The Problem of Student Debt in Oregon and the Path Forward

December 3rd, 2012

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SEDR was founded by students participating in a Portland State University Fall 2012 Senior Capstone class co-taught by Barbara Dudley and Mary King called *Student Debt: Economics, Policy and Advocacy*, conducted with community partners Jubilee Oregon and the Working Families Organization.

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Executive Summary

Through the early 1980s, federal, state, and private grants were the largest form of financial aid for college students. But beginning in 1982, loans began to outpace grants, and since then they have remained the largest form of 'aid' available to help students pay their costs of attending college. (Geiger, Roger and Heller, Donald, Financial Trends in Higher Education, Pennsylvania State University, 2011)

In the 2010-2011 academic year, slightly more than half of the $132.3 billion in federal aid took the form of loan programs for students at all income levels, a little more than a third was in grants targeted at low-income students, and the rest took the form of tax incentives that largely benefit more affluent families. (Demos, The Great Cost Shift, 2012)

At the same time, a series of anti-tax measures led to reduced state revenues, and state support for higher education declined dramatically. The proportion of public colleges' and universities' budgets received from state appropriations dropped from 38.3 percent in 1991-1992 to 24.4 percent in 2008-2009, the most recent year with complete data. (Project on Student Debt, 2011)

As state support has declined, colleges have balanced the funding equation by charging students more. Since 1978, the price of tuition at US colleges has increased over 900 percent, 650 points above inflation. (The Economist, 4.21.2011).

Oregon ranks 42nd in the nation for state appropriations for higher education, with per student funding dropping from $6700 per student in 1990 to $4000 in 2010 (measured in constant dollars). In the same time period tuition has increased dramatically. Between 1990 and 2010, published prices for tuition and fees at public four-year universities more than doubled. (Demos and OUS 2011 Facts and Figures)

Nationally, outstanding student loan debt is now over $1 trillion, in 2012 surpassing even credit card and housing debt. Meanwhile wages for college-educated workers outside of the inflated finance industry have stagnated or diminished. Unemployment has hit recent graduates especially hard, nearly doubling in the post-2008 recession. (Harris, Malcolm, Bad Education, 25 April 2011, http://nplusonemag.com/bad-education) The result is that the most indebted generation in history is without the dependable jobs it needs to escape debt.

Before 2005, students could use bankruptcy to escape private education loans, but the cynically named "Bankruptcy Abuse Prevention and Consumer Protection Act" extended non-dischargeability to all education loans, even to credit cards used to pay school bills. Not only is student debt inescapable through bankruptcy, but student loans have no statute of limitations and collectors can garnish not only wages, but even unemployment benefits and social security payments.

The Obama Administration has somewhat improved repayment options for federal loans made since 2009, offering an “Income Based Repayment” (IBR) plan which caps loan payments at 10 percent of discretionary income for students with a provision for loan forgiveness after 20 years, and an interest rate cap of 3.4%. There are several bills pending in Congress that would further improve on these terms.

Students for Educational Debt Reform (SEDR), a student advocacy group at Portland State University, recommends the passage of the Student Loan Forgiveness Act of 2012 and the Private Student Loan Bankruptcy Fairness Act of 2011.

SEDR is also proposing a bold new plan for covering the college student’s share of the cost of public higher education called "Pay It Forward." Under the Pay It Forward model, Oregon students would pay no tuition to attend public community college or university. Instead they would pay a small percentage of their adjusted gross income for a set number of years once they have completed their education. These payments would build a fund that would cover the cost for future students to receive the same opportunity to attend college with no upfront costs, hence "Pay It Forward."

I. INTRODUCTION

In a personal story posted on www.studentloanjustice.org, one distraught Oregonian stated, "I truly believed that if I got an education, I would be able to get out of poverty. With the student loan debt I will never get out of poverty". This person was the only individual from their family to graduate from high school, and desperately wanted to obtain a masters degree. Now, with a debt exceeding $80,000, they are struggling to avoid homelessness.

Another Oregonian, Gail, shared her son's heartbreaking battle with student loan debt, expressing that, "...it was one of the factors that drove him to his suicide". Gail's son had student debt that exceeded $200,000, and he was unable to reconsolidate his debt, causing him to become increasingly hopeless. Gail continued to receive billing statements long after she had informed lenders that her son was deceased.

