



Measure 86 --Oregon Opportunity Fund for Students (Referral)

This constitutional amendment would create the Student Opportunity Fund and allow the legislature to sell bonds for an education endowment. As the endowment grows, the money it earns would be used only to pay for student aid and training programs in post-secondary education, including technical, professional and career training.

***EASY READ GUIDE* Information**

Official Title:

Amends Constitution: Requires creation of fund for Oregonians pursuing post-secondary education, authorizes state indebtedness to finance the fund.

The way it is now:

Costs for training and education after high school are going up. High student loan debt keeps young people from buying homes or starting businesses. Oregon is 47th out of 50 states in higher education spending. Oregon's Opportunity Grant for low and middle income students can only help 1 out of every 5 eligible people who apply.

Oregon can only pay for student aid with current state funds. Oregon also has to spend money on things like public safety, K-12 education, and health services. The state Constitution already allows for bond financing. We sell bonds to raise money immediately. Then we have to repay the bond over time at a fixed interest rate. We use bonds to pay for building and fixing buildings, prisons, energy projects, bridges and roads.

What Measure 86 would do:

Creates the Student Opportunity Fund and allows the legislature to sell bonds for an education endowment. An endowment is a fund that is invested to earn money. As the endowment grows, the money it earns will be used only to pay for student aid and training programs in post-secondary education. That includes technical, professional and career training.

How much would it cost:

There is no new cost, but Oregon must promise to repay the bonds.

Argument for:

The fund will make college, technical, and career training more affordable. It will make Oregon's workforce more competitive. Measure 86 does not raise taxes.

Argument against:

Before we allow more spending on higher education, we should prepare high school graduates to succeed in college. The money the state would borrow for this college fund would be paid back by all taxpayers using money that could be used for other state services.



State of Oregon Measure 86: Oregon Opportunity Fund

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| <i>VOTERS' GUIDE INFORMATION</i> |
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Official Title: Amends Constitution: Requires creation of fund for Oregonians pursuing post-secondary education, authorizes state indebtedness to finance the fund.

Referral: This measure is a constitutional amendment referred to voters by the 2013 Oregon Legislature with a vote of 34 to 25 in the House and a vote of 20 to 10 in the Senate.

Financial Impact: The Oregon Financial Estimate Committee estimates no financial impact on either state or local government expenditures or revenues. However, the full faith and taxing power of the State of Oregon must be pledged to repay the bonds.

Probable Results of a YES vote: If this measure passes, the Oregon Constitution will be amended to require the legislature to establish a permanent Student Opportunity Fund. Income from the Fund would provide financial aid for Oregonians pursuing post-secondary education, including career training. The measure authorizes the State to incur debt to finance the Fund.

Probable Results of a NO vote: If this measure fails, the Oregon Constitution will not be amended to extend credit and incur debt to create a dedicated fund to provide financial aid for Oregon students pursuing post-secondary education and career training.

Background:

Oregon is projected to have 694,000 job openings between 2010 and 2020; 70% will require more education than a high school diploma. State economies depend on having skilled workers, attracting employers and well-paying jobs.

In recent years, post-secondary tuition costs have been rising nationwide as state legislatures are providing less financial support to public colleges. This trend is evident in Oregon, where the cost to students and their families for a university education rose 50% over a recent 8-year period, with student loan debt following suit. For low- and middle-income students, Oregon awards about one-third the national average for student aid. The current Oregon Opportunity Grant funds 1 out of 5 eligible applicants. There is no guarantee of funding from year to year.

Funding for the current Oregon Opportunity Grant student assistance is allocated from General Fund revenues every two years. The Grant funding must compete with multiple state needs, such as public safety, K-12 education, and health services. The state constitution allows for bond financing to pay for construction and upgrades of tangible assets including buildings, prisons, energy projects, bridges and roads. Bonds are sold to raise immediate capital, and the State takes on the obligation to repay the bonds over time at a fixed interest rate.

The Proposal:

Measure 86 gives the legislature permission to sell bonds to create a permanent, growing education



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endowment called the Student Opportunity Fund. Initial Fund capital from the bonds would be invested, and the endowment would be expected to grow with time. Earnings would be used exclusively for Oregon students pursuing post-secondary education, including technical, professional and career training. The legislature could also vote to directly appropriate moneys into the Fund, and gifts from any source could be deposited into the Fund.

