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# MEMORANDUM

Legislative Fiscal Office  
900 Court St. NE, Room H-178  
Salem, Oregon 97301  
Phone 503-986-1828  
FAX 503-373-7807

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**To:** Members of the Education Subcommittee

**From:** Doug Wilson, Legislative Fiscal Office  
(503) 986-1837

**Date:** June 25, 2015

**Subject:** SB 81 Work Session Recommendations

## **Background Information**

The current language of SB 81-A is related to the waived tuition community college courses and the –A11 amendments replace the language with a similar program concept.

The A-11 amendment establishes the Oregon Promise program which will be administered by the Higher Education Coordinating Commission. A student is eligible for a grant equivalent to the waived tuition costs under this bill for courses at an Oregon Community College if the following criteria are met:

1. The courses taken by the student are determined to be required for (1) completion of a one year curriculum for transfer to another post-secondary institution, (2) an associate degree, or (3) a program in career and technical education.
2. The student has been a resident of the state for at least 12 months.
3. The student has attained the highest level of education receiving a high school diploma or its equivalent within six months of enrolling in the waived community college courses.
4. Has earned a cumulative grade point average (GPA) of 2.5 or its equivalent as determined by rule.
5. Completed the Free Application for Federal Student Aid (FAFSA) for each school year the student is applying for waived tuition.
6. Has not completed more than 90 credit hours, received a diploma or certificate, or completed the curriculum required to transfer to another post-secondary institution.

The student can continue to be eligible for the grant if the student (1) maintains at least a 2.5 cumulative GPA (2) continues to make satisfactory progress toward the required curriculum, degree or certificate and (3) enrolls in sufficient classes to be considered a half-time student.

The grant amount will be calculated for each term after subtracting \$50 which the student must pay and the value of any federal and aid grants the student receives. Then the grant must be:

- At least \$1,000 or the actual cost of tuition; and
- Not more than the statewide average community college tuition or student's cost of tuition.

The grant must be prorated from the amount above for any student who is less than full-time.

The HECC may provide by rule if fees should be factored into the grant award. The Commission is also provided authority to adopt rules for this program.

The total amount of grants is limited to no more than \$10 million each school year or the amount appropriated by the Legislature. The Commission may set a priority for who receives the grants. An annual report is required by the end of each year.

This program is to start for the 2016-17 school.

It is anticipated the agency will spend approximately \$438,000 for the planning, developing, marketing and administrating the program leaving almost \$9.6 million General Fund for the waived tuition.

**Recommended Changes to the Bill:**

The Legislative Fiscal Office recommends the –A11 amendment to the bill.

*Sen./Rep. \_\_\_\_\_ moves the –A11 amendment to SB 81.*

**SB 81 Final Subcommittee Action:**

***Final Motion:***

*Sen./Rep. \_\_\_\_\_ moves SB 81 to the full committee as amended with a “do pass” recommendation.*

**Carriers:**

Full: \_\_\_\_\_

Senate: \_\_\_\_\_

House: \_\_\_\_\_

**FISCAL IMPACT OF PROPOSED LEGISLATION**

Measure: SB 81 - A11

Seventy-Eighth Oregon Legislative Assembly – 2015 Regular Session  
Legislative Fiscal Office*Only Impacts on Original or Engrossed  
Versions are Considered Official*Prepared by: Krista McDowell  
Reviewed by: Doug Wilson  
Date: 6/24/2015**Measure Description:**

Requires tuition for certain courses offered at community college to be waived if person meets specified criteria.

