

Financial Challenges

Oregon's Opportunity Grant program must overcome new hurdles due to the recession

By Kathy Witkowski

SALEM, OREGON

LAST FALL, an unprecedented infusion of state financial aid gave Oregon college students and higher education advocates reason to rejoice. Spurred on by Governor Ted Kulongoski, who has consistently cited education as his top priority, state legislators had more than doubled the amount of need-based assistance available this academic year for state residents, from roughly \$34.5 million to \$72 million, while broadening the program's eligibility requirements to include middle-class students.

Those changes came on the heels of others that, for the first time, allowed part-time students to receive state aid. The intent was to increase the state's dismal college participation and achievement rates by removing financial barriers to higher education.

"I'm really proud to be in a state where they have decided to take a stand for education," said Kathy Campbell, associate dean of enrollment and financial aid at Chemeketa Community College in Salem, and chair of the steering committee that helped implement the new "Shared Responsibility Model" for the need-based program known officially as the Oregon Opportunity Grants. "That was a huge turnaround."

Even before its first year of full implementation was over, the program exceeded expectations, as students applied for and received aid in record numbers last fall, and schools experienced a simultaneous increase in enrollment. The challenge, said James Sager, the governor's education policy advisor, is, "How do we maintain [the program] in good and bad economic times?"

And the bad times have arrived. The program now faces unforeseen hurdles due to the economic downturn, which is expected to leave Oregon with a budget shortfall of between \$855 million for the current biennium that ends in July, and a \$3 billion budget shortfall for the 2009-11 biennium.

The governor's advisors said that he remains intent on protecting the state's investment in education. But as the legislature began its 2009 session in January, education advocates said that, while they were confident that the program had enough political backing to guarantee its long-term survival, they were nonetheless concerned about its immediate future.

"It's like 'A Tale of Two Cities': the best of times and the worst of times," said Oregon University System Chancellor George Pernsteiner, who oversees the state's seven four-year public institutions. He lauded the program as a success, but said he was "very stressed" about whether the current fiscal situation would allow it to continue as is.

This year, according to the terms of the Shared Responsibility Model, the state no longer awarded equal

amounts of aid—11 percent of the cost of attendance—to all eligible students. Instead, the program eliminates the income "cliff" of \$33,000 for a family of four, expanding the eligibility to include incomes up to \$70,000, and calculating the aid on a sliding scale.

As originally conceived, the formula started with the cost of attendance, then subtracted expected sources of funding: federal grants and tax credits and family contributions. It also assumed that students would contribute their fair share toward their education: that students would work 15 hours a week for 48 weeks, or full-time in summer and ten hours a week during the academic year, earning minimum wage. Students at four-year institutions were expected to provide an additional \$3,000 a year through loans, scholarships, savings or other means. The state would then pick up the rest of the cost.

However, because of the lack of available state monies, that formula had to be scaled back. So this year, the state applied a multiplier of .19 to expected family contributions; in general, that resulted in an increase in the amount of the contribution, though for the neediest students it resulted in no change, since their families weren't expected to contribute anything. This year, grants also maxed out at \$3,200 per year for four-year public and private institutions, and \$2,600 per year for community colleges. By comparison, last year the award amount was \$1,752 for a full-time student at a four-year public school, and \$1,470 for a full-time student at a community college. (Awards to students at the state's 19 independent schools varied; the highest was nearly \$5,000.)

By factoring in a reasonable amount that students could be expected to contribute, education advocates overcame common objections to increasing financial aid, objections that were voiced during focus groups convened by the State Board of Higher Education early in Governor Kulongoski's tenure. "The attitude was, 'I paid my way through college, why

Photos by Brett Patterson, Black Star, for CrossTalk



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can't they?" said James Sager, the governor's education policy advisor. "The general public didn't understand the true cost of attending college today—that students can't pay their way through."

A working group comprised of educators, students and policymakers, with help from the Western Interstate Commission for Higher Education, repackaged the issue, basing it on a model that has long been in place in Minnesota.

"The pitch in the past has been, 'We don't have enough, and we need more,'" said Brian Prescott, WICHE's director of policy research. "That's not really tied to anything real. And this is." What's more, it's palatable to those on the conservative as well as the liberal end of the political spectrum, he said.

