



The Opportunity Initiative

Senate Joint Resolution 1 / Senate Bill 11

Goal:

Cover the postsecondary education “needs gap” for Oregon students by creating a permanent fund to finance student assistance needs.

- Maintain a highly skilled workforce for Oregon
- Raise per capita income
- Lower public services costs

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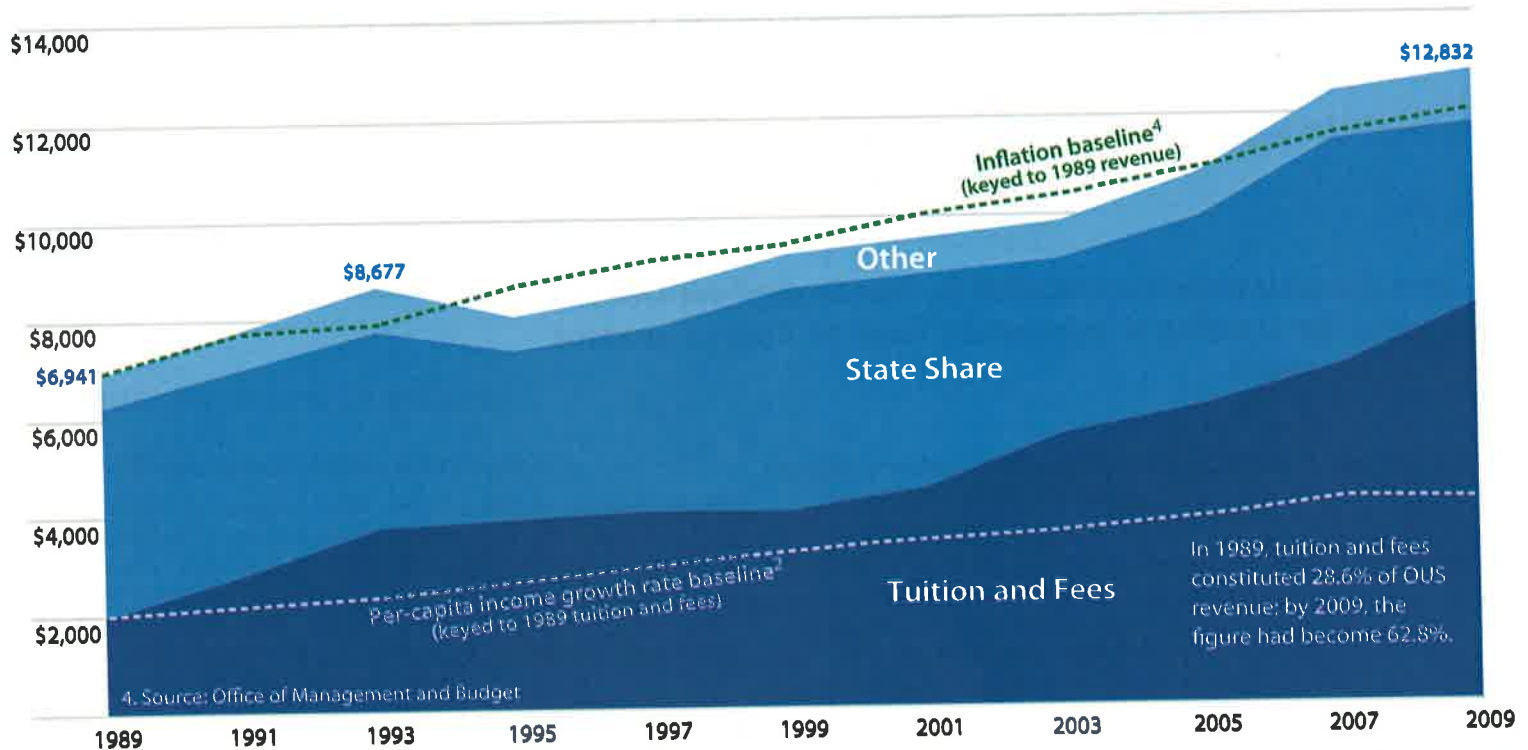
Oregon's future depends on maintaining a skilled workforce

The cost to students of a college education in Oregon is rising rapidly. From 2004-05 to 2011-12, OUS tuition and fees rose 50%¹, while per-capita income in Oregon increased only 20%². That means OUS tuition has increased two and a half times faster than per capita income in Oregon over the six-year period. Although the underlying per-student costs to institutions remain relatively stable, **students feel the pinch as a greater share of those costs are shifted their way**. The amount of assistance per eligible Oregon student has declined at an annualized rate of 5% over the last seven years³.

