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## Estimation of the Cost of an Oregon Promise

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## **Estimation of the Cost of an Oregon Promise**

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### **Introduction and Summary**

This report offers an estimate of the cost of a statewide scholarship program for the State of Oregon that has a similar program structure as the existing Kalamazoo Promise. It is assumed that the proposed Oregon scholarship program would begin in the fall of 2013, and the full cost of the scholarship would not occur until 2016 when four years of scholarship-eligible students are enrolled in college. This report includes estimates on the scholarship costs, as well as, costs associated with administering the scholarship program.

The proposed scholarship program would be available to all Oregon K–12 students who have lived in the state continuously during the final four years of their secondary education, regardless if they attended public or private schools or were home schooled. The scholarship could be used at any publicly or privately accredited post-secondary college or university in the state with a tuition cap equal to the highest public university tuition which is currently the University of Oregon.

The projected costs of two types of scholarship programs are estimated. The first is a “first-dollar” scholarship program which is not means tested and is open to all eligible students in the state. Eligible students would not have to seek additional federal, state, or private funds for tuition. The second scholarship program is a “middle-dollar” program where the Oregon Promise funds would be awarded after Federal Pell and Oregon Opportunity Grants (OOG) are calculated; however, institutional merit scholarships and other private scholarships are not considered.

All of the report’s tables are located in Appendix A of the report. A PowerPoint summary presentation of the report’s findings is attached in Appendix B.

As shown in Table 1, the proposed scholarship would be expensive. During the fourth year when the scholarship’s first-year students are attending their final year of college, the first-dollar scholarship program would cost just over \$348 million. The middle-dollar option would lower the cost to \$284 million. The cost of the scholarship program would only increase in the later years because of greater usage as its availability encourages more students to attend college and because of the ever rising cost of tuition.

These cost estimations depend upon a large set of assumptions and forecasts to which we will now turn.

## Key Assumptions and Forecasts

### *Forecast of student enrollment and residency duration*

The driving force in estimating the costs of the proposed Oregon Promise is the forecast of future enrollment in the state's various K–12 school programs. To forecast school enrollment for public, private, and parochial schools, we used a cohort-survival model with a five-year moving average to forecast the school enrollment for each grade from K–12 in the state. Overall, we forecast that enrollments will increase by a 0.7 percent average annual rate during the period as shown in Table 2.

Estimations of the number of children currently being home schooled are not readily available, and future trends in home schooling in the state are unknown. Nevertheless, as shown below, if a student is home schooled only during the elementary grades and graduates from a public, private, or parochial high school, he or she will be captured in our estimates.

As difficult and important a task as it is to derive a reasonable forecast of future student enrollment in the state, estimating the future student's residency eligibility is even more demanding. The proposed Oregon Promise has a residency requirement based on the Kalamazoo Promise which is shown in Table 3.

Therefore, it is necessary to forecast the length of residency of future high school graduates. Of course, we do not have access to individual student records to make these estimates. Instead, we use U.S. Census migration estimates for the state for the period 2007 through 2011.<sup>1</sup> In aggregating migration data for the four-year period, we found that 57 percent of the state's 18-year-olds were born in the state. These data suggest that the probability of moving from the state during the first 17 years of life is approximately linear at 4.5 percent per year. As shown in Table 4 below, of the 13,734 high school graduates attending college in Oregon in 2012, we estimate that 7,904 started in Kindergarten and stayed in Oregon for their entire primary and secondary education. Since we are basing our residency estimates by “working backwards” from the graduation class—4.5 percent of the class is estimated to have moved into the state each year—we estimate the high school graduates' length of residency regardless of type of schooling they attended, including home schooling.

### *Estimated number of students using the scholarship*

Students could use their Oregon Promise scholarships to attend any accredited public or private, in-state colleges or universities in the state. They would receive funding for up to 130 credits, to be used within six years of high school graduation (with deferments for military service).

This requires the estimation of future trends in the number of high school graduates that will go on to college and who will attend college in the state. In the 2008–09 school year at least 59.4 percent of the state's high school graduates continued on to college. Of these students, the large majority, 83 percent, attend public or private college in the state.<sup>2</sup> We assume that this number

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<sup>1</sup> American Community Survey IPUMS. Unfortunately, this time period was a period of economic distress with falling housing values. The need to find employment could have caused some families to leave or enter the state. At the same time, many families may have found themselves “locked” to their house due to its value dropping below the mortgage they owed.

<sup>2</sup> Data provided by Bob Kieran, Institutional Research and Planning Oregon University System, on March 29, 2013. The source of the data is from the OUS/IR from data matched by Brian Reeder, ODE.

will grow by 1.0 percent annually because of the Promise and the changing demands of the work place.

In Table 5, we present our estimates on the number of Oregon students attending each of the colleges and universities located in the state. Again, we are estimating that the number of high school graduates attending college in the state will increase by 1.0 percent annually and that the proportion of students attending each of these post-secondary institutions will remain constant during the period. One of the simplifying assumptions used in this cost estimation is that all scholarship students will attend college the year after graduation. For students attending four-year universities this is a reasonable assumption; however, for students attending the state's community colleges it is more questionable. Nevertheless, given that it is impossible to know when a student will use the scholarship during his/her six-year window of opportunity, we have "front loaded" the cost of the scholarship. This means that the cost of the scholarship is likely to be overestimated during the first four years.

### **College Attendance and Completion**

Many students who attend college do not complete their education. This is especially true for community college students. In Table 6 we show the average college retention rate for public colleges and universities, and private colleges and universities in the state. On average, only 43 percent of the students attending community college come back for the second year. For the state's public colleges, 78 percent of the entering freshmen return for their second years, 61 percent return for their junior year and 47 percent enter their fourth and final year of scholarship funding. For the state's private colleges and universities, the retention rates are slightly lower.

In the forecast period, we factor in an annual 0.5 percent increase in retention rates, across all colleges and universities and across all grades.

Finally, nationwide, an estimated 34 percent of full-time, degree-seeking community college students go on to a four-year university to complete their course of study. We use the same percentage in our estimate as well.

