

STATE-FEDERAL PARTNERSHIPS IN POSTSECONDARY EDUCATION

# RETHINKING THE FEDERAL-STATE PARTNERSHIP FOR FREE COMMUNITY COLLEGE: EARLY INDICATORS FROM OREGON



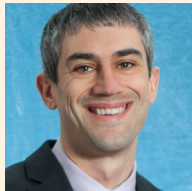
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Ben Cannon and Jennifer Joyalle

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## ABOUT THE AUTHOR



**Ben Cannon** has served as executive director of the Higher Education Coordinating Commission since 2013. In this position, Cannon oversees state funding allocations, policy-setting and coordination for all of Oregon's higher education system, including community colleges, public universities and state financial aid. Cannon is a former teacher, state representative and education policy advisor to the governor. Elected three times to the Oregon House of Representatives (2006-2011), he chaired House committees with jurisdiction over environment, energy and water policy, and served on committees related to health care and education. From 2003 to 2011, he taught humanities to middle school students at the Arbor School of Arts and Education. He earned his bachelor's from Washington University, St. Louis, and attended Oxford University, England, on a Rhodes Scholarship, earning graduate degrees in comparative and international education and philosophy, politics and economics.



**Jennifer Joyalle**, M.Ed. is a third year doctoral student in Portland State University's Public Affairs and Policy doctoral program where she is studying the fiscal policies of public education. Jennifer currently teaches at PSU in the Civic Engagement Undergraduate Minor and has taught in the University Studies Senior Capstone program through the Women's Studies department in years past. For more than a decade, Jennifer taught in the Portland Public Schools as a middle school teacher in a service learning program based on relationship, leadership and community building. Jennifer's work in this project was supported through PSU's Center for Public Service.

## DISCLAIMER

This policy brief was prepared by Ben Cannon and Jennifer Joyalle in their personal capacity. The opinions expressed in this article are the authors' own and do not reflect the view of the Oregon Higher Education Coordinating Commission or Center for Public Service. The recommendations provided are provided from personal opinion and research and should not be taken as a directive from the Higher Education Coordinating Commission or Center for Public Service.

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# EXECUTIVE SUMMARY

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Since the depths of the 2009-10 recession, the U.S. economy has added approximately 11.6 million new jobs with nearly all this net gain involving jobs that require at least some post-secondary education.<sup>1</sup> Given this reality, state policymakers have increasingly recognized the importance of expanding access to higher education, including certificate and degree programs at community colleges and four-year universities.

In 2011, the Oregon Legislature set an explicit policy goal known as “40:40:20” to guide efforts to improve educational attainment. The goal states that by the year 2025, 40 percent of adult Oregonians will hold a bachelor’s degree or higher, 40 percent will have earned an associate’s degree or post-secondary credential, and the remaining 20 percent will have earned a high school diploma or its equivalent. It’s an ambitious goal. Today, just 31 percent of Oregon’s adults have a 4-year degree or higher, with an estimated 17 percent having an associate’s degree or post-secondary credential. Of the remaining 52 percent, an estimated 10 percent still lack a high school diploma or its equivalent.<sup>2</sup>

In 2015, the Oregon Legislature took a bold and highly visible step toward this goal by enacting the

Oregon Promise Program (ORP), which was framed as providing “tuition-free” community college to qualified recent high school graduates. The effort garnered national headlines, putting Oregon in league with just a handful of other states (most notably Tennessee) with new policy initiatives that explicitly invoke the “free community college” label. In addition to citing the importance of achieving the 40:40:20 goal, ORP advocates pointed to the large body of employer-reported data that noted the need for a more educated workforce that would help them thrive in a competitive business environment while also helping fuel economic growth.<sup>3</sup>

This paper examines ORP and its tuition free community college framework. The paper has three parts:

- A description of how ORP is constructed and operates, especially in relation to other federal and state financial aid programs such as Pell Grants and the Oregon Opportunity Grant.
- A discussion of two key shortcomings - and one noteworthy benefit to date - of the ORP program as currently constructed that affect both its reach and equity-related impact.