1. Source: Oregon University System 2. Source: Bureau of Economic Analysis. 3. Source: Oregon Student Assistance Commission

OUS Revenue Per Student¹: Costs to students is outpacing the ability to pay

Although total revenues generally track inflation, the gap between costs to students (tuition and fees) and income growth is widening as more costs are shifted that way.



Oregon's student assistance efforts have lagged the national average by 20%^{5,6}, and Oregon students who attend OUS or Oregon community colleges pay 18% more in tuition and fees than the U.S. average.

One result is that student debt is soaring for those students that do attend. The average student borrower graduating from an Oregon four-year college in 2010 had almost \$24,000 in debt, 21% more than five years ago⁷.

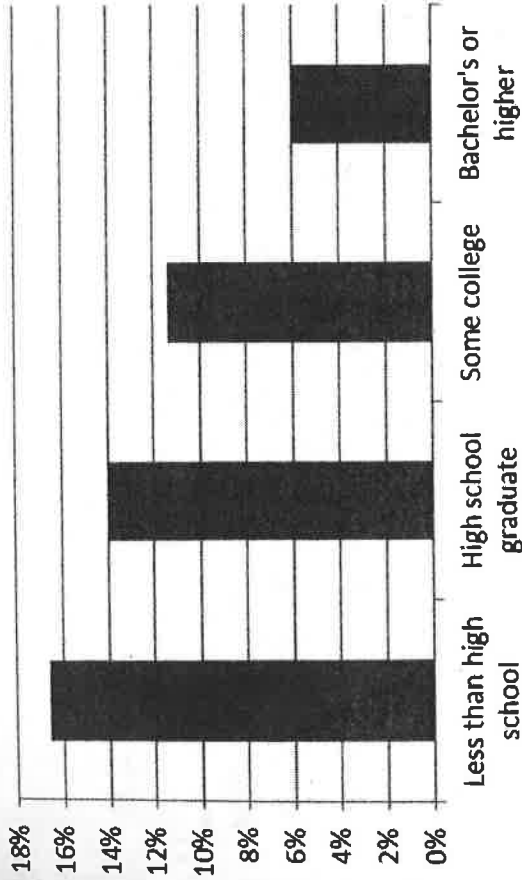
This problem needs to be addressed now for three main reasons:

- As tuition and fees increase, post-secondary education and training opportunities will become increasingly limited for all but the most affluent Oregonians.
- Oregon's per-capita income, which is already low compared to other states, will be driven even lower as more people miss out on the higher earning potential that comes from post-secondary education.
- Oregon students who do attend higher education will be saddled with ever-larger debt loads, just as they are starting out in an unstable job market.

5. Source: National Association of State Student Aid Grant Programs 6. Source: State Higher Education Finance 2011, State Higher Education Executive Officers
7. Source: Student Debt and the Class of 2010, Project on Student Debt