### **Cost Estimate**

Two sets of cost estimates are presented here. The first is the First-Dollar Scholarship program and the second is the Middle-Dollar Scholarship program. Again, the First-Dollar Scholarship program pays up to 100 percent of the tuition and related fees for any accredited college or university in the state of Oregon, as long as it is below the cost of the state's most expensive public university. The scholarship's residency requirements as shown in Table 3 determine the amount of the scholarship. There is no grade point average or high school performance standard for the student to achieve except, of course, that he/she must be accepted at their selected college or university. The Middle-Dollar Scholarship program would require students to complete the Free Application for Federal Student Aid (FAFSA) which would make them eligible for federal scholarship assistance, primarily Pell Grants and the Oregon Opportunity Grant (OOG). The Middle-Dollar Promise Scholarship would make up the difference between the college or university's tuition and the Federal and state assistance. The forecasted state outlay for the OOG is shown in Table 7. Again the generosity of the scholarship would be determined by the student's length of residency.

### *First-Dollar Scholarship program*

The total projected outlays of a First-Dollar Scholarship program for the state of Oregon, by year, are shown in Table 8. During the first year, with only the first class attending college, the scholarship program would pay out an estimated \$117 million in tuition and fees. In year four, when there are four classes of scholarship students enrolled at the state's universities and colleges, the scholarship will pay out a projected \$348 million.

Note that scholarship payments decline for each class during the four years because of students dropping out of the school. However at the same time, the scholarship payout grows because of 1) the assumed 6 percent annual increase in tuition, 2) the annual 1.0 percent increase in high school graduates attending Oregon-based colleges and universities, and 3) the assumed modest 0.5 percent improvement in college retention.

In the final year of the forecast period, the scholarship program would pay out \$682 million for tuition and fees for more than 30,000 Oregon students attending college under the scholarship program.

### *Middle-Dollar Scholarship program*

The total projected outlays in the Middle-Dollar Scholarship program would be lowered by the amount of needs-based Federal tuition assistance acquired by participating students. The annual projected amount of Federal and state (OOG) scholarship aid during the forecast period is presented in Table 9. This is partially based on historical usage of federal and state aid by students at the state colleges and universities from 2007 to 2010. In addition, we assumed that the Federal aid and the OOG would increase by 2.5 percent per year from 2013.

In Table 10, the total projected scholarship outlay under the Middle-Dollar Scholarship program is presented. As best seen in Table 1, the Middle-Dollar Scholarship would reduce the cost of the scholarship in the first year by 29 percent. However, due to tuition costs projected to increase faster than federal and state aid, the middle-dollar will save 23.8 percent in 2027. It is assumed that the requirement of completing the FAFSA would not impact the number of students applying for the scholarship program. However, this may result in an overestimation of the program's cost since it is a difficult form to complete. Some families may be resistant to complete it which could have a negative impact on the number of scholarships provided.

## **The Potential Impact of an Oregon Promise on the state's 40-40-20 Initiative**

The Oregon aggressive 40-40-20 plan strives to reach the following goals by 2025:

- 40 percent of adult Oregonians earning a Bachelor's degree or higher;
- 40 percent of adult Oregonians earning an Associate's degree or postsecondary credential; and
- 20 percent earning at least a high school diploma or an equivalent to a diploma.

As of 2011, according to the U.S. Census, of Oregonians who are 25 years or older:

- 11 percent have not completed high school;
- 25 percent have a high school diploma or its equivalent as their highest degree;
- 35 percent have an Associate's degree or some college—the number with post-secondary certificates is unknown; and

- 29 percent have a Bachelor's degree or higher.

Therefore to reach its goal, Oregon must:

- develop a strategy to reduce the number of high school students who drop out of school;
- create opportunities for individuals who never completed high school to pass their General Education Development (GED) test;
- encourage high school graduates to explore career options and enroll and complete the necessary certificate or Associate's degree;
- encourage students completing Associate's degrees to continue on to a four-year degree program;
- encourage students who are enrolled in four-year-degree universities and college to complete; and
- create life-long learning opportunities for older Oregonians to return to college or start their college career at two-year and four-year institutions.

The W.E. Upjohn Institute has been carefully tracking the impact of the Kalamazoo Promise on the academic performance of eligible students. Based on this research and on the limited research of other programs, we have found the following.

- Kalamazoo Promise recipients have a greater-than-average likelihood to complete their college studies. For the first class eligible for the Promise Scholarship in 2006, 36 percent earned a bachelor's degree by the age of 24 compared to the national average of 23 percent. This trend holds true for whites, Blacks, and Hispanics. **It is likely that by reducing the financial barrier facing high school students going to college, the Oregon Promise will have a positive impact on the Oregon 40-40-20 goal of having more adult Oregonians completing both Associate's degrees and Bachelor's degrees.**

The poor retention rate of students attending two-year community colleges and four-year colleges and universities, nationwide, is a major issue. Our work on this topic has identified two major barriers that can thwart a student's aspirations to complete his/her degree. The first is that many students are not college ready in terms of academics and emotional development. A large and seemingly growing percentage of community college students require remedial coursework before they can begin their college career. Second, many students are unsuccessful in college because they do not become emotionally attached to the college. They can feel isolated and ignored in large classrooms without friends or a support group. Finally, the Bill and Melinda Gates Foundation in its report *With Their Whole Lives Ahead of Them* found that it was not the college coursework that caused many students to fail, but the burden of financial and familial responsibilities. Working long hours and/or raising a child can make it nearly impossible for a young adult student to successfully complete college. Again, the proposed Oregon Promise addresses this last barrier; however, the other barriers will still stand in the way of many students.

