

The Oregon Promise Statewide Scholarship

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Rationale for Oregon Promise

“I think that it’s bad that it’s cheaper to go to an out-of-state university. They’re not trying very hard to keep us here.”

“Part of my reason for not going to a university was my job. I started less than six months ago and I make ten dollars an hour.”

“We think Oregon is losing its best and brightest students. We would hope for more funding of Oregon schools so people would stay in state to go to school.”

“They need to make a way for middle class kids to be able to get financial aid notwithstanding what the parents make. Student loans are a joke because you owe an exorbitant amount that instantly makes you broke and indentured for years and years.”

These sentiments are commonly expressed in surveys of students and parents in Oregon. They describe both perception and reality—while Oregon’s tuition costs are 24th highest in the nation, the state ranks 30th in availability of need-based aid. In 1991, 74% of funding for public higher education was provided by the state, and 26% by families; by 2006, the state share had declined to 49%, and the family share had almost doubled to 51%. As a result, Oregon’s public two-year colleges now require an investment of 30% of families’ average income. For public universities, the figure is almost 40%. With increases in the cost of living outstripping wages, higher education is fast becoming a luxury for many families, even while it has never been a more critical factor in the future success of Oregonians and their state.

Predictably, the reason why so many Oregon’s high school graduates choose not to pursue higher education is predominantly financial. A 1999 study showed that almost 42% of graduates cited a lack of money as the reason not to continue. Other graduates surveyed indicated a lack of interest in further education (33% of respondents), interference with work (30%), and a lack of preparedness for college (28%). For those who do pursue a higher education, attrition is high—Oregon’s graduation rate for those who pursue higher education is less than 50%.

At present, one in six adult Oregonians lack a high school diploma or equivalent, and only one-quarter of Oregonians 25-years and older have a bachelor’s degree. The state is 46th in college credential attainment in the nation and 27th for community college students persisting to the second year. These statistics have real world implications, chief among them the inverse relationship between education/training and unemployment. In 2005, 30% of Oregonians without a high school diploma were not participating in the workforce, compared to 23% of those with a high school degree, 20% with an associate degree, 18% with a bachelor’s degree, and 17% with a graduate or professional degree. In 2005, Oregon had the 7th highest unemployment rate in the nation.

Average income is also directly related to Oregonians' level of education. According to U.S. Census data, in 2006, the difference in annual median earnings in Oregon between a high school diploma and an associate degree was over \$9,000, and the difference between a high school diploma and those with a bachelor's degree was almost \$19,000.

At the same time that Oregon suffers from a lack of a skilled and educated workforce, demographics and a shifting job market are emphasizing the need for something very different. According to a recent editorial in the *Daily Astorian*,

“...over the next 12 years a huge gap will grow between American career preparation and the kinds of jobs being created. Three-quarters of jobs will require career training, but three-quarters of American workers currently lack these skills. So 75 percent of workers will be chasing the 25 percent of low-skill jobs that remain.”

Not only is Oregon less-than-competitive within the United States in terms of its production and retention of individuals with associate or higher degrees (ranking less than the U.S. average in all but the 55–64 age group), but also it is at a severe disadvantage internationally. In leading industrialized countries in the OECD (Organization for Economic Cooperation and Development), not only does Oregon (and the U.S.) trail all countries in degree attainment in the critical 25–34 demographic, but only in Oregon (and again, the U.S.), is degree attainment in the 25–34 demographic actually less—at 36%—than in all other age groups in the state (37% for the 35–44 and 45–54 age groups and 40% for ages 55–64). In Canada, for example, 54% of the 25–34 age groups have degrees, compared to 36% for those between 55 and 64 years old. In Japan, the figures are 53% and 22%, respectively. The leading economic powers in the world are educating their young people at increasingly higher rates, while in the United States, including Oregon, we are doing the opposite.

In recognition of the national and international trends, Governor Kulongoski's 40-40-20 Initiative calls for 40 percent of adults to have a bachelor's degree or higher, 40 percent an associate's degree or other postsecondary certificate, and the remaining 20 percent at least a high school diploma by 2025. Unfortunately, the 40-40-20 Initiative does not establish a mechanism for accomplishing the most ambitious piece of the initiative, which is an increase in the postsecondary graduation rate. It will not be easy—not only are the students who will supposedly be among the first to meet these goals already in the educational system (in kindergarten and 1st grade), but Oregon, along with only 11 other states, was recently given a “lowest-in-the-nation” score for high school graduation by the Manhattan Institute for Policy Research. Something bold will have to be introduced soon to bring about the transformation being called for in the 40-40-20 Initiative. Oregon Promise can be that bold something.