A. The National Context

Higher education has become an essential step to achieving the American Dream. Unfortunately, many young people are forced to finance their education using student loans. This problem is steadily growing; with $864 billion in federal loans and $150 billion in private loans, student debt in America now exceeds $1 trillion (Brown, 2012). Student debt increased nearly 50% in just four years from 2007 to 2011 (Desrochers, Lenihan and Wellman, 2010). This is an issue that poses serious consequences, both economic and social, that we cannot afford to overlook any longer.

The effects of student debt can be felt all over the country. According to data from 2011, two-thirds of students who earn four-year Bachelor's degrees are graduating with an average student loan debt of more than $25,000, and 1 in 10 borrowers now owe more than $54,000 in loans (Ellis, 2012). That is a tremendous financial burden to have on one's back upon completing college. Particularly now, with the economy in a very slow recovery from The Great Recession, it is very hard for college graduates to find a job that allows one to earn enough to live even modestly while paying back these loans. Many graduates are taking low-paying, part time jobs and far fewer are starting their own businesses.

Exacerbating Economic Trends in the National Economy

There are a number of national factors that have complicated the lives of those living with student debt. Low wages, high unemployment, high housing costs and lack of health insurance and effective family policy add to the challenge of skyrocketing student debt faced by young Americans today.

According to *The State of Young America* (Draut et al, 2011), the cost of higher education has tripled since 1980, yet it is ever more necessary to earn a decent living. Young men without a college degree today are earning 21% less than they did in 1980. Earnings for African Americans are only 75% of the average wage for white high school graduates, and for Latinos, only 68%. Low wages are due in part to the decline in union membership, which has fallen steadily every year since 1983. Twenty percent of workers under the age of 35 were members of unions in 1980, as compared to 10% in 2010.

Young people have been the hardest hit by the Great Recession (Draut et al, 2011). The 2010 unemployment rate for ages 18-24 was 17.3% and 10.1% for those 25-34. The unemployment rate of Latinos aged 18-24 was 20%, and nearly 30% for African Americans

Of those under 25 who are working, 25% are underemployed, employed part-time, but would prefer to be working full-time.

According to the *State of Young America* (Draut et al, 2011) workers who are under or unemployed are less likely to have health insurance. During the last 10 years uninsurance levels have risen for those under 35. The number of employees with Employer sponsored health insurance fell 12.8% for workers under 24 and 8.5% for workers 25-34 between 2000 and 2010. According to Draut et al (2011), young people without health insurance are more likely to put off seeking medical care. Emergency room usage is highest among adults 19-29. And those with medical debt have 79% higher credit card debt than those without medical debt. Recent healthcare reforms under President Obama have helped reduce the rolls of the uninsured by allowing young people under 26 to stay on their parents health plan but uninsured rates are still far higher for this age bracket than they were 20 years ago.

The cost of living has also negatively affected young Americans. As reported by Draut et al (2011), more than half of adults ages 18-24 live with their parents. More than 41% of those between 25 and 34 spend 30% of their income on housing. This is an increase between 1980 and 2010 of 21% for 25-34 year olds and 35% for those under 24. Lower wages and increased costs of living have lead to greater reliance on credit. Credit card debt held by those under 35 is also on the rise, increasing 81% since 1989.

Factors in addition to these have made raising a family even harder for this generation. Childcare costs are higher than for any other generation. Center-based childcare fees for two children cost more than annual home rental payments for every US state. According to *The State of Young America*, only 11% of workers had paid family leave benefits in 2010, and only 5% of those earners in the bottom quarter. Only 35% in this bracket had paid sick leave. Without family protections these workers are at risk of losing their jobs if they are ill, or if they stay home to care for a sick family member. Lack of access to paid leave disproportionately affects women and was cited as the reason for 25% of working mothers quitting their job.

In summary, as shown by Draut et al (2011), workers with higher education are the only group whose wages have increased over the previous generation. While the cost of higher education has tripled from 1980 to 2010, a number of additional factors have put workers under 35 at an economic disadvantage as compared with their parents' generation, including low wages, high rates of underemployment and unemployment, high housing costs and lack of health insurance and strong family policies.