- Surprisingly, the availability of the Kalamazoo Promise has not had an impact on the drop-out rate for Kalamazoo Public Schools. Research suggests that the factors influencing students to drop out of high school, such as familial difficulties, peer pressure, emotional distress and other barriers, are not significantly impacted by the availability of a college scholarship program. **Therefore, the Oregon Promise could have an insignificant impact on the state's high school completion rate.**

- Because it is directed toward eligible high school graduates, an Oregon Promise would not address the difficulties facing adult Oregonians in returning to school to complete their GED or an Associate's degree, certificate program, or a Bachelor's degree if they completed high school before the scholarship was enacted. The possibility of an Oregon Promise scholarship persuading high school graduates to attend college after a long period of being out of school depends upon the design of the scholarship program. The Kalamazoo Promise allows eligible high school graduates a 10-year window to use the scholarship. **The longer the period that high school graduates can use the scholarship, the greater potential it has to encourage older adults to attend college.**

Overall, the Kalamazoo Promise has encouraged:

- lower-achieving students who had not necessarily planned on continuing their education past high school to enroll in large numbers at the local community college; and
- higher-achieving students who would have attended community college to go directly into four-year programs.

In summary, the Oregon Promise would positively impact the state's goal of having 80 percent of its adults earn a post-secondary college degree or certificate; however, it may not impact the number of students who, unfortunately, drop out of high school.

There are alternative and/or compatible activities or policies to an Oregon Promise that could enhance the state's efforts to achieve its 40-40-20 goal by 2025. While an Oregon Promise would remove a financial barrier facing the state's high school graduates, there are two other major barriers that the Promise would not address which may be more formidable.

More and more studies are showing that the academic success of students is strongly influenced by their academic performance in elementary school and by the quality of their pre-school experience. Timothy Bartik, a Senior Economist at the Institute, who wrote *Investing in Kids: Early Childhood Programs and Local Economic Development*, clearly shows the long-lasting impact of a quality pre-school education on a child's academic achievements. Moreover, Bartik has found that for every dollar invested in quality pre-K education has the potential of creating 2.78 dollars in extra lifelong earnings for the state as a whole.

Bartik's findings are supported by longitudinal studies in Maryland that indicate that a student's performance in third grade is a robust predictor of his/her high school graduation rate and future college readiness. In short, it is hard to turn around the academic performance of students in their later years.

Finally, there is also growing evidence of the existence of an information failure in regards to available funding for college. It is very possible that the growing price tag of college tuition is causing low- to middle- income households to postpone or cancel college attendance aspirations. A program that increases the awareness of available scholarship monies and federal financial aid could have a positive impact on the number of students attending college, as well as, ease the

financial burden of students and their parents who have already determined the students will attend college.

## **The Potential Impact of an Oregon Promise on Economic Development of the State of Oregon**

Economic development depends upon a whole host of factors, many of them outside the influence of state government. Current research suggests that three unique factors have compelling impacts on a state's economic development:

1. the competitiveness of the state's tax structure, availability of tax incentives, and the provision of state services;
2. the innovative and competitive strengths of its core industries or clusters; and
3. the ability of the region to attract, retain, and grow the talent of its workforce.

It is, of course, the last factor that the Oregon Promise could strongly influence. It is very well documented that the educational attainment level of a state's workforce is strongly correlated to its level of its personal income. More importantly, recent studies find that a highly educated workforce generates positive economic indirect effects to the income of both other educated workers and the region's less-educated workers. A greater density of educated workers encourages innovation as ideas are shared and partnerships developed. Second, innovation generates income and economic activity that can generate secondary employment opportunities in service-providing sectors of the state's economy that are accessible to less-skilled workers.

The Oregon Promise, as discussed above, will likely enhance the number of adult Oregonians who hold Bachelor's or higher degrees. Moreover, it will increase the attractiveness of the state to other professional workers because of the networks generated and because the Promise will show that the state is focused on talent and talent development.

It will be that last point that will likely have the greatest impact on the state's economy. If Oregon created a statewide Promise Scholarship, it would clearly show that the Oregon is focused on talent-driven economic development. It should be noted that the state would have to effectively market the Oregon Promise outside the state to achieve this impact.

## **Estimated Administrative Costs**

The cost of administering a statewide college scholarship program depends upon the following factors.

1. The administrative costs of a first-dollar program, one that directly pays for all of the students' tuition and fees, is clearly lower than one taking the middle-dollar approach, requiring the student to apply for federal and state aid. The middle-dollar program will require financial counselors to assist students and their parents in completing the FAFSA application and record keepers to track federal and state tuition grants.
2. The accessibility of student records to determine the residency eligibility for the Promise Scholarship will be crucial. A major challenge facing a statewide program is the ability to track students who move between school districts in the state. If local school records are not maintained adequately to allow for easy verification of the students' residency throughout K-12, it may be extremely costly to develop the necessary database for managing a Promise Program.



The Kalamazoo Promise, which is a single-district, first-dollar scholarship program, has found that one of its most time-consuming tasks is resolving residency disputes. What about a student who lives part time with one parent in another school district? What about a student who lived out of state for 90 days during a school year, is he or she still eligible?

3. The size of the program’s outreach effort will clearly have an impact on its cost structure. To be as effective as possible, the scholarship program must reach out to the elementary grades to inform parents and students of the accessibility and importance of a college education so that parent and student attitudes regarding the importance of schooling can be more positive.

If the Oregon Promise is a first-dollar program and if the Oregon school enrollment records are easily accessible, we estimate that the annual administration cost would be \$2.5 million as shown in the table below. Key assumptions that were used in calculating this cost estimate is that each student scholarship administrator can track 400 new students each year—this is estimated workload of the position at the Kalamazoo Promise.

If a middle dollar approach is taken, the Promise staff would have to take on additional personnel to assist families in completing the FAFSA and other administrative forms necessary to obtain state and federal aid. The total annual cost of this program would be \$4.4 million.

Both of these cost estimates assume that the state would provide free office space for the program.