"What this approach does is let policymakers and everybody else tell the public that students are earning their way through college to the extent possible," said Dennis Jones, president of the National Center for Higher Education Management Systems.

To promote the beefed-up program, the state undertook a \$300,000 statewide bilingual marketing campaign. The state's overall educational participation rates are below the national average, and Hispanics, the state's largest minority population, lag even further behind: In 2007, 14 percent of Hispanic young adults were enrolled in college, compared with 33 percent of whites; only ten percent of the state's Hispanic population have a bachelor's degree, whereas 31 percent of whites do.

"Don't Just Dream About College... GO!" urged brochures, posters, radio and television advertisements marketing the Opportunity Grants. The response was overwhelming: In 2008, a record number of students filled out a Free Application for Federal Student Aid; 38,500 of those students received Opportunity Grants last fall, about 11,000 more than had received them in previous years, and 4,000 more than the state had predicted.

Enrollment at the state's four-year public institutions was up this past fall by an average of 5.2 percent; at Oregon's 17

community colleges, enrollment jumped by an average of 10.3 percent. (The program appears to have had the opposite effect on the state's independent colleges, where the number of students who received awards increased from 1,400 to 2,500, but where awards for the neediest students were less this year than last year.) And while much of that change in

enrollment might well be due to the downturn in the economy, administrators said they believe the expanded Opportunity Grants also played a significant role.

"This was exactly the right response for exactly the right reason," said OUS Chancellor George Pernsteiner. The new Opportunity Grant, he said, sent an important message: "Your state believes in you, it will invest in you, and here's proof of it. And people took us up on that."

For students like Mayra Gomez, 20, of Hermiston, Oregon, a first-generation college student who is pursuing a double major in community health studies and health sciences at Portland State University, the additional money meant that she could reduce her work hours by half—from 20 hours a week to ten—and that she didn't have to add to the \$6,000 in loans that she has already accrued. The additional aid also meant she could afford to live on campus this year, instead of commuting 40 minutes each way from an apartment in a different section of Portland, as she did last year. As a result, she said, her grades have improved.

"Because I received more money, I was able to work less and study more," said Gomez, who is determined to finish college so she won't have to work in the agricultural factories and fields in eastern Oregon, as her parents do.

"This infusion of cash in our students' pockets is a very empowering moment for them—allowing them to pursue the college dream," said David McDonald, associate provost at Western Oregon University in Monmouth, who was in charge of the efforts to promote the program.

At WOU, a small undergraduate-focused institution near Salem, where more than half the students are first-generation college-goers, and 70 percent receive financial aid, the results have been felt already. Some 1,200 students—more than a third of the school's Oregon resident undergraduate students—are receiving Opportunity Grants worth a total of \$2.8 million, compared to 799 recipients last year who shared a total of \$1.1 million. "That's huge," said McDonald.

Administrators at other Oregon institutions expressed similar enthusiasm. "It's been wonderful for our students," said Campbell, of Chemeketa Community College, where enrollment increased by a whopping 18 percent last fall. Not only has the maximum award for full-time students increased by more than \$1,100, but 650 part-time students are now also receiving Opportunity Grants they would not have been eligible for under the prior rules. The result, she said, is that fewer students have had to take out loans.

If the story ended there, in the middle of the fall quarter, it would have had a happy ending.

But as the economy worsened, and revenues fell, the governor was legally obligated to make across-the-board cuts to state agencies that receive money from the state general fund. That 1.2 percent reduction, combined with a drop in lottery interest earnings, another source of Opportunity Grant funding, essentially wiped out a \$4 million emergency fund allocation that the Opportunity Grant program had received to deal with the unexpected crush of students who had qualified for the awards. The program ran out of money, and the Oregon Student Assistance Commission announced that students who hadn't applied for financial aid prior to December 1, 2008 would not receive any awards during the 2008-09 academic year.

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By the end of February, OSAC reported that nearly 5,000 students who had filled out their Free Application for Federal Student Aid forms after the December 1 cutoff date had qualified for aid, but that there wouldn't be any money for them. That number is expected to continue to increase through the spring. In addition, as a cost-saving measure, OSAC decided it would not award Opportunity Grants this academic year to any students who had not received an award in the fall—even if they had filled out their paperwork prior to December 1, and had been told they were going to get aid for winter and spring. And all students receiving awards this winter and spring will see their amount reduced, by \$80 for full-time students, and \$40 for part-time students.