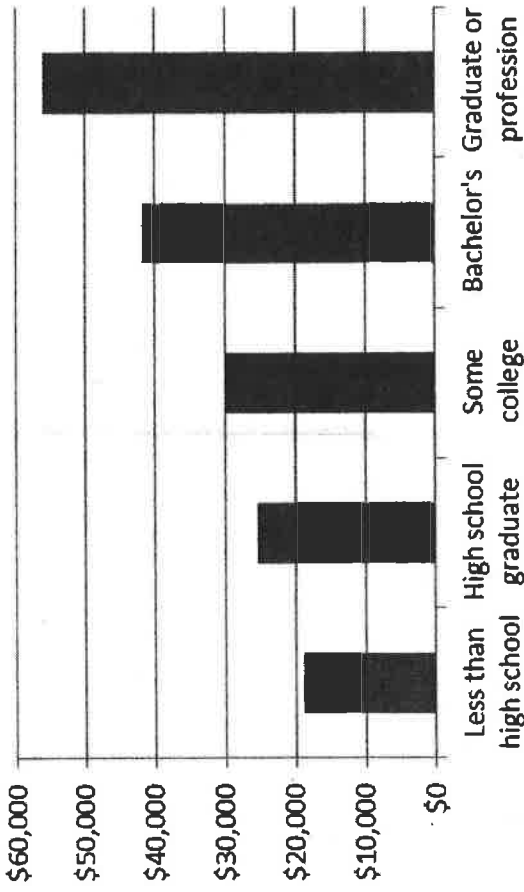
Oregon Unemployment Rates

ACS, 2009-11



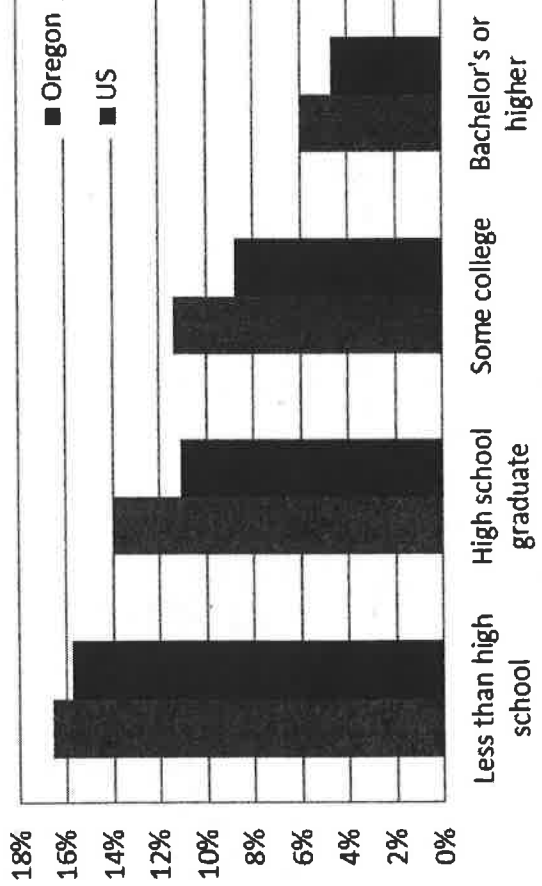
Oregon Median Earnings

ACS, 2009-11



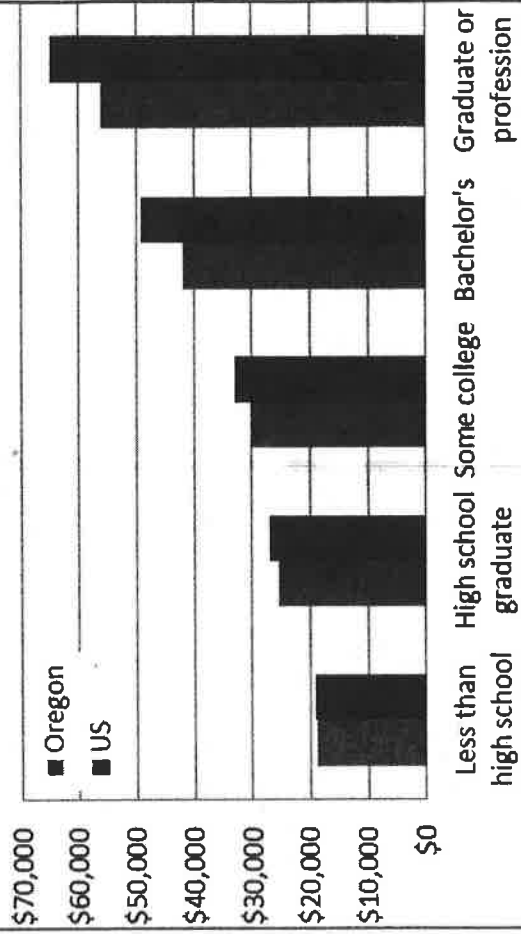
Education and Unemployment Rates

ACS, 2009-11



Median Earnings and Education

ACS, 2009-11



Solution: The Opportunity Initiative

The Opportunity Initiative creates a Constitutionally-dedicated permanent fund that will be invested to generate income. Income from the investment returns will both increase student aid grants in the short-term, and also put Oregon on a path toward a long-term solution to the problem.