**Administrative Cost Estimates of the Oregon Promise**

<b>A. First-Dollar Scholarship Program</b>				
<b>Position</b>	<b>Responsibility</b>	<b>Number</b>	<b>Compensation</b>	<b>Cost</b>
Director	Management of program	1	\$ 130,000	\$ 130,000
Outreach director	Promote the Promise statewide	1	\$ 104,000	\$ 104,000
Tech support	Work with school districts' student records	2	\$ 104,000	\$ 208,000
Student scholarship administrator	Track scholarship students	43	\$ 45,500	\$ 1,956,500
Support—administrative	Office administration	3	\$ 39,000	\$ 117,000
Travel				\$ 10,000
			<b>Total</b>	<b>\$ 2,525,500</b>
<b>B. Added Cost of a Middle- Dollar Program</b>				
<b>Position</b>	<b>Responsibility</b>	<b>Number</b>	<b>Compensation</b>	<b>Cost</b>
Financial counselors	Assist parents and students complete the FAFSA	30	\$ 58,500	\$ 1,755,000
Administrative support	Office administration	2	\$ 39,000	\$ 78,000
Travel				\$ 50,000
			<b>Total</b>	<b>\$ 4,408,500</b>

## Appendix A: Tables

**Table 1 Cost of the Oregon Promise**

Year	First Dollar	Middle Dollar	Difference	
			Absolute	Percent
2013	\$117,359,412	83,351,325	\$34,008,086	29.0
2014	\$204,257,085	168,736,520	\$35,520,565	17.4
2015	\$281,208,566	220,092,098	\$61,116,468	21.7
2016	\$348,147,751	283,988,200	\$64,159,551	18.4
2017	\$368,418,912	281,446,754	\$86,972,158	23.6
2018	\$393,366,799	301,891,486	\$91,475,313	23.3
2019	\$418,137,144	306,112,757	\$112,024,387	26.8
2020	\$444,470,002	327,942,860	\$116,527,142	26.2
2021	\$472,464,106	350,737,799	\$121,726,306	25.8
2022	\$500,020,113	373,445,401	\$126,574,711	25.3
2023	\$533,862,624	401,317,600	\$132,545,024	24.8
2024	\$567,497,360	427,828,081	\$139,669,279	24.6
2025	\$603,254,855	456,594,268	\$146,660,586	24.3
2026	\$638,486,400	484,838,876	\$153,647,524	24.1
2027	\$681,683,422	519,289,392	\$162,394,030	23.8

**Table 2 Oregon Combined School Enrollment Forecast by Grade from Fall 2011 to Fall 2027**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Kindergarten	46,929	47,291	47,656	48,023	48,394	48,767	49,144	49,523	49,905	50,290	50,678	51,069	51,463	51,860	52,260	52,663	53,070
First Grade	45,546	46,583	46,945	47,309	47,676	48,046	48,419	48,795	49,173	49,555	49,939	50,327	50,717	51,111	51,507	51,907	52,309
Second Grade	45,618	45,485	46,523	46,885	47,249	47,616	47,987	48,360	48,736	49,114	49,496	49,881	50,268	50,659	51,053	51,449	51,849
Third Grade	45,607	45,724	45,591	46,629	46,990	47,355	47,722	48,092	48,466	48,841	49,220	49,602	49,987	50,374	50,765	51,159	51,555
Fourth Grade	45,109	45,703	45,820	45,687	46,725	47,087	47,452	47,820	48,190	48,564	48,940	49,319	49,701	50,086	50,474	50,865	51,259
Fifth Grade	45,929	45,306	45,901	46,018	45,884	46,925	47,287	47,653	48,021	48,392	48,766	49,143	49,522	49,905	50,291	50,679	51,071
Sixth Grade	46,126	46,178	45,553	46,150	46,267	46,133	47,176	47,540	47,906	48,275	48,647	49,022	49,399	49,780	50,163	50,550	50,939
Seventh Grade	46,263	46,346	46,399	45,772	46,370	46,488	46,354	47,400	47,764	48,132	48,502	48,875	49,251	49,630	50,011	50,396	50,784
Eighth Grade	46,663	46,438	46,521	46,574	45,946	46,545	46,663	46,529	47,576	47,941	48,309	48,680	49,053	49,430	49,809	50,192	50,577
Ninth Grade	46,936	47,772	47,549	47,632	47,684	47,061	47,655	47,772	47,639	48,677	49,039	49,404	49,771	50,142	50,515	50,891	51,270
Tenth Grade	47,062	46,595	47,423	47,202	47,284	47,335	46,719	47,307	47,423	47,291	48,319	48,677	49,038	49,402	49,768	50,138	50,510
Eleventh Grade	45,528	45,617	45,155	45,974	45,756	45,837	45,888	45,278	45,860	45,974	45,844	46,861	47,216	47,573	47,933	48,296	48,661
Twelfth Grade	48,818	47,573	47,663	47,196	48,023	47,803	47,884	47,936	47,320	47,908	48,023	47,892	48,918	49,276	49,637	50,000	50,366
Total	602,134	602,611	604,698	607,050	610,249	612,999	616,350	620,003	623,979	628,954	633,722	638,750	644,305	649,227	654,187	659,184	664,221

**Table 3 Residency Requirement for the Proposed Promise**

Length of Attendance	Benefit (%)
K-12	100
1-12	95
2-12	95
3-12	95
4-12	90
5-12	85
6-12	80
7-12	75
8-12	70
9-12	65
10-12	0
11-12	0
12	0

**Table 4 Estimated Number of High School Graduates Who Will Use the Promise by Their Year of Enrollment in Public, Private, or Home Schooling in the State**