## EXECUTIVE SUMMARY

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- Recommendations for how ORP might evolve and even become a catalyst for new state-federal partnerships that could better accomplish the shared policy goals of increased access to post-secondary education, especially for low income and first-generation students.

Though enacted in 2015, the first ORP students are just beginning their post-high school studies. Over 10,000 prospective community college students successfully applied for ORP in this first year - though it remains to be seen just how many students will receive full ORP funding by following through to enroll and stay in school during 2016-17.

That said, two things are already clear. First, ORP represents an innovative step in the evolution of state higher education financial aid policy with data that suggest it is already moving the needle to make community college more accessible to students. Second, it's clear that ORP's impact could be significantly greater if it was better-integrated with other existing programs, especially the federal government's Pell Grant program. Rather than being an "add on" to existing federal policies, the lesson from Oregon's experience to date is that this and similar initiatives can and should be part of a coordinated and well-designed state-federal partnership.



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# HOW THE OREGON PROMISE PROGRAM WORKS

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The public framing of the ORP is expansive – tuition-free community college for qualified students. In working its way through the 2015 Oregon Legislature, proponents predicted it would reach 4,000 to 6,000 students. At the same time, the 2015 legislature’s commitment was relatively modest – \$10 million for the 2016-17 school year, or roughly \$1,500 to \$2,500 per recipient.

Key to ORP’s approach is its framework as a “last dollar” program, intended to build upon and supplement resources available from other federal and state aid programs to achieve the goal of free community college. It’s also important to recognize that lawmakers designed ORP to be targeted at relatively younger students recently graduated from high school – who in many cases may still be able to live at home and thereby reduce their living expenses. More specifically, eligibility for ORP is restricted to recent high school graduates or General Educational Development (GED) recipients. In addition to requiring that students specifically apply for the ORP program, they must also meet these criteria:

- Students must complete and file the Free Application for Federal Student Aid (FAFSA) form, a program administered through the U.S. Department of Education that requires prospective students to disclose certain financial information about themselves, and in many cases similar information about their parents or legal guardians.
- Students must agree to accept any grant offered to them by the federal or state government.
- Students must have a minimum 2.5 cumulative high school GPA or a passing GED score of 145 on all tests.
- Once they qualify for ORP funds and enroll in community college, students must pay \$50 per term.
- Students must complete at least six credits per term, and must attend at least three terms per school year.

Under ORP, once all these requirements are met, students may attend any of the 17 community colleges in Oregon free of tuition costs for up to 90 credits (the equivalent of two years of full-time enrollment).<sup>1</sup>

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<sup>1</sup> The law (SB 81, 2015) establishes that awards shall be based on average tuition at the 17 community colleges or the student’s actual tuition, whichever is less. As a result, students attending colleges that are more expensive than average may see some unmet tuition costs. Awards are pro-rated for students who enroll as less than full-time (currently defined as 12 credit hours per quarter).

Because federal or state grants must be applied toward tuition costs before the ORP contribution covers the remaining portion, the program is considered a last dollar approach. In addition to Pell Grants, many students are also eligible to receive Oregon’s need-based grant program, the Oregon Opportunity Grant (OOG), which currently disburses over \$70 million a year. Only after a student has applied for – and agreed to accept – all resources available from these two programs are they eligible to receive additional money from ORP.

In crafting ORP, lawmakers anticipated that many applicants would qualify for and receive federal assistance through the Pell Grant program. For the 2016-17 school year, qualified students can receive up to \$5,815 a year from this program. This amount is nearly double the full-time tuition costs for most of Oregon’s 17 community colleges, which typically fall between \$3,000 and \$3,500 for the 2016-17 school year. Students who qualify for less than the maximum Pell and/or OOG award – or who do not qualify for any means-tested federal or state financial aid – can still qualify for ORP as long as they meet the other requirements listed above.