The fund will be created by issuing General Obligation Bonds in 2014. Subsequent issues would be made each year until the fund reaches its goal of producing revenue needed to fully fund the unmet needs of every Oregon student for two years of their post-secondary education. The Act anticipates an issue of \$500 million in the coming biennium and continuing smaller (and declining) contributions over the next 30 years.

The fund's investment returns will generate revenue that will be dedicated to student assistance. To maximize the impact of the grants, the administrators of the program would be asked to design incentives for:

- Critical degree programs in STEM fields.
- Vocational training and other workforce development programs.
- On-time graduation (measured by credits), thereby reducing facility needs for institutions as well as reducing student debt.

Outcomes

The State Treasury, in concert with the agency administering the Student Opportunity Fund, will provide a "roadmap" that outlines what further, smaller contributions should be made to the fund in order to achieve the State's higher education goals.

Making conservative assumptions about returns and interest rates, in 30 years, the Student Opportunity Fund could grow to a little over \$6 billion. **At that point, the fund will generate enough revenue to cover the "needs gap" for two years of post-secondary education for every Oregon student.**

In the short-term, the fund will generate income to increase the existing Opportunity Grant program, but it is left up to the administering agency to decide how to best utilize the additional revenue as it becomes available.

Financing

The chart below shows the possible growth of the Student Opportunity Fund over the next 30 years, given one available "roadmap" of additional State contributions, based on conservative assumptions. These contributions would be made entirely at the discretion of future Legislatures, and may be adjusted up or down as circumstances require.

Example of Fund Growth and State Contribution

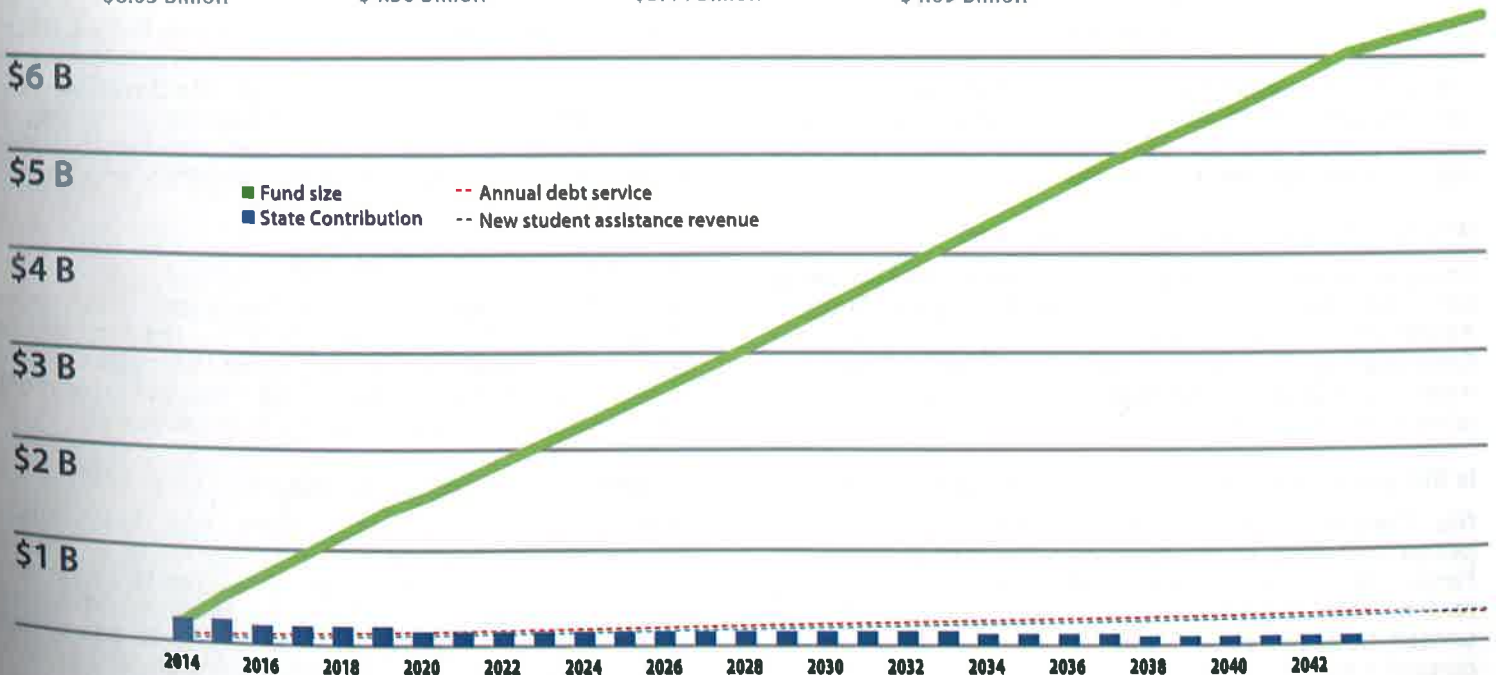
(Assumes elimination of current Opportunity Grant program)