Grade student began his/her education	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Kindergarten	7,904	8,089	8,498	8,724	9,006	9,282	9,426	9,809	10,100	10,338	10,832	11,185	11,543	11,905	12,272	12,644
First	372	381	400	411	424	437	444	462	476	487	510	527	544	561	578	596
Second	390	399	419	430	444	458	465	484	498	510	534	552	570	587	606	624
Third	408	418	439	451	465	480	487	507	522	534	560	578	596	615	634	653
Fourth	428	438	460	472	487	502	510	531	546	559	586	605	624	644	664	684
Fifth	448	458	481	494	510	526	534	556	572	586	614	634	654	674	695	716
Sixth	469	480	504	518	534	551	559	582	599	613	643	663	685	706	728	750
Seventh	491	502	528	542	559	577	585	609	627	642	673	695	717	739	762	785
Eighth	514	526	553	567	586	604	613	638	657	672	705	727	751	774	798	822
Ninth	538	551	579	594	613	632	642	668	688	704	738	762	786	811	836	861
Tenth	564	577	606	622	642	662	672	700	720	737	772	798	823	849	875	902
Eleventh	590	604	635	651	672	693	704	732	754	772	809	835	862	889	916	944
Twelfth	618	633	664	682	704	726	737	767	790	808	847	875	903	931	960	989
<b>Total</b>	<b>13,734</b>	<b>14,056</b>	<b>14,766</b>	<b>15,160</b>	<b>15,648</b>	<b>16,128</b>	<b>16,378</b>	<b>17,044</b>	<b>17,549</b>	<b>17,964</b>	<b>18,822</b>	<b>19,435</b>	<b>20,057</b>	<b>20,687</b>	<b>21,325</b>	<b>21,971</b>

**Table 5 Forecast of College and University Enrollment of Oregon Promise Scholarship Recipients**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Two-year comm. colleges</b>	5,022	5,140	5,399	5,543	5,722	5,897	5,989	6,232	6,417	6,569	6,882	7,107	7,334	7,564	7,798	8,034
Blue Mountain	177	181	190	195	201	208	211	219	226	231	242	250	258	266	275	283
Central Oregon	369	377	396	407	420	433	440	457	471	482	505	522	538	555	572	590
Chemeketa	316	323	339	348	360	371	376	392	403	413	433	447	461	475	490	505
Clackamas	67	69	72	74	76	79	80	83	86	88	92	95	98	101	104	107
Clatsop	118	121	127	130	134	138	141	146	151	154	162	167	172	178	183	189
Lane	515	528	554	569	587	605	615	640	659	674	706	729	753	776	800	825
Linn-Benton	663	679	713	732	756	779	791	823	848	868	909	939	969	999	1,030	1,061
Mt. Hood	751	769	808	829	856	882	896	932	960	983	1,030	1,063	1,097	1,132	1,166	1,202
Portland	1,009	1,033	1,085	1,114	1,150	1,185	1,203	1,252	1,289	1,320	1,383	1,428	1,473	1,520	1,567	1,614
Rogue	378	386	406	417	430	443	450	469	483	494	517	534	551	569	586	604
Southwestern Oregon	167	171	179	184	190	196	199	207	213	218	229	236	244	251	259	267
Treasure Valley	129	132	139	142	147	151	154	160	165	169	177	182	188	194	200	206
Umpqua	198	202	213	218	225	232	236	245	253	259	271	280	289	298	307	316
Columbia Gorge	36	37	39	40	41	42	43	45	46	47	49	51	53	54	56	58
Tillamook Bay	19	19	20	21	22	22	23	24	24	25	26	27	28	29	29	30
Oregon Coast	46	47	49	51	52	54	55	57	59	60	63	65	67	69	71	74
Klamath	65	66	70	72	74	76	77	81	83	85	89	92	95	98	101	104
<b>Four-year universities</b>	7,127	7,294	7,662	7,867	8,120	8,369	8,499	8,845	9,107	9,322	9,767	10,085	10,408	10,735	11,066	11,401
Eastern Oregon	258	264	277	284	294	303	307	320	329	337	353	365	376	388	400	412
Oregon Health & Science	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oregon Institute of Tech.	237	242	255	261	270	278	282	294	303	310	324	335	346	357	368	379
Oregon State	2,480	2,538	2,666	2,737	2,825	2,912	2,957	3,077	3,168	3,243	3,398	3,509	3,621	3,735	3,850	3,967
University of Oregon	1,928	1,973	2,073	2,128	2,197	2,264	2,299	2,393	2,464	2,522	2,642	2,728	2,816	2,904	2,994	3,084
Portland State	972	995	1,045	1,073	1,108	1,141	1,159	1,206	1,242	1,271	1,332	1,376	1,420	1,464	1,509	1,555
Southern Oregon	392	401	421	432	446	460	467	486	500	512	537	554	572	590	608	626
Western Oregon	861	881	926	951	981	1,011	1,027	1,069	1,100	1,126	1,180	1,219	1,258	1,297	1,337	1,378
<b>Private colleges and univ.</b>	1,585	1,623	1,705	1,830	1,806	1,862	1,891	1,968	2,026	2,074	2,173	2,244	2,315	2,388	2,462	2,536
Concordia University-Portland	120	123	129	132	137	141	143	149	153	157	164	170	175	181	186	192
New Hope Christian College	16	16	17	18	18	19	19	20	20	21	22	23	23	24	25	26
George Fox University	264	270	284	291	300	310	315	327	337	345	361	373	385	397	409	422
Lewis & Clark College	67	69	72	74	76	79	80	83	86	88	92	95	98	101	104	107
Linfield College-McMinnville	284	290	305	313	323	333	338	352	363	371	389	401	414	427	441	454
Marylhurst University	6	6	6	7	7	7	7	7	8	8	8	8	9	9	9	10
Multnomah University	28	29	30	31	32	33	33	35	36	37	38	40	41	42	43	45
Northwest Christian University	54	55	58	60	61	63	64	67	69	71	74	76	79	81	84	86
Oregon College of Art and Craft	4	4	4	4	5	5	5	5	5	5	5	6	6	6	6	6
Pacific Northwest College of Art	36	37	39	40	41	42	43	45	46	47	49	51	53	54	56	58
Pacific University	191	195	205	211	217	224	228	237	244	250	261	270	279	287	296	305
University of Portland	260	266	279	287	296	305	310	322	332	340	356	368	379	391	403	416
Reed College	22	22	24	24	25	26	26	27	28	29	30	31	32	33	34	35
Warner Pacific College	44	45	47	49	50	52	52	55	56	57	60	62	64	66	68	70
Corban University	70	72	75	77	80	82	83	87	89	91	96	99	102	105	109	112
Willamette University	118	121	127	130	134	138	141	146	151	154	162	167	172	178	183	189
University of Western States	3	3	3	3	3	4	4	4	4	4	4	4	4	5	5	5
<b>Total enrollment</b>	13,734	14,056	14,766	15,240	15,648	16,128	16,378	17,044	17,549	17,964	18,822	19,435	20,057	20,687	21,325	21,971

