity.

One example of dual enrollment with an equity focus is Colorado's Accelerating Students through Concurrent Enrollment (ASCENT) program, which utilizes a fifth year of high school to get students college credit. In 2016-17, 83 percent of the students enrolled in the program were seeking a credential and 44 percent of the students

---

[23] "Foiling the Drop-out Trap: Completion Grant Practices for Retaining and Graduating Students." Accessed February 2019. http://www.aplu.org/projects-and-initiatives/urban-initiatives/coalition-of-urban-serving-universities/aplu-usu-dropout-trap-full.pdf.

[24] "Panther Retention Grants." Student Success Programs. Accessed February 2019. https://success.gsu.edu/initiatives/panther-retention-grants/.

[25] "Emergency Assistance for Postsecondary Students (EAPS) Grant Program." Accessed February 2019. https://www.ohe.state.mn.us/mPg.cfm?pageID=2260.

enrolled were Hispanic, which is above the state average.[26] ASCENT funding is provided in a single line-item in the Colorado state budget. Participating school districts receive this funding to pay for the tuition at their partner higher education institution.

Embedded within the biennial budget process, a state investment in Oregon could work in a similar way as an appropriation designed to offset the tuition and fee costs for students enrolled in this type of program. Adopting this approach would necessitate a multi-biennial push coupled with funding that expands the existing dual credit infrastructure within Oregon.

iv. Student Success Programs

Partnering with institutions gives Oregon another lever to drive policy and work towards its goal. The City University of New York (CUNY) Accelerated Study in Associate Program (ASAP) is an institutional program designed to assist students in graduating from an associate program by providing wrap-around and financial support services. The program provides career counseling, personalized advising, and financial aid to address transportation barriers and textbooks. Students in the program graduate at higher rates than their counterparts. While the program has a higher cost per FTE, the cost per degree is lower due to the improved student success and completions generated by the program's wrap-around services.[27]

Creating a fund that the state uses to match institution programs similar to the CUNY ASAP model would be a way for the state to invest in student success while partnering with institutions. In an evaluation of the program, CUNY spent approximately $2,300 more per student for those enrolled in the ASAP program.[28] Program enrollment was expanded in 2018 to serve approximately 25,000 students system-wide.[29] Under the expanded enrollment, estimates for the total cost are around $57.5 million. Piloting the program would reduce the total cost – the per-student cost would likely be higher –

---

[26] Vente, Michael, and Andy Tucker. "Annual Report on Concurrent Enrollment 2016-17 Academic Year." The Colorado Department of Higher Education. 2018. Accessed March 2019. https://highered.colorado.gov/Publications/Reports/Enrollment/FY2017/2017_Concurrent_Enrollment_April_2018.pdf.

[27] Strumbos, Diana, and Zineta Kolenovic. "Six Year Outcomes of ASAP Students: Transfer and Degree Attainment." January 2017. Accessed February 2019. http://www1.cuny.edu/sites/asap/wp-content/uploads/sites/8/2017/01/201701_ASAP_Eval_Brief_Six_Year_Outcomes_FINAL.pdf.

[28] Scrivener, Susan, Michael J. Weiss, Alyssa Ratledge, Timothy Rudd, Colleen Sommo, and Hannah Fresques. "Doubling Graduation Rates: Three-Year Effects of CUNY's Accelerated Study in Associate Programs (ASAP) for Developmental Education Students." February 2015. Accessed February 2019. http://www1.cuny.edu/sites/asap/wp-content/uploads/sites/8/2015/02/MDRC_Doubling_Graduation_Rates_ASAP_Executive_Summary_Feb_2015.pdf.

[29] "Significant Increases in Associate Degree Graduation Rates: CUNY Accelerated Study in Associate Programs (ASAP)." November 2018. Accessed February 2019. http://www1.cuny.edu/sites/asap/wp-content/uploads/sites/8/2018/12/ASAP_program_overview_web_11_1_18.pdf.

while giving Oregon time to analyze outcomes. Aligning existing programs with the ASAP model and scaling single infrastructure for the program could generate economies of scale for the state and institutions in the early stages of this program.

Conclusion

Oregon's 40-40-20 goals is the state's commitment to better serving and improving life for all of its residents. Rooted in equity and the need to serve traditionally underrepresented populations, the goal is a statement that all Oregonians are capable of achieving at least a high school diploma. The goals commitment to a variety of postsecondary credentials is an effort to shape the state's future economy through increased attainment and take advantage of the intrinsic value of higher education.

Achieving this goal requires partnerships and commitments from the state, institutions, employers, and students and families. This report estimates the shared costs for increased attainment at approximately $800 million. This will require new investments and a commitment that that new and existing investments be targeted in strategic ways that advance the state's efforts toward 40-40-20. This means that that investments need to be outcome oriented, provide access to all students to a variety of postsecondary credentials, and focus on removing barriers, financial or otherwise, for the state's low-income, racial and ethnic minorities, and rural students. These investments must also incent institutions to utilize their resources in ways that meet student needs and prioritize workforce outcomes.

Oregon has existing policy levers that can be enhanced and expanded to better align resources with the 40-40-20 goal. Using existing outcomes-based funding models and expanding to the two-year sector will direct the state's operational support an approach that ties to increased completions, a focus on equity and adults, and acknowledgement of geographic differences. Existing financial aid structures, the Oregon Opportunity Grant and Oregon promise, provide an opportunity to align with additional best practices and increase direct state support for students.

There are also new opportunities for to further enhance current investments and strategies. Expanded access to public benefits like SNAP can help students address total cost of attendance. Oregon can also work to develop an emergency aid program to help students finance unexpected financial burdens that would otherwise cause them to withdraw from college. Both emergency aid and a matching grant that funds student success programs like the CUNY ASAP program is a natural avenue for partnerships between the state and institutions. Targeted dual credit programs that address geographic boundaries and equity can enhance the pipeline from K-12 to higher education. Addressing resource costs through open educational resources is another method Oregon can employ to increase affordability and work toward a goal.

Oregon is striving to meet its goal, and while the existing policy approaches are aligned with the goal, there are opportunities for additional alignment and levers as outlined in this strategic finance plan.

DRAFT

DRAFT

Appendix A: Oregon's Adult Attainment Goal

A. 40-40-20: Adult Attainment

Oregon is not only thinking of its 40-40-20 goal in the long-term. The state adopted an adult attainment goal that focuses on the state's current economic needs and the gaps in the adult population. This is a second prong of attack in meeting the 40-40-20 goal. With an eye toward its future in the cohort model, Oregon is also striving to address the current gaps by increasing attainment for its adult population.

The goal reiterates the link between the economy and educational attainment. Oregon estimates that approximately 120,000 new jobs will require a postsecondary credential between 2017 and 2027. Annualized, this means that about 12,000 new jobs will require a postsecondary credential. These jobs will need to be filled by individuals who are in the labor force. Current adult attainment is about 20,000 a year, and these adults are meeting the existing employment needs. Thus, Oregon will need about 12,000 adults with a postsecondary credential to enter the workforce. This will increase the annual adult attainment to about 32,000 a year, and increase the total adult attainment to 320,000. Oregon has also identified the work needed to cut attainment gaps in half in the adult population. The adult goal aligns with 40-40-20 by highlighting the need for increased attainment for rural, low-income, and racially/ethnically underserved populations.

Working to increase attainment for the adult population will propel Oregon towards its goal while the cohort model builds momentum. Taking this shorter-term focus gives the state the opportunity to address its current economic needs and reengage a population that has not been well served by higher education. The longer-term approach of the cohort model yields the chance to change the status quo for the state.

DRAFT