MEMORANDUM

SUBJECT: Oregon Opportunity Grant Redesign
TO: Higher Education Coordinating Commission
FROM: Bob Brew, Executive Director,
HECC Office of Student Access and Completion
DATE: February 9, 2015

Background:

The Oregon Opportunity Grant (OOG) is Oregon's only state-funded need-based grant program for low- and moderate income resident postsecondary students, and is administered by the Office of Student Access and Completion. Legislative interest in the most effective use of the OOG investment led to the Oregon Education Investment Board (OEIB) giving a charge to the Higher Education Coordinating Commission (HECC) to address a series of questions concerning the design and allocation of the grant in the context of state needs. The HECC convened a Financial Aid Work Group in November of 2013 that met through the Spring of 2014, based on the following charge.

INITIAL CHARGE, STATE FINANCIAL AID WORK GROUP

Oregon Education Investment Board directives:

1. Is state financial aid as it is currently structured adequately prepared to propel us to 40-40-20?
2. Is there a different allocation methodology that would promote the ability of underrepresented students to access state financial aid?
3. Should state financial aid be redesigned to influence or reward success and completion?
4. What should be the relationship between state and institutional financial aid?
5. What data and date collection mechanisms are necessary in order to adequately track and report progress toward degrees over time?
6. How should state financial aid be redesigned in light of the bonding possibilities that would be made available if voters pass the legislative referral of SJR 1 (the Oregon Opportunity Initiative)?

Additional questions related to:
Review the Oregon Opportunity Grant and its shared responsibility model.

a. Do the elements of the shared responsibility model accurately reflect the true cost of attendance at eligible post-secondary institutions? If not, what changes are needed to create an accurate measure of cost of attendance?
b. Are the assumptions of student and family support in the shared responsibility model reflective of ability to pay? If not, what changes are needed to better reflect ability to pay?
c. Since its overhaul in 2007, has the OOG shown demonstrable improvement in access and completion for its recipients?
d. How many eligible students are unable to receive aid at current funding levels?
e. Can the intent of the shared responsibility model be maintained at current funding levels?
f. How much additional funding (state and/or institutional) would be needed to fully fund the shared responsibility model in future years?

In the course of their analysis of the questions of its charge, the Financial Aid Work Group developed the following goal: to recommend a restructured Oregon Opportunity Grant program that will both achieve the goal of improving access to higher education and vocational and technical education for promising, financially-needy underrepresented students, and stimulate the achievement of the State of Oregon's 40-40-20 goals.

The Work Group believes, if appropriately funded and awarded, the Oregon Opportunity Grant can stimulate aspirations, access, enrollment, retention, performance, and completion. Its recommendations represent the Work Group's perspective on how to best apply the State's Opportunity Grant resources at this time. In addition to recommendations for the immediate future, the Work Group offers recommendations on the long-term direction, investment, and possible future components of the Oregon Opportunity Grant and other newly created state-sponsored financial aid programs.

FINANCIAL AID WORKING GROUP'S SPECIFIC RECOMMENDATIONS

1. Restructure the Oregon Opportunity Grant to focus on improving access and completion for the most financially needy students.

2. Within the OOG students with highest financial need, prioritize funding for students from underrepresented racial and ethnic groups, based on the OEIB Equity Lens;

3. Adopt requirements of student academic progress and achievement for renewal eligibility;

4. Endorse predictability by essentially guaranteeing awards for the first two years, if renewal eligibility requirements are met, and awarding grants on a rolling application basis;

5. Strengthen the efficacy of the Shared Responsibility Model and the contribution of the grant program to the 40-40-20 goal by pursuing additional funding to more fully meet current and future financial need;

6. Establish an implementation team (including members of the Work Group to the extent possible) to develop an implementation plan and timeline to transition the Oregon Opportunity Grant, consistent with the recommendations proposed by the Work Group; and Design Team Recommendations

Following the presentation of this work at the May 2014 meeting of the Higher Education Coordinating Commission, a Design Team (aka implementation team) was formed to further explore the recommendations of the Working Group. Made up primarily of financial aid experts and former members of the Working Group, the group met five times beginning in August, and will meet again in February.

There are a limited number of variables available when redesigning an Oregon Opportunity Grant program that is funded insufficiently to meet all the unmet need defined by Statute. These variables include grant size, eligibility criteria, and the length of the award. Therefore, over the course of five meetings, the Design Group established for the following principles to guide the ultimate design recommendation:

Key Principle: Prioritize students with the highest financial need and demonstrated skills for persistence.

More specifically:

- The Opportunity Grant would be awarded to students with an Expected Family Contribution (EFC) of $0, as calculated by the Free Application for Federal Student Aid (FAFSA), thereby supporting those with the highest financial need. If additional funds are available beyond this threshold need, additional grants would go to students with an EFC up to $500, then to students with an EFC up to $1,000 and so on.

- In order to reward persistence, the amount of the award would be set at a minimum of $2,100 for the first year awarded for $0 EFC students, and be guaranteed for the first two years of attendance, provided students maintain satisfactory academic progress. This second component prioritizes supporting students that demonstrate promise toward completing a degree, certificate, or credential.