**TABLE 1: FINANCING PROJECTIONS ASSOCIATED WITH THE OREGON PROMISE PROGRAM (ORP) (2016-17)<sup>4</sup>**

FUNDING SOURCE	AMOUNT APPLIED TO TUITION	AMOUNT APPLIED TO OTHER COSTS OF ATTENDANCE	TOTAL AMOUNT
PELL GRANT (FEDERAL)	\$17.1 million	\$9.8 million	\$26.9 million
OREGON OPPORTUNITY GRANT (STATE)	\$0.5 million	\$10.6 million	\$11.1 million
OREGON PROMISE PROGRAM FUNDING (STATE)	\$16.0 million	\$4.3 million	\$20.3 million
STUDENT CO-PAYS	\$0.8 million	\$0.8 million	\$1.6 million
<b>TOTAL</b>	<b>\$34.4 million</b>	<b>\$25.5 million</b>	<b>\$59.9 million</b>

*Assumes every applicant enrolls full-time for the academic year*

By examining data from the valid ORP applications to date (and their associated FAFSAs), it becomes evident just how greatly the program depends on federal Pell Grant funding. If all 10,379 ORP applicants enrolled full time for the 2016-17 school year, they would incur a total tuition cost of \$34.4 million.<sup>2</sup> Pell Grants would cover \$17.1 million of that total, or about half, while defraying an additional \$9.8 million of non-tuition related expenses for low-income students. The OOG and students' quarterly "co-pays" would pick up an additional \$1.3 million of tuition costs, leaving the ORP to pick up the remainder, \$16.0 million (see Table 1). While the assumption that every ORP applicant will enroll full-time significantly overestimates the actual cost of the program, this approach is nevertheless a reasonable way of projecting the proportion of funding that will be derived from each source.

While the Pell Grant is a core element of both the federal financial aid system and ORP, no formal coordination exists between the federal and state agencies delivering student financial aid. However, there's clearly a broad alignment of purpose among

these entities. The stated purpose of the Pell Grant, to promote access to postsecondary education, reflects the national effort to address equity based challenges within our higher education system, and advances the broader U.S. Department of Education mission "to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access."<sup>5</sup> Both of these missions align with the missions and goals of various Oregon policy initiatives and programs - among them the 40:40:20 plan, the OOG and ORP.

That alignment makes it possible for Oregon to utilize the federal Pell Grant program, relying on Pell dollars as a foundation for the ORP. However, by working to incorporate the federal program into the structure of the state program - rather than explicitly coordinating between a full range of state and federal programs and agencies - the structure of the Pell Grant program significantly limits the flexibility ORP has to achieve the maximum impact possible for promoting access to higher education.

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<sup>2</sup> "Total tuition" here reflects the total allowable tuition under the ORP (see prior footnote) and assumes that every applicant enrolls for 12 credits per quarter or 36 credits for the 2016-17 academic year.



# TWO INITIAL KEY SHORTCOMINGS - AND ONE NOTEWORTHY BENEFIT - OF ORP'S EFFORT TO INCREASE COMMUNITY COLLEGE ENROLLMENT

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## **1) WHILE ORP IS CLOSELY INTEGRATED WITH EXISTING FEDERAL PROGRAMS LIKE PELL, THE RESULT IS STILL NOT A TRUE STATE-FEDERAL PARTNERSHIP - ADDING COMPLEXITY TO AN ALREADY COMPLEX FINANCIAL AID SYSTEM**

In 2012, among high school graduates from the top 20 percent of high-income families - defined as those with incomes of \$95,500 and more - one study found that 82 percent enrolled in postsecondary education immediately following graduation. For middle-income families (\$34,000 to \$55,000) - the enrollment rate was just 65 percent. For low-income families making \$18,300 or less, only 52 percent enrolled. Despite 30 years of concerted efforts - especially that of the Pell Grant aid program, which in 2014-15 disbursed about \$30 billion - to increase equity in postsecondary enrollment and completion, the percentage of low-income students who do not enroll (much less complete their post-secondary degrees) remains unacceptably high.<sup>6</sup>