**Government Unit(s) Affected:**

Higher Education Coordinating Commission, Oregon Department of Education

**Summary of Expenditure Impact:**

	2015-17 Biennium	2017-19 Biennium
General Fund	\$10,000,000	\$10,000,000
<b>Total Funds</b>	<b>\$10,000,000</b>	<b>\$10,000,000</b>
Positions	4	3
FTE	1.93	1.75

**Local Government Mandate:**

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

**Analysis:**

Senate Bill 81, as amended by the –A10 amendment, establishes the Oregon Promise program which will be administered by the Office of Student Access and Completion (OSAC) of the Higher Education Coordinating Commission (HECC). A student is eligible for a grant equivalent to the waived tuition costs under this bill for courses at an Oregon Community College if the student meets criteria specified by the bill. The grant amount will be calculated for each term after subtracting a \$50 fee to the student and the value of any federal and aid grants the student receives. Then the grant must be at least \$1,000 or the actual cost of tuition; and not more than the statewide average community college tuition or student's cost of tuition. The grant must be prorated from the amount above for any student who is less than full-time. The HECC may provide by rule if student fees should be factored into the grant award.

The HECC is provided authority to adopt rules for this program. The total amount of grants is limited to no more than \$10 million per fiscal year or any lesser amount available to OSAC. The HECC may set a priority for who receives the grants and initial grants begin being awarded for the 2016-17 school year. The HECC is required to submit a report summarizing the impact of the program to a legislative committee no later than December 31 of each even-numbered year.

Four total positions are anticipated to be need by the HECC for implementation in the first biennium and then only three of the positions will remain as permanent in future biennia. A permanent Operations and Policy Analyst 4 would be responsible for overall program management including working with stakeholders to develop rules and common definitions for courses, determining and monitoring procedures, as well as to serve as a liaison to community colleges and high schools. The Operations and Policy Analyst 4 (0.72 FTE) is estimated to cost \$164,895 General Fund (GF) in the 2015-17 biennium and (0.75 FTE) for a cost of \$171,392 GF in the 2017-19 biennium. A permanent Accountant 2 position will provide necessary financial monitoring and maintain financial records; this position (0.06 FTE) is estimated to cost \$10,975 in the 2015-17 biennium and (0.25 FTE) for a cost of \$27,866 in the

2017-19 biennium. A permanent Research Analyst 3 position will verify new elements are working correctly and verify data submitted by colleges meet reporting requirements; this position (0.69 FTE) is estimated at \$86,591 in the 2015-17 biennium and (0.75 FTE) for \$93,054 for the 2017-19 biennium. A limited-duration Information Specialist 7 will develop software that is compatible with the OSAC's existing system and to be able to share data with secondary and postsecondary schools (0.46 FTE) for an estimated cost of \$103,997 GF in the 2015-17 biennium.

In addition to staffing costs, meetings with stakeholders will require rental of rooms and associated supplies and travel, which is estimated at \$5,000 GF for ten meetings in the 2015-17 biennium. Promotional costs to advertise the new program to all high schools in Oregon are estimated at \$66,250 GF per biennium. Total fiscal costs to the HECC are \$437,708 GF in the 2015-17 biennium and \$358,562 GF in the 2017-19 biennium.

The Oregon Department of Education (ODE) will likely provide some assistance to HECC in preparing the report to the legislature. Specifically, HECC is required to report on "the financial impact of the program on school districts that had received a grant". This is not data currently collected by ODE, however the agency believes that gathering the information and reporting to the HECC will have a minimal fiscal impact.

There is an indeterminate fiscal impact to public universities based on the potential changes in enrollment that may occur as a result of this legislation. Public universities may experience a drop in enrollment for undergraduates in lower level courses, as community colleges would become a more affordable option for courses that are funded under provisions of the bill. Traditionally, lower level courses are cost effective, due to large enrollment size. Finally, universities may experience an increase in transfer students; presumably of students seeking upper division classes, which are traditionally more costly to offer than lower level courses.

Community colleges report that the legislation will likely increase student enrollment and therefore increase costs associated with the need for additional staff. These increased costs are anticipated to be reimbursed through traditional community college funding mechanisms as well as the \$50 fee paid by students receiving the grants. There is no anticipated increase in the amount of the State Support for Community Colleges as a result of this bill.

The Legislative Fiscal Office notes that the maximum \$10 million appropriation cap for the program will be spread over a two year period, or one budget cycle. Given that the grants will not be awarded until the 2016-17 school year, this award year will contain roughly double the amount of funding than the awards years proceeding.