- The application deadline for receiving the Opportunity Grant would be set for a later date; potentially as late as August. The deadline currently falls on February 1. Moving the deadline would increase access for those who, for a variety of reasons (i.e. loss of job, lack of college-going support, etc.), do not apply for aid until just before the beginning of the academic year.

Recommendation and Request for Endorsement:

Based on discussions with the Design Team and members of the Higher Education Coordinating Commission, staff recommends Commission endorsement of a redesign of the Opportunity Grant with the following parameters:

- Students with expected family contribution (EFC) of $0 per the FAFSA and meeting the income eligibility requirements of the Federal Pell Grant would receive an Oregon Opportunity Grant.
- Students with expected family contribution (EFC) of $0 per the FAFSA and meeting the income eligibility requirements of the Federal Pell Grant would receive an Oregon Opportunity Grant (OOG) of $2,100 toward their school expenses in their first year of eligibility, if they attempt and complete 12 credits per term/semester for the entire school year. Students taking between 6 and 11 credits per term/semester will receive an award of half that amount.
- Students who successfully complete their first year of eligibility under the grant and meet the Satisfactory Academic Progress requirements as set forth by the Pell Grant program or their school (if more stringent), will be guaranteed receipt of the OOG for their second year of eligibility at the same award levels, provided they still meet income requirements. They will still be required to file a FAFSA.

- Students in their third and fourth years of eligibility will be eligible to receive the OOG, although there may he higher academic standards set for continued participation. The award for years three and four would be $2,000 for full-time (i.e. 12 hours per term/semester) for each of two years. Half-time students' awards would be pro-rated.
- If funds remain after serving all $0 EFC students, the list of eligible students will be expanded to include students with an EFC of $1, then $2, and so on.
- The application date will be moved as late as possible, potentially as late as June, depending on the number of $0 EFC student FAFSAs filed by that time.
- The redesign, if approved, will not take effect until the 2016-2017 academic year.
- Based on the Current Service Level Budget of $117 million, approximately $57.3 million will be spent on awards for the 2015-2016 academic year, and approximately $59.7 million will be spent on the 2016-2017 academic year.
- The maximum award for 2015-2016 and 2016-2017 will be $2,100 with an estimated average award size of $1,680. We would expect to serve roughly 34,100 students the first year and 35,500 the second year of the biennium.
- If the 2015-2017 budget approved by the Legislature approaches the $142 million mark proposed by the Governor, the additional funds (Approximately $25 million) could be used in the second year of the biennium to fund an additional 12,600 awards.

Action requested: Endorse/not endorse above recommendation.

Recommendation and request for further development:
As stated above, a full-time Opportunity Grant is available to a student taking 12 credits per term, and a student can receive the OOG for up to four years of full-time study. A student taking 12 credits per term (or 36 credits per year) would accumulate 144 credits by the time their OOG eligibility expires; however, most Bachelor's degree programs require 180 credit hours to complete. A student with only 144 credits would need another full year to complete their degree.

It is estimated that a typical student who completes his or her degree in four years will realize $175,000 more over the course of his or her lifetime when compared with a student who takes five or six years to complete. The delta includes one to two years of additional employment, one to two fewer years of accumulated loans, one to two fewer years of tuition, fees and living expenses, and so on. It is clearly in the student's best interest to finish in four years, if they can.

It is also in the state's interest to incentivize students to complete in a timely manner. The sooner a student completes his or her studies and is gainfully employed, the sooner they are contributing to the workforce, economy and tax base of the state.

The state of Indiana recently changed the definition of full-time for their need grant program to be 15 credit hours per term/semester (versus the 12 credit threshold in Oregon) and saw very large gains in students taking the heavier class load and graduating in four years.

HECC staff is requesting the Commission's endorsement to develop a proposal we are provisionally calling the "Oregon Tuition Promise." Under this proposal, all the benefits and requirements of the Design Team's recommended model would remain in place for students taking 12 credit hours per term (36 per year); however, if a student chooses to increase their class load to 15 credit hours a term (45 per calendar year), the State of Oregon would increase their Opportunity Grant award the following year to offset any increase in tuition at their home institution.

- For example, a student receives a $2,100 full-time award as a freshman, but completes 45 credits over the calendar year (three terms plus summer term). In their sophomore year, full-time tuition at their college increases by $500. Rather than the $2,100 award they would expect had they taken only 36 credits as a freshman, their Opportunity Grant amount would be $2,600 ($2,100 + $500).

Staff believes such an incentive model could yield strong results, if the pattern in Indiana is any indication.

Students receiving the base award in 2016-17 would be eligible for the "Tuition Promise" award increase starting in 2017-18 and for subsequent years. The full cost of the program would not be known until year five.

Since this would be an entirely new model with no history on its success in Oregon, we would anticipate hiring a professional data modeler to help us model participation and cost estimates for future years.

Action requested: Endorse/not endorse further development of the Oregon Tuition Promise concept.