"It's been kind of a roller coaster," said OSAC Executive Director Dennis Johnson. "What it does is rattle confidence in terms of the resources that will be available in the future." Still, Johnson said he didn't expect any more changes in this biennium. "It's going to be very, very tight, but I don't expect any additional cuts," he said. But depending on what the legislature does with the 2009-11 budget, OSAC may have to revise the program, by reducing the award amounts, or by changing its eligibility requirements to serve fewer students, Johnson said. The good news, he added, is that federal Pell grants and tax credits will be increasing substantially over the next couple of years; those measures should help to make up for at least some of the state shortfalls.

Still, administrators said they are concerned about the signals such cutbacks could send. "The worry is that with not even a year under our belt, we have had to back away from our promise," said Camille Preus, commissioner of community colleges and workforce development.

No one knows how many students will choose not to enroll or will drop out because of this year's reduction in aid. But, said Mary Spilde, president of Lane Community College in Eugene, "The lives of many of our students are a house of cards. When you're living on the edge, it just takes one little piece and the whole house of cards comes down."

The vast majority of those who qualified too late to receive the Opportunity Grants this year—4,300 of 5,000—are community college students. That's to be expected, since community college students typically make decisions about schooling later than students at four-year schools. But even those who had planned in advance not to attend fall term, and to return to school for winter term, have lost out.

"It means less for rent. I'll probably have to work more," said a disappointed Nicole Padron, 26, a student at Lane Community College, when she heard news of the cutbacks from a reporter. Padron had taken off the fall term to deal with her recently deceased mother's estate, but was counting on the \$600 Opportunity Grant she had been awarded to help her through the winter and spring terms. Padron, a straight-A student, is studying to be a veterinary technician, and said her textbooks for winter term alone had cost her \$465. Despite the loss of aid, she said she planned to remain in school so she can eventually earn more than the \$10.60 an hour she is currently paid in her part-time job working with disabled adults. "I don't want to be uneducated forever," she said.

Oregon has no state sales tax, and a ballot measure passed in 1990 significantly lowered property taxes, leaving the state

heavily dependent on income tax for its revenue. Higher education budgets took huge hits in the years that followed, forcing program cuts. For 15 years, the four-year public institutions failed to meet enrollment goals, said George Pernsteiner. "That's one of the reasons that Oregon's educational attainment level is so low," he said.

Governor Kulongoski has articulated a set of ambitious long-term educational goals for the state that would raise those levels. According to those goals, by 2025, 40 percent of Oregon adults should have a bachelor's degree or higher; another 40 percent should have at least an associate's degree or other technical credential; and the remaining 20 percent should have at least a high school diploma. Kulongoski's belief that higher education should be made accessible isn't a surprise to those who know his background: He was raised in an orphanage, and attended college on the GI Bill.

During his January 12th State of the State address, delivered at the beginning of Oregon's 2009-11 legislative session, Kulongoski repeated his support for education, which he said is the state's way out of the recession and toward prosperity. "If we're going to turn unemployment checks into paychecks, the state must invest in our human infrastructure," said Kulongoski, who talked about building a "protective wall" around funding for education.

Kulongoski's proposed budget for 2009-11 included \$163 million for the Opportunity Grant program. That would represent a substantial increase from the current level, though still far shy of the \$250 million it would cost to fully fund it. State officials said they were hopeful that a federal stimulus package might help keep the program, as well as higher education, whole, even as the state economy worsens.

In early January, as they prepared for their session,

By factoring in a reasonable amount that students could be expected to contribute, education advocates overcame common objections to increasing financial aid.



Mayra Gomez, a first-generation college student from Hermiston, Oregon, says the new student aid measure enables her to work fewer hours at a part-time job.



Oregon's "shared responsibility" student financial aid plan has gotten off to a good start, but James Sager, education policy advisor to Governor Ted Kulongoski, wonders, "How do we maintain the program in good and bad financial times?"

legislators on both sides of the aisle said they, too, believe it is imperative to continue funding the Opportunity Grant program, though they would not commit to a specific amount, given the tough budget climate. "Putting people into higher education has a great return," said House Republican Leader Bruce Hanna, adding that education will be a high priority both for him and his caucus. "Our goal has to be to create an environment

of creating jobs, because when people are working they're generating money, and they're less of a drain on social services," Hanna said.