The Pell Grant program is designed to help all students with low incomes cover the costs of postsecondary education. But studies also reveal that many college students who would qualify for Pell Grant money do not even apply for the aid. A 2015 report by the Center for American Progress - which characterized the process of securing federal financial aid support as "a series of mountains instead of open doors"

- found this problem especially acute among community college students.<sup>7</sup> Another review of U.S. Department of Education data calculated that for the 2014-15 school year, 9,546 Oregon high school students who were eligible for Pell Grants didn't apply for them, leaving about \$32 million of Pell dollars on the table.<sup>8</sup>

The various reasons for prospective college students not pursuing Pell Grants are reflected in the findings of the National Postsecondary Student Aid Study, which analyzed survey responses of students who did not apply for financial aid. The most common reasons included students believed they were ineligible; they felt they did not need financial aid; they did not want to take on debt; they had no information on how to apply; or the forms were too much work.<sup>9</sup> Out of the students surveyed, about a third would have qualified for the Pell Grant - and about a sixth would have qualified for a full Pell Grant.<sup>10</sup>

These results are further differentiated by the type of institutions. Students at community college were found to be far less likely to apply for aid than individuals attending four-year colleges and similar institutions.<sup>11</sup> Another, older analysis (from 2007-2008) found that less than half of students at community colleges had even completed the FAFSA, which is a necessary first step in applying for Pell Grant assistance.<sup>12</sup>

Especially for low-income and/or first-generation students considering some type of college, there is substantial evidence that the application process itself creates a significant barrier.<sup>13</sup> Even though the Obama administration has taken recent steps to simplify the FAFSA with its more than 100 questions, many still view the process as “unnecessarily complex.”<sup>14</sup> Studies have identified several factors in particular which disproportionately discourage low-income applicants from completing the application. The factors include the complexity and the amount of information required; the need for detailed parental information that may be difficult to obtain due to family circumstances; expectations of parental support that may not be realistic; unclear deadlines; prospective students’ general lack of knowledge about the available aid program; and the tendency of many prospective students to overestimate the costs of postsecondary education, thus discouraging them from pursuing a postsecondary education at all.<sup>15</sup>

By design, students must first file a FAFSA to be eligible for ORP; only then can they separately apply for ORP. As noted above, the complexities of just the first step – FAFSA – have been well documented,<sup>16</sup> creating what some reports deem a “gauntlet” of barriers that can be especially challenging for poorer and first-generation students to navigate.<sup>17</sup> And as a state-specific program, the ORP acts independently without federal guidance or collaboration, thereby adding another layer of application to that gauntlet.


## **2) THE “LAST DOLLAR” APPROACH OF ORP RAISES EQUITY QUESTIONS FOR THE STATE AND STUDENTS**

As ORP is currently designed, a number of equity issues arise for both the state and the students – those the state and federal programs aim to serve.

Given the growing costs of postsecondary education, the gap between those who can afford higher education and those who qualify for the Pell Grant is widening. Adjusted for inflation, the average cost of community college tuition and fees today is almost 2.5 times what it was in 1985.<sup>18</sup> During the same 30-year period, real median family income rose just 13 percent.<sup>19</sup> With community college costs growing faster than family incomes, an estimated half of all community college students have unmet financial need.<sup>20</sup>

For several decades, Pell Grants have been unable to keep up with the rising price of post-secondary education. Even for public community college – among the lowest priced post-secondary options – for the 2016-17 school year the maximum Pell Grant is just \$5,815. And for many community college students, for example, those responsible for paying part or all of their housing and food expenses, non-tuition costs can often exceed tuition charges, and it’s these costs that can pose an even bigger barrier to college attendance and success.<sup>21</sup>

As a 2013 report by the Committee for Economic Development notes, “[t]he federal government’s current financial aid system is based on a set of assumptions that no longer hold ... In the past, institutions could expect that support in the form of direct state funding or federal financial aid would increase as fast as their prices, guaranteeing a steadily rising source of revenue.”<sup>22</sup> Today, with the divergent and widening trajectories between total community college costs and available funding, it is critical to ORP’s success that policymakers recognize the limits to the purchasing power of Pell Grant funding – even in combination with other federal and state financial aid programs.