Individual and Social Returns to Investment in Higher Education

Economists understand investment in education – and the creation of "human capital" - to have been a substantial contributor to U.S. economic growth over the last century, and to be closely tied to other key sources of growth, "technological progress" and induced investment in physical capital to take advantage of new possibilities. The "returns" to education are both individual—especially in the form of higher earnings, better benefits and lower unemployment rates for more educated people--and social, accruing to the larger society.

Individual returns to higher education are well known, and can be thought of as approximating the lifetime accumulation of earnings differentials between the high school

Table 1: Education and Earnings - Year-Round, Full-Time Workers, Median Earnings, aged 25 and over, 2011

	< 9th Grade	H.S. Grad*	BA/BS
Latin Women	$19,200	$26,539	$42,418
Black Women	na	27,037	45,228
Asian Women	na	26,609	50,075
Non-Hisp.White Women	24,618	31,107	50,374
Latin Men	24,436	32,203	52,334
Black Men	25,449	35,482	51,131
Asian Men	25,029	32,336	62,039
Non-Hisp. White Men	30,570	42,434	70,149

Note: Latins are of all races; Blacks, Asians and Whites are that group only, not including mixed-race people
*Includes people with a GED.
Source: CPS Annual Social and Economic Supplement
http://www.census.gov/hhes/www/cpstables/032012/perinc/pinc03_000.htm

and college educated, so markedly demonstrated on an annual basis in Table 1, below. Indeed, the "wage premium" being earned by college graduates relative to high school graduates in the U.S. is higher now than it has been for nearly 100 years, due in no small part to the decline in the earning power of the high school educated (Goldin and Katz, 2007). Of course, the individual benefits of higher education are not merely pecuniary, as people with college degrees report greater levels of life satisfaction and many people value learning for its own sake.

The social returns to higher education are much less discussed, but sizable. Enrico Moretti (2005), the preeminent U.S. economist working on this topic, describes the social returns to investment in education as resulting from

a) increased productivity and higher wages of people without higher education in labor markets that include a relatively high proportion of people with higher education,
b) reductions in the social costs of crime when a higher proportion of men, especially, gain more education,
c) the better health of more educated people, and improvements in the health of their children, which both increase well-being and reduce medical costs, and
d) the greater likelihood of voting, and of being more informed as a voter of the college educated.

Increased investment in higher education is a particularly powerful form of short-term economic stimulus, as well as the foundation for long-run public returns, according to a report (Ash and Palacio, 2012) discussed this spring in the Massachusetts legislature (State House News Service, 2012). Locally, Joe Cortright (2010) of Impreza Economics has calculated the significant "fiscal returns" to the state of Oregon of increased educational attainment of the state's population, resulting from increased tax revenues and lower state expenditures on health care, incarceration and the social safety net.

However, the pace of gains in the educational level of the U.S. workforce has slowed markedly since 1980, coincident with the timing of the disinvestment in higher education by the federal and state governments, and the shift of the cost of higher education to students (Elwell, 2006).

B. The Genesis of the Student Debt Crisis

Increasing Demand for Higher Education

The demand for a college degree has never been higher. Oregon's universities are already at record enrollment, and this level of enrollment is projected to keep growing (OUS Factbook 2010, p. 10). The state's community colleges reported similar growth in the 2009-2010 school year (Oregon Community Colleges, 2011). Students go through K-12 education being told that they need to go to college to be competitive, and that they can't get a good job without a degree. A high school diploma simply will not suffice anymore. This oft-repeated advice is increasingly grounded in fact.

People are increasingly finding that not only do they need a Bachelor's degree, but a Master's as well. A 2011 report from The Commission on Pathways Through Graduate School and Into Careers (Wendler, C. et al, 2012) indicates a 22% growth in jobs requiring a Master's degree. As shown in Table 1, above, having a degree increases earning potential across for all demographic groups.

Demand for higher education exists beyond individual students' needs as well. Growing healthcare and technology industries require degrees and certifications, and employers are more and more frequently looking for employees with degrees. Oregon attracts tech companies like Google, Apple and Intel, as well as new green energy prospects, but in order to make full use of these opportunities, the state needs a better educated workforce. The job outlook for STEM (science, technology, engineering and mathematics) majors in particular is glowingly positive, and there seems to be a nationwide dearth of STEM workers (Schiavelli, 2011).