**TABLE 6 College Retention Rates for Community, Public Universities, and Private Colleges and Universities**

<b>Total tuition costs for two-year colleges</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
First year																
Second year	43%	43%	43%	44%	44%	44%	44%	44%	45%	45%	45%	45%	46%	46%	46%	46%
Transfer to four-year public	34%	34%	34%	34%	34%	34%	34%	34%	34%	34%	34%	34%	34%	34%	34%	34%
<b>Retention rates</b>																
Public four-year																
1st year																
2nd year	78%	78%	78%	79%	79%	79%	80%	80%	81%	81%	81%	82%	82%	83%	83%	83%
3rd year	61%	61%	61%	61%	62%	62%	62%	62%	63%	63%	63%	64%	64%	64%	65%	65%
4th year	47%	47%	47%	48%	48%	48%	48%	49%	49%	49%	49%	50%	50%	50%	50%	51%
Private four-year																
1st year																
2nd year	70%	70%	70%	71%	71%	71%	72%	72%	72%	73%	73%	74%	74%	74%	75%	75%
3rd year	65%	65%	65%	66%	66%	66%	67%	67%	67%	68%	68%	68%	69%	69%	69%	70%
4th year	55%	55%	55%	56%	56%	56%	56%	57%	57%	57%	58%	58%	58%	58%	59%	59%

**Table 7 Forecasted State Outlay for the Oregon Opportunity Grant**

<b>Class</b>	<b>Total</b>
2013	\$17,344,124
2014	\$30,503,634
2015	\$41,821,723
2016	\$52,936,465
2017	\$55,030,601
2018	\$57,550,026
2019	\$60,126,392
2020	\$61,925,788
2021	\$65,389,908
2022	\$68,345,273
2023	\$71,047,203
2024	\$75,624,977
2025	\$79,363,577
2026	\$83,265,544
2027	\$87,337,564

**Table 8 First-Dollar Scholarship Program (\$)**

Class	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
2013	117,359,412	79,856,109	64,272,818	49,345,783											
2014		124,400,976	85,070,713	68,399,201	52,568,063										
2015			131,865,035	90,625,830	71,143,599	56,000,757									
2016				139,776,937	96,543,697	77,464,675	59,657,607								
2017					148,163,553	102,848,000	82,438,994	63,553,248							
2018						157,053,366	109,563,975	87,733,089	67,703,275						
2019							166,476,568	116,718,502	93,367,538	72,124,299					
2020								176,465,162	124,340,220	97,159,920	76,834,016				
2021									187,053,072	132,459,637	105,746,525	81,851,277			
2022										198,276,257	141,109,251	112,539,196	87,196,166		
2023											210,172,832	150,323,685	119,768,673	92,890,075	
2024												222,783,202	160,139,822	124,680,167	98,955,797
2025													236,150,194	170,596,952	135,652,334
2026														250,319,206	181,736,933
2027															265,338,358
<b>Total</b>	<b>117,359,412</b>	<b>204,257,085</b>	<b>281,208,566</b>	<b>348,147,751</b>	<b>368,418,912</b>	<b>393,366,799</b>	<b>418,137,144</b>	<b>444,470,002</b>	<b>472,464,106</b>	<b>500,020,113</b>	<b>533,862,624</b>	<b>567,497,360</b>	<b>603,254,855</b>	<b>638,486,400</b>	<b>681,683,422</b>

**Table 9 Projected Amount of Federal Aid and Oregon Opportunity Grant Funds Used by Scholarship Students in the Middle-Dollar Scholarship Program (\$)**

Class	Total (\$)
2013	24,388,947
2014	44,855,904
2015	64,162,432
2016	83,765,430
2017	87,991,652
2018	92,939,665
2019	98,026,721
2020	101,880,966
2021	108,518,735
2022	114,371,058
2023	119,844,860
2024	128,547,217
2025	135,897,752
2026	143,590,698
2027	151,640,585

**Table 10 Total Scholarship Outlays in Middle-Dollar Program (\$)**

Class	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
2013	83,351,325	79,856,109	64,272,818	49,345,783											
2014		88,880,411	60,780,230	68,399,201	52,568,063										
2015			95,039,050	65,316,729	51,275,306	56,000,757									
2016				100,926,487	69,709,756	55,933,673	43,076,009								
2017					107,893,629	74,894,559	60,032,593	46,279,874							
2018						115,062,496	80,270,195	64,276,166	49,601,661						
2019							122,733,959	86,050,091	68,834,718	53,173,254					
2020								131,336,729	92,541,993	72,312,664	57,184,819				
2021									139,759,428	98,969,147	79,010,057	61,156,374			
2022										148,990,336	106,033,446	84,565,106	65,521,642		
2023											159,089,279	113,786,765	90,658,301	70,312,680	
2024												168,319,836	120,990,758	94,199,855	74,764,270
2025													179,423,567	129,617,144	103,066,718
2026														190,709,198	138,458,832
2027															202,999,571
Total	83,351,325	168,736,520	220,092,098	283,988,200	281,446,754	301,891,486	306,112,757	327,942,860	350,737,799	373,445,401	401,317,600	427,828,081	456,594,268	484,838,876	519,289,392



Appendix B

# Oregon Promise: **Cost and Impact**

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April 10, 2013

# Outline

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- Structure of the Proposed Oregon Promise
  - *First-Dollar Program*
  - *Middle-Dollar Program*
- Key assumptions and projections
  - *Projected Enrollment*
  - *Residency*
  - *Retention Rates*
- Cost Estimates of both the First- and Middle-Dollar Scholarships