In crafting the ORP, Oregon legislators also wanted to assist students who do not qualify for any Pell Grant assistance, but who still need financial assistance to make postsecondary education a reality. At the other end of the need spectrum – for those students receiving the maximum Pell Grant – ORP was also designed to recognize the non-tuition part of the community college cost equation.

By design, state ORP dollars can flow to those with relatively small amounts of financial need – or even none – as defined by the FAFSA. Because the program is universal, even students whose Expected Family Contribution reflect relatively affluent circumstances are entitled to receive the full award under the program (\$3,248 for 2016-17). This is true even while low-income students may face thousands of dollars of expenses related to non-tuition costs that the program doesn't explicitly cover, including housing, food and transportation.

To help address this equity issue ORP provides a minimum \$1,000 grant to *all* accepted applicants. This means that a low-income student who can cover his/her full tuition costs through the Pell Grant and/or OOG will also receive the additional

ORP minimum \$1,000 grant, delivering some redistribution of state funds to those with the most financial need. (Since Pell Grants are restricted to U.S. citizens and eligible non-citizens, while the ORP program has no citizenship-related requirements, it's also possible that low-income students among these ranks may qualify for the full ORP award, another way in which ORP addresses one aspect of the equity issue regarding student access to higher education.)

A review of preliminary data from ORP's 2016-17 inaugural year shows the importance of this component in steering some ORP funds to those with the greatest needs. Of 10,379 applicants, nearly half had an Expected Family Contribution (EFC) of less than \$3,500 (and nearly 1/3 had an EFC of 0). At the other end of the income spectrum, 939 had an EFC of \$30,000 or higher.

Still, state funding for the program seems likely to flow disproportionately to less needy students. If 2016-17 enrollment reflects current ORP application patterns, nearly two-thirds of state funding for the program will flow to the top 40 percent most affluent students (see Table 2 below).

**TABLE 2: PROJECTED OREGON PROMISE PROGRAM FUNDING, 2016-17, BY EXPECTED FAMILY CONTRIBUTION QUINTILE <sup>23</sup>**

<b>APPLICANTS, BY EFC QUINTILE</b> (EACH QUINTILE CONTAINS 2,076 ORP APPLICANTS)	<b>EFC RANGE</b>	<b>PROJECTED ORP STATE FUNDING</b>	<b>PROPORTION OF TOTAL ORP STATE FUNDING</b>
<b>FIRST</b>	\$0	\$1.87 million	9.2 percent
<b>SECOND</b>	\$0 - \$1,769	\$1.78 million	8.7 percent
<b>THIRD</b>	\$1,770 - \$6,894	\$3.62 million	17.8 percent
<b>FOURTH</b>	\$6,895 - \$17,692	\$6.53 million	32.1 percent
<b>FIFTH</b>	\$17,710 and above	\$6.53 million	32.1 percent

*Assumes every applicant enrolls full-time for the academic year*

Of course, many of the ORP applicants incorporated into these projections will not enroll at a community college in fall 2016. Others will enroll, but will not complete the year. Many will

go part-time. How those patterns play out and vary among income groups during the next and subsequent academic years will help determine the final impact of the program.

### 3) BENEFIT OF THE “FREE TUITION” BRANDING

ORP is a pilot – and as noted earlier, still a relatively limited one given the \$10 million first-year appropriation. But it also has significant potential to alter how potential community college students see their ability to afford higher education, and in that sense may have an impact far beyond the size of its initial appropriation.