2043 balance:
\$6.03 Billion

Total bonded:
\$4.50 Billion

Debt service:
\$5.44 Billion

Add'l grants:
\$4.69 Billion



Legislation: The Opportunity Initiative

The Opportunity Initiative will be presented to the 2013 Legislature in the form of two measures, Senate Joint Resolution 1 to head to the ballot and Senate Bill 11 implementing the program in 2014:

Senate Joint Resolution 1

Asks voters to approve an amendment to the Constitution that would:

- Create a permanent Student Opportunity Fund that is constitutionally locked and protected, and
- Allow the State to issue general obligation bonds into that fund and draw scholarships from it.

If passed by the Legislature, this measure will head to the voters at some point before June 2014 to be determined.

Senate Bill 11

- Implementation language for bonds to be issued for deposit into the Student Opportunity Fund.
- Fund is managed by an existing administering agency and invested by the Oregon Investment Council.
- Administering agency adopts rules and criteria for disbursement and to report back to the 2015 Legislature regarding development of various incentives.
- Authorization of \$500 million in bonds to seed the Student Opportunity Fund.

This statutory measure will not take effect if SJR 1 fails at the ballot.

Frequently Asked Questions

What will this plan do in the short-term?

If the fund is seeded with \$500 million, current OSAC student assistance can be increased by 50% after the first biennium. Additionally, the statutory measure calls for the program administrators to develop incentives for on-time completion (which will cut down on campus' capital needs) and for STEM degrees (which will help attract new industries to Oregon).

Which agency will manage the program?

There are several existing agencies that may be suited to administer the program, including the Oregon Student Assistance Commission, the Higher Education Coordinating Commission, and the Oregon Education Investment Board. The State Treasury will not ask to administer the program.

Is this using bond proceeds to pay for operating costs?

No. These bond proceeds would create a capital asset: a permanent fund in the form of a Student Opportunity Fund. To ensure that the fund is permanent (and not raided for operating costs) the fund would be constitutionally-locked. Only the earnings (and not the corpus) would be drawn upon.

Why use State resources? Isn't this just a personal finance problem for students?

A highly-trained workforce is a net positive for the State's economy and can help save costs of other public services. This plan applies not only to college-bound students, but to apprenticeship programs and vocational training as well. Studies have shown that states with better-trained workforces have a more robust, diversified, and healthy economy.

Can the State really afford this?

Yes, this plan comes well under the state's conservative debt targets. This plan anticipates that the fund will be built up over multiple decades, spreading costs out over many years. As time goes on, the State will incur much more in financial benefits than its initial outlay.

What if we need to change course?

The Opportunity Initiative does not bind future legislatures to any course of action or to a specific outcome. The plan provides a roadmap to stable and adequate postsecondary education funding with stated goals, but any future Legislature is free to adjust that roadmap as circumstances present themselves.