Despite needing the education, students are finding that they simply can't afford it. After hitting its highest recorded enrollment, Oregon's community college system lost almost 12,000 students in 2010-2011, which many attribute to financial difficulties.

Disinvestment in Public Higher Education by State Governments

In 2001, U.S. states provided public universities an average of $8,974 per full-time student, which dropped to an average of $6,380 in 2011. That's a 42% decrease in real funding, adjusting for inflation. As a consequence of this significant disinvestment in public higher education by state governments, tuition and fees have been rising fast. From 2001-2010, average tuition for public universities in the U.S. increased by 47%.

The shift of the costs of public higher education to students has set off an explosion of student borrowing. Private lenders have vastly expanded their presence in the student loan market, on increasingly harsh terms. Private student loans offer no government protections to stop creditors from taking advantage of the student, leaving students at the mercy of the creditors. Defaulted private loans alone currently total more than $8.1 billion, representing 850,000 individual loans.

Rise of Predatory For-Profit Schools and Lending Agencies

Students from across the nation increasingly rely on private banks and loan companies to obtain funding to accommodate the students' desire for a chance at higher education. For-profit colleges and lending agencies that prey on students lead to lower graduation rates and add to a growing student debt, all while making a large profits.

Attendees of for-profit schools will need highly-paid jobs to pay off their student loans, but are defaulting in large numbers. The U.S. Senate Health, Education, Labor and Pensions Committee produced a report titled *Emerging Risk? An Overview of Growth, Spending, Student Debt and Unanswered Questions in For-Profit Higher Education* (U.S. Senate,2010) that examines how student loans are spread amongst the varied types of schools. In a span of 10 years from 1998 to 2008, enrollment into for-profit schools has jumped noticeably from about 500,000 to 1,800,000. Comparatively, as student enrollment increased, student loans increased as well. The percentage of federal dollars (Pell grants and federal loans) that go to for-profit schools nearly doubled to about 23% between 1999 and 2008 (U.S. Senate, 2010).

However, the amount of their revenues that for-profit schools spend on education is low, ranging from 32-63% of their overall budgets and that percentage is shrinking (U.S. Senate, 2010). The rest of the money goes towards administrative staff and marketing; marketing alone averaged 31% of the total budgets of for-profit schools.

According to a very recent Consumer Financial Protection Bureau report (2012), student loan debt reached the one trillion dollar mark in 2012 and is now the largest source of American consumer debt other than mortgages . In a study analyzing approximately 2,900 participants, common complaints by many graduates that borrowed from private lenders were a lack of clarity regarding how much money they owe, difficulty in contacting loan servicers or even determining who their servicer was. The result is that holders of student debt are too often caught off guard and ill informed come payment time (Consumer Financial Protection Bureau, 2012).

According to Alan Collinge (2009), student loan agencies like Sallie Mae prey on borrowers. Corporations like Sallie Mae have found that they can profit off defaults. Sallie Mae's tactics pay off; between 1995 and 2000 its stock price showed an enormous 1,700% increase (Collinge, 2009). Sallie Mae CEO Albert Lord bragged about the company's large profit growth in their 2003 annual report citing in part their collection of defaulted loans (Collinge, 2009).

Student loan agencies like Sallie Mae may have little interest in the borrower paying off the loans on time. For these lenders, a defaulted loan is much more profitable as fees and interest rates simply increase; wages, unemployment payments, disability payments, and even Social Security payments can be garnished to meet these payments, and the borrower has no recourse in bankruptcy.

II. FEDERAL POLICY

A. Policy Evolution in Recent Years

Federal and state governments share responsibility for public higher education to some degree; the state government provides operating costs for institutions while the federal government provides financial aid through Pell grants, and a variety of federal direct loans. Some states have also chosen to offer aid programs (for example Oregon's Opportunity Grant), but only after it is determined federal aid is insufficient to overcome the cost barriers. The primary source for financial aid is the federal government.

Many consider Pell Grants to be the basis of public higher education in this nation. For many students from lower socio-economic backgrounds, post-secondary education would not be accessible if the Pell Grant were not available. When the Pell Grant started in 1973 it covered the entire cost of tuition and then some. Today the maximum Pell grant is about $5000, while average tuition has skyrocketed to about $8,000. Pell Grant recipients are therefore twice as likely to need to take loans to complete their education as those that do not receive the Pell Grant.