Oregon Promise proposes to put a college education within reach of many more Oregonians, to better fund Oregon's postsecondary institutions with a more market-based approach, and to improve the performance of the K–12 system, specifically at the high school level. It is also anticipated that the myriad costs to society caused by a lack of an educated populace will decrease at the same time the societal and financial benefits of a better prepared workforce increase.

An increase in the graduation rate: Oregon Promise will provide a two-year full tuition scholarship to Oregonians graduating high school who attain a certain level of scholastic achievement. Full tuition and fees will be paid for those electing to obtain a degree at a community college or technical school. Those who choose to pursue a 4-year degree will not only have their first two years paid for, but they will also be able to take advantage of an increased concentration of other financial aid available during their junior and senior years.

Market-based approach to funding postsecondary institutions: Oregon Promise will allow students greater flexibility in choosing where they invest their scholarship dollars. Community colleges and universities that can offer the most effective education will have the greatest success attracting the additional funding. This competition for student scholarship money could also lead to increased cooperation among employers and institutions, as institutions strive to demonstrate the real world relevance of their educational product.

Improved performance at the high school level: It is anticipated that the financial benefits of better performance at the high school level will motivate parents, educators, and students to raise the quality of both teaching and learning. Not only will there be a tangible connection created for students and their families between better performance in high school and the ability to afford a postsecondary education, but also there will be greater interest in further reducing college costs by creating more opportunities for college-level courses in high school. In addition, it would become beneficial for colleges and universities to be more proactive in marketing their educational opportunities to high school students, thereby assisting them in making career decisions.

Decreasing societal costs: There is a clear connection between increased levels of education and decreased societal costs—for example, costs related to law enforcement, unemployment, and social services.

Increased state revenues: Not only do higher wages from a more highly skilled workforce mean increased personal income tax revenue to the state, but greater investment in the state from employers looking to take advantage of the more competitive workforce will also bring financial benefits to Oregon. This financial benefit to the state provides the mechanism for funding Oregon Promise through bonding against the future projected increases in revenues.

Funding

The major potential funding source are state bonds issued based on the anticipated return on investment for the state from a more educated—and thus better paid—workforce; greater corporate tax revenues from an increase in businesses locating in Oregon; as well as expansion of existing businesses.

Offsets from existing programs may be a significant factor in reducing the need for new money. The Oregon Opportunities Grant, at \$72 million, is providing funding to economically disadvantaged students, some of whom would otherwise qualify for Oregon Promise. Pathway Oregon, the new University of Oregon scholarship program, will cover Pell-grant eligible Oregonians, some of whom, again, would otherwise qualify for Oregon Promise.

Principal Features of Oregon Promise

Eligibility

Award available to all Oregon students who:

- graduate from an Oregon high school and have been an Oregon resident for at least one year by May 1 of the year they complete high school,
- obtain a passing score on a minimum of 2 out of 3 of the state's standardized assessments (or 3 out of 4, if and when science is added), and
- begin their higher education within 3 years of graduating high school (up to 6 years for high school graduates entering the military).

Applicability

Scholarship can be used at any postsecondary school accredited in Oregon by the Northwest Association of Colleges and Universities.

Duration

Oregon Promise offers a full two-year scholarship for tuition and fees. It can be used for a maximum of 100 credits in a community college, technical school, or 4-year university. To allow students with additional financial need to work while attending school, the two years worth of study must be completed within 3 years.

Maintenance of Scholarship

Students must maintain at least a 2.5 cumulative GPA to continue to qualify for the scholarship. Students who fall below a 2.5 cumulative GPA may re-qualify for the scholarship once the minimum is regained, but the 3-year maximum period will not be extended.

Amount

The maximum amount of the scholarship is the average cost of tuition and fees at Oregon public 4-year institutions. The maximum amount will be adjusted yearly. A student attending a

college, technical school, or 4-year university with a lower cost than the average may use the difference to purchase required books.

Use

Tuition, fees, and books (see “Amount” above).