Proponents of ORP have suggested that by making highly visible the concept of “free community college” – even though, technically, this only applies to the tuition portion of that expense – prospective students will have a significant new incentive to complete the FAFSA process, despite its current complexity. This in turn will reveal what many of them currently do not know or believe – that community college may be significantly more accessible to them through the combination of all existing federal and state programs than they originally believed. As noted earlier, many students (especially low income and first-generation students) often erect their own barriers to pursuing post-secondary education. They overestimate college costs, view college attendance as unattainable or hesitate to make a commitment to college due to financial concerns. Research has shown that students as young as 11 years old may raise their expectation for academic success and have higher motivation to succeed in school when they believe they’ll have the future ability to financially access higher education, paid for with need-based financial aid.<sup>24</sup>

So even though the advertised “guarantee” to free community college is confined to the tuition side of the cost equation, proponents argue that the early communication of ORP is still likely to benefit students, especially non-traditional students<sup>25</sup> and students who would not necessarily be considering college enrollment directly out of high school.

But just how well is this “branding promise” working for students? While enrollment and completion data for ORP students do not yet exist, the application process for the 2016-17 program provides several tantalizing hints.

First, while the number of high school students completing FAFSAs nationally declined by about 3 percent between 2015 and 2016, in Oregon the reverse was true.<sup>26</sup> Through September 2016, the number of Oregon high school students who completed FAFSAs rose by a nation-leading 11.4 percent over the same time period the prior year, even while the total size of Oregon’s senior class had increased only slightly over the year before.<sup>27</sup> The state’s remarkable gain in FAFSA completion, which represents more than 2,300 additional Oregon students potentially qualifying for federal aid, almost certainly owes to ORP’s requirement that students complete the FAFSA or its alternative in order to qualify for the program. ORP’s launch also happened to coincide with what has been a growing state emphasis on FAFSA completion over the last several years, including through the Higher Education Coordinating Commission’s FAFSA Plus initiative, College Goal Oregon events held statewide, and initiatives and programs led by college access organizations, K-12 schools and districts and numerous other partners.

Second, ORP’s 2016-17 applicant pool appears to come close to reflecting the racial/ethnic diversity of Oregon’s school-age population, although with non-trivial differences between the experience of different groups. Overall, of students who submitted ORP applications for 2016-17 (including valid FAFSAs or their approved alternative), 32.8 percent identified as non-white. This compares with 35.4 percent of the students who began their 12th grade year at an Oregon public school in fall 2015 (see Table 3).

**TABLE 3: OREGON PROMISE PROGRAM APPLICANTS BY RACE/ETHNICITY, COMPARED WITH 12TH GRADE ENROLLMENT<sup>28</sup>**

RACE/ETHNICITY	PERCENT OF OREGON 12TH GRADERS, 2015-16	PERCENT OF 2016-17 ORP APPLICANTS
AMERICAN INDIAN/ ALASKA NATIVE	1.6	1.0
ASIAN	4.1	4.2
BLACK	2.7	1.6
HISPANIC	21.3	20.1
PACIFIC ISLANDER	0.6	0.6
TWO OR MORE RACES	5.0	5.3
UNKNOWN	N/A	3.2
WHITE, NON-HISPANIC	64.6	64.0

While these initial data points suggest that ORP is helping a diverse population of Oregon high school and GED graduates see themselves as potential college students, any conclusions about

the program's branding effect will depend on how many of these students actually enroll in community college and, even more importantly, how many of them succeed in earning certificates and degrees.

# TOWARD A MORE EFFECTIVE STATE-FEDERAL PARTNERSHIP

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Even if the free community college tuition brand promise leads to more low-income students who are willing to pursue the possibility of community college, the nation's convoluted financial aid system will continue to present significant barriers to many students. As noted earlier, those who are most in need of financial aid – low-income students and first generation college students – are now the least likely to complete the FAFSA.<sup>29</sup> While ORP provides an additional incentive for these students to complete the FAFSA, the ORP by itself does not address the problems inherent in FAFSA completion. To the contrary, its separate application and administration creates just another hurdle for students to overcome.