# Outline

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- Estimation of the administrative costs of the proposed scholarship program
  - *The Middle-Dollar Program will cost more in terms of administration.*
- Potential impact on the Oregon's 40/40/20 Initiative
  - *The key will be to lower the state's high school dropout rate and to raise its college completion rates.*
- Impact on economic development
  - *Economic development depends on many factors; however, talent ranks high.*

# Structure of the Proposed Oregon Promise: *Options*

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- **First Dollar:** The Scholarship would cover all tuition and fees and would not require the student to apply for additional aid. *(The student could do so to attempt to cover room and board.)*
- **Middle Dollar:** The Scholarship would cover the gap between tuition and financial assistance the student obtains through federal (Pell Grants) and state (OOG) scholarship assistance programs. **This will require students and their parents to complete the FAFSA.**

# Strengths and Weaknesses of Both Approaches

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## First Dollar

### Strengths:

- Easier to administer
- Increases accessibility for the student
- Allows students to add other grants and scholarships to pay for room and board

### Weakness:

- More expensive

## Middle Dollar

### Strength:

- Less expensive

### Weaknesses

- More costly to administer— *must provide assistance in filling out the FAFSA*
- Decreases accessibility for the student— *must fill out the FAFSA*
- Does not allow the students to use grants to contribute to room and board

# Key assumptions and projections

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- **Student residency** — Difficult to estimate because we do not have longitudinal data on students
- **Enrollment Growth** — Survival-cohort based on a five-year history
- **Attendance and completion rates**

# Residency Requirement for the Proposed Oregon Promise

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<u>Length of Attendance</u>	<u>Percent of Scholarship</u>
K-12.....	100%
1-12.....	95%
2-12.....	95%
3-12.....	95%
4-12.....	90%
5-12 .....	85%
6-12.....	80%
7-12.....	75%
8-12.....	70%
9-12.....	65%
10-12.....	0%
11-12.....	0%
12.....	0%

# Projected high school graduates by length of residency in the state

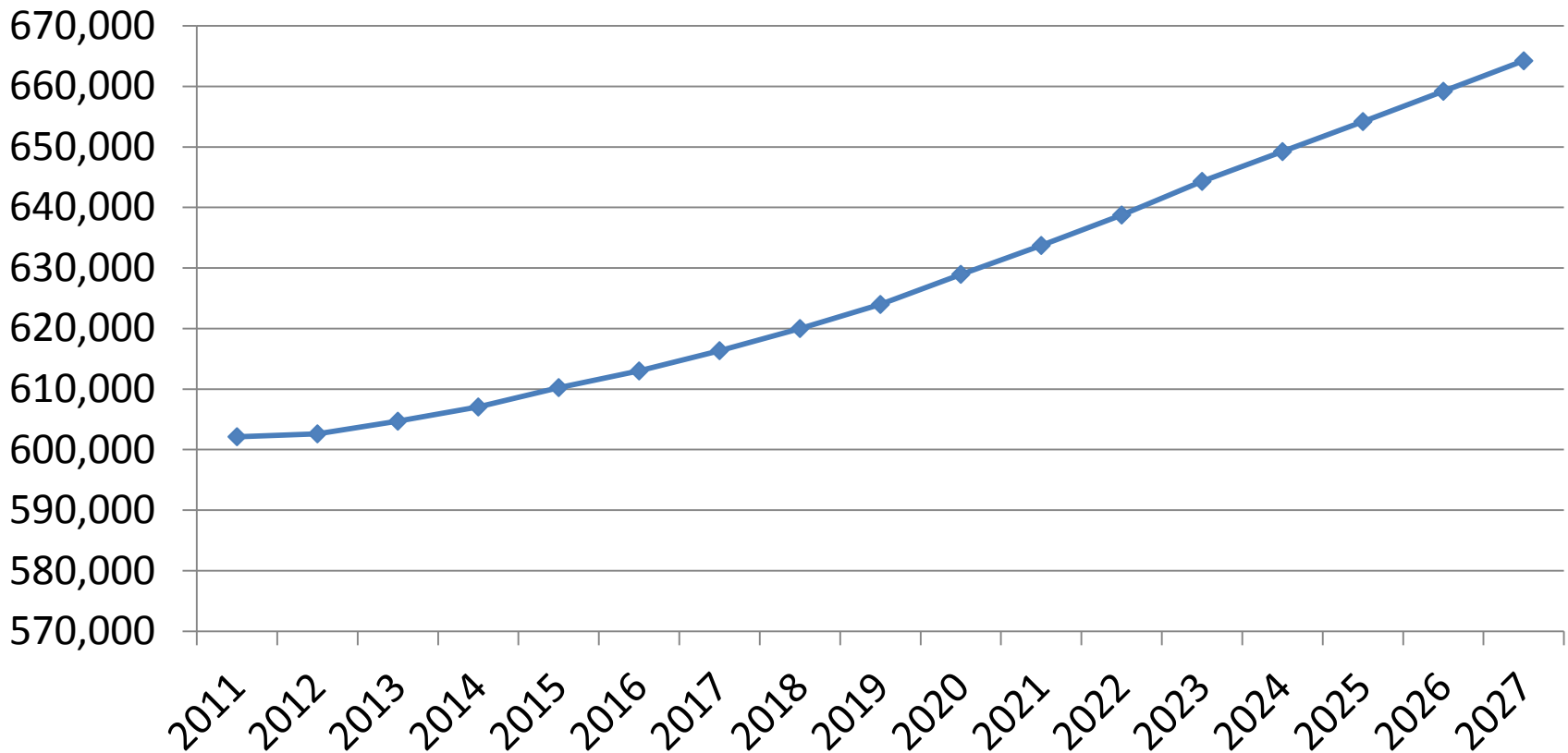
Grade student began his/her education	2013	2014
Kindergarten	8,089	8,498
First	381	400
Second	399	419
Third	418	439
Fourth	438	460
Fifth	458	481
Sixth	480	504
Seventh	502	528
Eighth	526	553
Ninth	551	579
Tenth	577	606
Eleventh	604	635
Twelfth	633	664
Total	14,056	14,766

Graduates not eligible for the Promise



# Total enrollment forecast for the State of Oregon – *Public and Private*

Total Enrollment



# Key assumptions used in the study

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- In the 2008-09 school year, 59.4 percent of the state's high school graduates continue to college with 49.1 percent attending in-state schools.
- We are assuming an annual 1.0 percent increase during the forecast period.
- We assumed that scholarship users will go to college the year after high school. This unrealistic assumption will “front load” the cost of the scholarship.
- Tuition cost will increase by 6.0 percent per year.