In 2011, when Congress was facing yet another budget crisis, cutting funding for the Pell Grant along with doubling the interest rate on federal loans was an option for deficit reduction that was seriously pursued by some Members of Congress. Fortunately students around the country rallied and saved the Pell Grant from serious cuts. This isn't the end of the fight to keep the Pell Grant; as we go into the next Congressional Session, more cuts will be on the table and higher education is likely to be targeted.

Since the mid 1980s, the federal government has been drastically shifting financial aid from grants to loans. Currently Congress provides about 6 times as many loans as they do grants. There are two major drivers of this shift. Since the 1980s both federal and state governments have reduced taxes. At the Federal level, this shift was accompanied by increased expenditures that would make future cuts even more draconian. President Reagan led the way in reducing tax rates and increasing the military budget, and beginning the War on Drugs and every president since has followed his lead, sustaining or increasing military spending, sustaining the War on Drugs and cutting taxes. These policies have meant that something had to be cut.

When it comes to budgets the old adage "the squeaky wheel gets the oil" is especially true. Educational costs have been slowly shifted to students. The easiest explanation: low voting turnout, and little communication with Representatives. Youth voter turnout has been low for decades but has started to rise, some of that rise attributable to increasing tuition and growing concern about high levels of student debt.

Over time the rules around discharging student debt in bankruptcy have changed drastically. Before 1984, only private student loans made by a "nonprofit institution of higher education" were exempted from discharge. The rational was to protect the National Defense Student Loan Program, the predecessor to the Perkins Loan Program. Those loans were made by colleges using a revolving loan fund created using matching federal contributions. The Bankruptcy Amendments of 1984 made private student loans from all nonprofit lenders exempt from discharge. The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 expanded this exemption to include all "qualified education loans," regardless of whether a nonprofit institution was involved in making the loans. This small change in wording, making it impossible to discharge even the most predatory private student loans in bankruptcy, has had a huge negative impact on students' lives.

While this is a direct example of how students have been hurt by policy, an indirect example comes from food stamp policies. An unemployed person that is not a student can receive food stamps, but if the person is a student they must work 20 or more hours to receive the food stamps. This change in food stamps policy is part of the idea that students are takers, that this generation demands everything but does not want to contribute anything.

The picture has changed fundamentally for students; well expressed in a conversation with a recently elected Member of Congress from Oregon:

> "When I graduated law school, I had less debt than the current debt average for an undergraduate degree, and I could pay it off in a few short years with the job I got right after graduation"

Some people in Congress and our State Legislature think that students still can do this. Right now we can't, but our great hope is to restore this possibility to the next generation and to make post-secondary education accessible to all Oregonians.

B. Recommendations for Immediate Federal Action

Students for Educational Debt Reform is calling for reinstatement of consumer protections for student borrowers, and easing the burden of student debt by means of income based repayments. Of the current bills introduced in the US House of Representatives, we recommend the passage of the Student Loan Simplification and Opportunity Act of 2011, the Private Student Loan Bankruptcy Fairness Act of 2011 and the Student Loan Forgiveness Act of 2012. The provisions of these bills would provide tremendous, immediate, positive impact for current and future student debt holders.

> *"It's a win-win for borrowers and taxpayers - by ensuring that students can access higher education and by helping already-strained borrowers reduce their personal debt load,"*
>
> -Senator Sherrod Brown on the Student Loan Simplification and Opportunity Act

The Student Loan Simplification and Opportunity Act of 2011, introduced by Senator Sherrod Brown (D) of Ohio and cosponsored by Senator Al Franken (D) of Minnesota, would allow students to convert their existing loans obtained through the Federal Family Education Loan Program (FFELP) to Direct Loans. The conversion would not be mandatory, however those who choose to convert their FFELP loans to Direct Loans would maintain the terms and conditions of their original loan, and additionally receive up to two percent off of the loan's principal. By eliminating FFEL lender subsidies, Senator Brown's bill would save an estimated $1.8 billion over ten years according to the Congressional Budget Office, which would then be reinvested into the Pell Grant program. According to the Congressional Budget Office, there are 21 million loans that would be eligible for conversion, with an estimated $887 million dollars of potential savings for borrowers. For these reasons, Students for Educational Debt Reform endorses the Student Loan Simplification and Opportunity Act of 2011.