The legislature would decide the specifics of the Opportunity Fund: when and how much bond indebtedness to authorize, whether and how much General Fund appropriations to add, and how to structure student assistance to anticipate Oregon's employment needs.

The capital raised by the Opportunity Fund bonds would not be spent for student assistance. The Oregon Investment Council would invest the Fund. (This Council invests all State of Oregon funds, including the Oregon Public Employees Retirement Fund and the State Accident Insurance Fund.) Only the earnings from the Fund would be distributed for student aid.

As with other general obligation bonds, General Fund debt service budget would be used to repay principal and interest on bonds. The measure is not clear as to when the first scholarships would be issued. The endowment would grow from the earnings retained that are not spent on scholarships.

Over the 30-year term of the bonds, State Treasurer Ted Wheeler projects that for each \$100 million in Fund bonds that Oregon issues, the Fund would distribute for scholarships from \$5 - 8 million per year. Projections are based on 30-year bonds issued at a 4.5% interest rate and other investments with an average rate of 7% annual return and student aid limited to a maximum of 5% of the Fund. The Fund is locked and cannot be appropriated by the legislature for other purposes. The only exception would be if the Governor declares an emergency and 4/5 of each state house votes to use the money for any lawful purpose, provided they also approve a plan to repay the Fund.

Supporters say:

- Measure 86 will make our state more economically competitive by contributing to the quality of our workforce and connecting Oregonians with the education and skills-based training employers require.
- Measure 86 will increase funding for student financial aid, provide that aid on a more consistent basis, reduce student debt, and enhance opportunities for vocational and technical training.
- Measure 86 does not raise taxes; it merely gives the legislature improved financial options to make better use of the resources they already have. No guarantees will be made by the State regarding benefits or rates of return. The State's Financial Estimate Commission ruled that Measure 86 has "no financial impact" on the State.
- If Oregon had established the Measure 86 proposal 30 years ago, seeded the fund with \$100 million in bonds, and received the same interest as that earned by the PERS fund, today it would be worth \$474 million while providing \$351 million in student aid over the 30 years.

Opponents say:

- Citing ACT college admissions tests, only 30% of Oregon's 2014 high school graduates are deemed ready for college. Before we authorize more spending on higher education, we should find ways



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for our public school system to prepare college-bound students to actually succeed there.

- Bonds authorized by Measure 86 will not be paid off by investment earnings or by the students who benefit, but by Oregon taxpayers through the state General Fund, tax money that would not be available to fund K-12, prisons and social services.
- Support for higher education should be made directly by the legislature in the budget process. The \$6 million annual bond repayment on the Fund would be better spent on financial support to Oregon's colleges and universities. Measure 86 bond funding for The Opportunity Fund in many ways circumvents state budget-setting priorities.
- Specific budget issues should not go into the constitution. The constitution should not be cluttered with items that are legislative responsibilities.

BACKGROUND INFORMATION

Pro arguments: Kristi Jo Lewis, Oregon Opportunity Initiative, kristijolewis@gmail.com
State Treasurer Ted Wheeler in his Oregon Opportunity Initiative proposal, 2013

Con arguments: Steve Buckstein, Senior Policy Analyst and founder Cascade Policy Institute, steven@cascadepolicy.org
Eric Fruits, City Club of Portland member presenting minority committee view, August 2014

References and Resources

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- Governing, Aug 2014. Will Oregon Be the First State with a College Trust Fund? <http://www.governing.com/topics/education/gov-oregon-college-trust-fund.html>
- Georgetown University Center on Education and the Workforce; 2013 Job Growth and Education Requirements through 2020. Oregon projections.
- Oregon State Budgets <http://www.oregon.gov/transparency/pages/revenue.aspx>
- Financial Impact <http://sos.oregon.gov/elections/Documents/Fiscal-Impact-web.pdf>
- City Club of Portland Report on Measure 86: Higher Education Bonds. <http://www.pdxcityclub.org/files/Research/BallotMeasures2014/HigherEducationBonds-20140813.pdf>
- Oregon State Treasury. Building a Workforce for the Future: The Oregon Opportunity Initiative. September 2013. <http://www.oregon.gov/treasury/AboutTreasury/Documents/130925%20WHITE%20PAPER%20Opportunity%20Initiative.pdf>
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