# The projected percentage of students who come back after the preceding year, by type of institution

Retention and Transfer Rates	2012	2014	2016	2018	2020	2022	2024	2026
First year								
Second year	43%	43%	44%	44%	45%	45%	46%	46%
Transfer to four-year public	34%	34%	34%	34%	34%	34%	34%	34%
<b>Retention rates</b>								
<b>Public four-year</b>								
1st year								
2nd year	78%	78%	79%	80%	81%	81%	82%	83%
3rd year	61%	61%	62%	62%	63%	63%	64%	65%
4th year	47%	47%	48%	48%	49%	49%	50%	50%
<b>Private four-year</b>								
1st year								
2nd year	70%	70%	71%	72%	72%	73%	74%	75%
3rd year	65%	65%	66%	67%	67%	68%	69%	69%
4th year	55%	55%	56%	56%	57%	58%	58%	59%

# Cost of the First-Dollar Scholarship

Year	First Dollar (\$)
2013	117,359,412
2014	124,400,976
2015	131,865,035
2016	139,776,937
2017	148,163,553
2018	157,053,366
2019	166,476,568
2020	176,465,162
2021	187,053,072
2022	198,276,257
2023	210,172,832
2024	222,783,202
2025	236,150,194
2026	250,319,206
2027	265,338,358

# Middle-Dollar Scholarship Program

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- The two grant programs included are the Federal Pell Grants and the Oregon Opportunity Grant.
- Both are projected to increase in value by 2.5 percent per year.
- Both are means tested.

# Scholarship costs:

## *First and Middle Dollar*

Year	First Dollar (\$)	Middle Dollar (\$)	Difference	
			Absolute (\$)	Percent
2013	117,359,412	83,351,325	\$34,008,086	29.0
2014	124,400,976	168,736,520	\$35,520,565	17.4
2015	131,865,035	220,092,098	\$61,116,468	21.7
2016	139,776,937	283,988,200	\$64,159,551	18.4
2017	148,163,553	281,446,754	\$86,972,158	23.6
2018	157,053,366	301,891,486	\$91,475,313	23.3
2019	166,476,568	306,112,757	\$112,024,387	26.8
2020	176,465,162	327,942,860	\$116,527,142	26.2
2021	187,053,072	350,737,799	\$121,726,306	25.8
2022	198,276,257	373,445,401	\$126,574,711	25.3
2023	210,172,832	401,317,600	\$132,545,024	24.8
2024	222,783,202	427,828,081	\$139,669,279	24.6
2025	236,150,194	456,594,268	\$146,660,586	24.3
2026	250,319,206	484,838,876	\$153,647,524	24.1
2027	265,338,358	519,289,392	\$162,394,030	23.8

# Estimation of the administrative costs of the proposed scholarship program

A. First-Dollar Scholarship Program				
Position	Responsible	Number	Compensation	Cost
Director	Management of program	1	\$130,000	\$130,000
Outreach Director	Promote the Promise statewide	1	\$104,000	\$104,000
Tech Support	Working with school districts' student records	2	\$104,000	\$208,000
Student Monitors	Track scholarship student	43	\$45,000	\$1,956,500
Support –administrative	Office administration	3	\$39,000	\$117,000
Travel				\$10,000
			<b>Total</b>	<b>\$2,525,500</b>
B. Added Cost of a Middle-Dollar Program				
Position	Responsible	Number	Compensation	Cost
Financial counselors	Assist parents and students complete the FASFA	30	\$58,500	1,755,000
Administrative support	Office administration	2	\$45,500	78,000
Travel				50,000
			<b>Total</b>	<b>4,408,500</b>

# Potential impact on Oregon's 40/40/20 Initiative

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- The Kalamazoo Promise has had surprisingly little impact on high school graduation rates. We expect the same for the Oregon Promise:
  - *Graduation success appears to be strongly affected by Pre-K and elementary performance of the student.*
  - *If information regarding the Oregon Promise effectively reaches the parents of K–3 students, it will have a stronger potential to lower the state's dropout rate.*



# Potential impact on Oregon's 40/40/20 Initiative

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- There are three major barriers facing high school graduates as they enter college:
  - Financial
  - Academic readiness
  - Attachment to the college
- *The Oregon Promise would clearly address the first issue, and there is some evidence from the Kalamazoo Promise that it could address academic readiness as well.*

# Potential impact on Oregon's 40/40/20 Initiative

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- Kalamazoo Promise students are staying in college longer and completing in greater numbers than the national average. *It is possible that the Oregon Promise would have the same impact.*

# Potential impact on Oregon's 40/40/20 Initiative

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- To achieve its goal, the 40/40/20 Initiative must also encourage working adults to return to college to complete their degree or to start college as adult learners.

The impact of the Oregon Promise to assist these individuals in the future depends upon the terms of the promise regarding the number of years it remains open to them. *Students have 10 years to use the Kalamazoo Promise.*

# Overall, the Kalamazoo Promise has encouraged:

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- lower-achieving high school students to attend community college;
- higher-achieving high school students who would have attended a community college to go straight to a four-year university; and
- students to complete their studies.

# Impact on Economic Development

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- The state's economic development depends upon:
  - the competitiveness of its tax structure and quality and effectiveness of its services to the business community;
  - the innovative and competitive strengths of its core industries; and
  - the ability to grow, retain, and attract talent.

# Impact on Economic Development

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- Clearly, the Oregon Promise would impact the state's talent base by:
  - encouraging more high school students to attend and complete college;
  - attracting parents who are interested in the academic future of their children; and
  - attracting individuals and businesses who want to work and live in an education-focused state.