Now that the groundwork has been laid, lawmakers believe they should build on it. "It would not be in any sense a good decision to have opened the doors to thousands of Oregon students... then close the doors," said Senate Majority Leader Richard Devlin, a Democrat. Still, Devlin would not defend the governor's education budget as proposed, in part because it assumes the use of reserve funds that the legislature would have to release during a supplemental session next year. In addition, Devlin, Hanna and others are concerned that the governor's budget shortchanges the community colleges, which have seen the largest enrollment increases and which, given the state's economic troubles, are likely to see even more, as workers who have lost their jobs return to school.

Legislators also will have to weigh education and training needs against pressing demands for human services and public safety. "It is my goal to support education," said Senator Margaret Carter, a Democrat and co-chair of the Senate Ways and Means Committee.

But, she said, "I do know I won't balance this budget on the back of human services."

Among those who will be lobbying the legislature to support the Opportunity Grant program will be the Oregon Business Council, an association of more than 40 top business executives focused on public policy issues. The OBC helped fund the initial research on the Shared Responsibility Model and endorses it in its current business plan. "It's a very logical

formula that has wide support," said OBC president Duncan Wyse.

Even so, OSAC's Dennis Johnson was pragmatic. "This is going to be one tough session," he said.

One thing is virtually certain: With increased enrollment and tight budgets, institutions will have to do more with less.

That will not be easy, said Mary Spilde, president of Lane Community College. Like the rest of Oregon's community colleges, Lane is still trying to regain the budget ground it lost in the early part of the decade, when the state last faced a fiscal crisis. At Lane, \$8 million in cuts over two budget cycles forced the school to close programs, lay off staff and raise tuition from \$38 to \$63 per credit. With a 14 percent enrollment increase this past fall, there's no more fat to trim, Spilde said. If she shuts down programs, the school will lose students. And if the school loses students, it will lose tuition dollars and public funding tied to enrollment. "So it's a downward spiral," she said.

"As a state, how we approach funding of education in this downturn is going to be very important to the public's optimism and decisions about college," said OUS Chancellor Pernsteiner. "When institutions are well-funded, there are corresponding enrollment increases," he added. "If we sound doom and gloom, people don't come."

Soon after the cuts to the Opportunity Grants were announced, six of the state's seven four-year institutions promised to absorb the costs of those cuts (Pacific University, a private institution, also made a similar pledge.); the seventh, Portland State University, said it would cover about 75 percent of the unmet need for its students who filled out their applications too late to receive a grant for the winter and spring terms.

But by the end of February, with the economy continuing to tank and the legislature threatening to slash an additional \$37 million from the OUS budget, at least one institution was exploring the possibility of raising tuition. In late February, University of Oregon President Dave Frohnmayer told lawmakers that enrollment increases and the cost of covering financial aid cuts have put the school's budget under severe strain, and that he and campus officials have been talking about adding a surcharge onto spring term tuition bills, as one potential option to deal with deeper budget cuts.

Meanwhile, institutions, as well as the state, are looking to private donors to fill in the gaps. Linfield College has announced a fundraising effort of more than \$32,000 for its students; Chemeketa Community College is engaged in a \$150,000 effort to qualify for a matching grant for scholarships from the James F. and Marion L. Miller Foundation, which in August extended similar offers of varying amounts to all the state's community colleges, for a total of \$1.5 million.

In fact, there has been increased interest from private donors in funding scholarships, said OSAC's Dennis Johnson. In addition to administering the Opportunity Grants, OSAC also administers some 400 privately funded scholarships, up from 280 just three years ago. And Johnson said he expects that more private donors will come forward as the economy worsens. "It isn't the solution, but it's one of many solutions," he said.

"These are precarious economic times," Johnson said. But, like other higher education advocates, Johnson still thinks the Opportunity Grant is a good news story. "Without seeming like a Pollyanna, I am optimistic about the program," he said. This is the message he said he'd like to send to students: "Don't panic. There is help available." ♦

Freelance writer Kathy Witkowsky lives in Missoula, Montana.

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