Even if ORP does prove itself capable of spurring increased community college enrollments from a diverse set of Oregonians – and of course, that can't be fully known until the 2016-17 academic year is well underway or even completed – the experience to date suggests that a far more effective approach involves building a coordinated state-federal partnership. For example, rather than require students to fill out multiple applications, the FAFSA and OOG application processes could be folded into a single streamlined application.

## **THE UNCOORDINATED COMBINATION OF FEDERAL AND STATE FUNDING ALSO RAISES SERIOUS QUESTIONS ABOUT THE PROGRAM'S FISCAL SUSTAINABILITY.**

ORP's core brand promise – tuition-free community college – implies that recipients will receive the guaranteed purchasing power of 100 percent coverage of tuition costs. But these costs depend on factors largely outside of ORP's control. Without inter-governmental coordination, last dollar funding leaves the state or potentially students liable for absorbing future tuition expenses. The Pell Grant's history illustrates the problem – tuition hikes in the last 30 years have far outstripped the rise in maximum Pell Grant awards, creating larger and larger gaps in college affordability.

Community colleges and their boards have the power to set tuition rates, including the ability to raise them to cover higher personnel costs or pay for new infrastructure. Does ORP guarantee that it will make up the difference when community colleges raise their tuition in order to keep its tuition-free promise? Or, if ORP caps its award or limits any increase to a specific tuition inflation rate, might the student see the value of his/her grant decrease proportionally?

In addition to raising questions about ORP's sustainability, this dynamic could undermine ORP's core policy premise and reduce the state's ability to deliver a tuition free community college program. Negative changes in Pell Grant awards also could seriously compromise the financial viability of ORP. Concerns about colleges raising tuition and concerns about federal Pell Grant stability are difficult to address in a last dollar program administered at a single governmental level. Without coordination between the contributing agencies, ORP and ultimately the students might become primarily responsible for absorbing rising costs – while other stakeholder agencies have little added liability and little incentive to coordinate efforts to minimize the potential uncertainty for the ORP or the students.

#### **WORKING TOWARD THE SAME GOALS: WHAT IF THE ORP EVOLVED INTO A TRUE FEDERAL-STATE “PARTNERSHIP?”**


If the ORP represented a true partnership between federal and state programs, what might it look like?

Improvements targeting the Pell Grant program have been the subject of numerous policy review papers. Some of the policy recommendations regarding ways to improve the efficiency and responsiveness of the Pell Grant program include streamlining the application process, better coordination between agencies, applying different rules to different populations to better target specific needs, and reducing the burden on applicants.<sup>30</sup> As research suggests, enabling those who would not otherwise attend college to make the choice to enroll is the most efficient use of grant-based aid.<sup>31</sup> Early commitment programs, providing low-income students a promise of financial aid, show increased college enrollment.<sup>32</sup>

The ORP is an example of a state-based program similarly aimed at making the Pell Grant program more effective by enabling more individuals to attend community college who might not otherwise continue to postsecondary education. ORP's policy goal of tuition-free community college arguably advances both federal and state government policy objectives.

Accordingly, state and federal officials should actively explore new opportunities to establish a more formal alignment of these goals across their respective agencies and jurisdictions. A coordinating effort to pool Pell dollars with state dollars for community college might further encourage more low-income and first generation students to pursue a community college degree. For colleges like Oregon's Treasure Valley, Blue Mountain and Klamath Community Colleges, for example, where at each more than two-thirds of degree-seeking students already receive Pell Grants, it would take little in the way of additional public resources to make the college truly tuition free for all students. State and federal policymakers should explore repurposing their grant programs into direct assistance to some colleges – in exchange for a commitment by those institutions to simply stop charging tuition altogether. While it would be critical to preserve access to financial aid (need-based grant assistance, as well as borrowing) for students who continued to have unmet living expenses, under this approach there would be no need for a separate application in order to, in effect, be reimbursed by the state for the cost of tuition. Free would really mean free – no sticker price to consider, no financial aid gauntlet to run, no fine print. At-risk students for whom the FAFSA presents the greatest barrier, including first-generation and undocumented students, would potentially stand to gain the most.





Besides appealing to students, a partnership of this type could also create significant benefits for the government agencies involved and, ultimately, the taxpayer. Simultaneously operating two (or three, including the Oregon Opportunity Grant) separate state and federal grant programs in order to create the promise of free (or almost free) involves extra layers of administration. And because an agreement along these lines would have to be negotiated between a college and its state and federal funders, commitments could be sought with respect to cost control (to address long-term sustainability) and student outcomes (to ensure accountability).

Like for any ambitious new policy concept, including ORP, it is challenging to foresee every unintended consequence. An approach such as the one suggested here – where federal and state funders would replace much or all of their grant-based aid with institutional support in order to secure a commitment from the college to be truly tuition-free – would benefit from a small-scale pilot. The policy’s architects would need to consider whether to restrict the benefit to a small subset of the college’s population (like ORP does for recent high school graduates and GED recipients) or to open it up to all students. As with ORP, it would be important to test the impact of the new policy on enrollment and completion, especially with respect to underrepresented students. In order to minimize the risk (or even the perception) that the approach would lure large numbers of more affluent students who could likely afford to pay for community college tuition, it would be prudent to pilot this at a community college that resides in a relatively isolated and low-income part of the country.

Simplifying the aid process has been shown “to be (by several orders of magnitude) the cheapest way to increase college attendance.”<sup>33</sup> Without intending to, last-dollar programs such as the Tennessee and Oregon Promise have in fact made the aid process more complex, not less. But these programs have also served to highlight (a) the significant mileage that can be gained with prospective students and their families through the promise of free, and (b) the fact that it requires relatively little new funding to finance free tuition over and above existing federal and state grant programs. This is particularly true for student populations, like those at the majority of the country’s community colleges, that rely heavily on the Pell Grant and state need-based aid in order to pay for their educations.

#### **STEPS TO ACCOMPLISH**

If we want to incorporate a federalist approach to college financing, we should seek “to align goals across the system so that all actors are working on the same problem: increasing access to higher education for students who would not otherwise attend.”<sup>34</sup> The ORP is an example of Oregon’s effort to encourage increased enrollment in postsecondary education by recent high school graduates and GED recipients. If community college tuition should be free, or near free, coordination between those federal and state agencies with substantial influence over the system’s dynamic elements will be essential to achieving the long-term goal and maximizing the impact of the dollars devoted (from all sources) toward this important goal.



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## ABOUT THE INITIATIVE

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Education Commission of the States coordinated the creation and dissemination of a series of policy briefs focused on the interaction between state- and federal level policies pertaining to higher education. The briefs are composed by a diverse collection of education policy and thought leaders representing state and federal perspectives. The goal of this collection of briefs is to highlight how federal and state higher education policies can provide a cohesive policy playbook to support student success and the progression toward meeting aggressive attainment goals.

The brief production process began in late-summer 2016 with authors beginning the writing process. Dissemination of the briefs was provided through informal policy briefings with state and federal audiences through fall 2016 and the public release in December 2016. Topics explored in the briefs include, but are not limited to, financial aid, data policies, funding, the “triad” and workforce needs.

Education Commission of the States would like to thank the two core funders for this initiative, the Bill and Melinda Gates Foundation and Lumina Foundation, for their support of this paper series and the ongoing work with federal and state higher education policies. Both foundations understand the necessity of marrying federal and state higher education policies to better serve students and citizens. Education Commission of the States would also like to thank the brief authors for their hard work and dedication to this important topic.



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