The Private Student Loan Bankruptcy Fairness Act of 2011 introduced by Representative Steve Cohen (D) of Tennessee and the Fairness for Struggling Students Act of 2011 introduced by Senator Richard J. Durbin (D) of Illinois--one for the lower house, one for the upper house, respectively--have the same intent: to restore bankruptcy relief for students with private student loans. Currently, student loans are the only private loans that are non-dischargeable through bankruptcy. Non-dischargeability may make sense with respect to federal student loans that have limits to protect the student from borrowing too much. However, private student loans are *not* subject to limits, but *are* subject to non-dischargeability, incentivizing private lenders to encourage over-borrowing; in other words, the lender is protected, but the borrower is not. Furthermore, the absence of bankruptcy protections inflates the price of the commodity that the loan is used to purchase, in this case, tuition. For these reasons, Students for Educational Debt Reform endorses these two bills.

The Student Loan Forgiveness Act of 2012 introduced by Representative Hansen Clarke (D) of Michigan provides many provisions to help borrowers. First, Representative Clarke's Act caps federal loan repayments at ten percent of a borrower's discretionary income and provides forgiveness after 120 payments, or 60 payments if a borrower is a qualifying public service employee, such as a teacher, nurse, or law enforcement official. The Act caps the interest rate at 3.4% for federal student loans, which would prevent the interest rate for federal Stafford loans jumping as high as 6.8% in July 2013. Finally, the Student Loan Forgiveness Act allows for borrowers with private student loans to discharge them and obtain a Federal Consolidation Loan, with monthly payment protections, fixed interest rate, etc. For these reasons, Students for Educational Debt Reform endorses the Student Loan Forgiveness Act of 2012.

III. STATE POLICY

A. More Oregonians Seek Higher Education

There isn't one perfect economic model that can conquer the four obstacles confronting young Oregonians today: rising tuition, student debt, diminished job prospects and stagnant wages. Each is a problem, and the combination is a crisis.

By 2020, it is estimated that 67% of jobs in the state of Oregon will require a career certificate or college degree. With these daunting figures, it is no wonder that higher education enrollment rates have increased substantially over the last 10 years. In 1980, 157,458 Oregon residents enrolled in degree-granting institutions. From 1980-1990 the state's enrollment increased by a mere 5%, with 165,741 residents enrolled fall 1990. In the next 10 years, enrollment rates went up by 9%, with 183,065 enrolled fall 2000.

From the year 2000 – 2010 enrollment began to surge. From the year 2000 – 2005, the number of Oregon residents enrolled in higher education increased by 8%. The most recent data available, for 2005 – 2010, reveals that state enrollment in degree-granting institutions increased by 22% over a period of 5 years, bringing the fall 2010 enrollment to 250,330. These numbers are shown graphically in Figure 1, the absolute numbers, and Figure 2, the percentage changes, below.

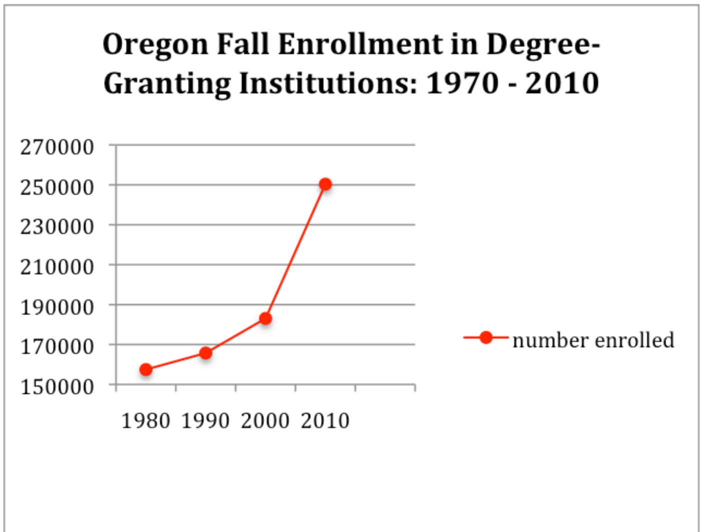


Figure 1

National Center for Educational Statistics. 2011. " Digest of Education Statistics." http://nces.ed.gov/programs/digest/d11/tables/dt11_216.asp (accessed November 2012).

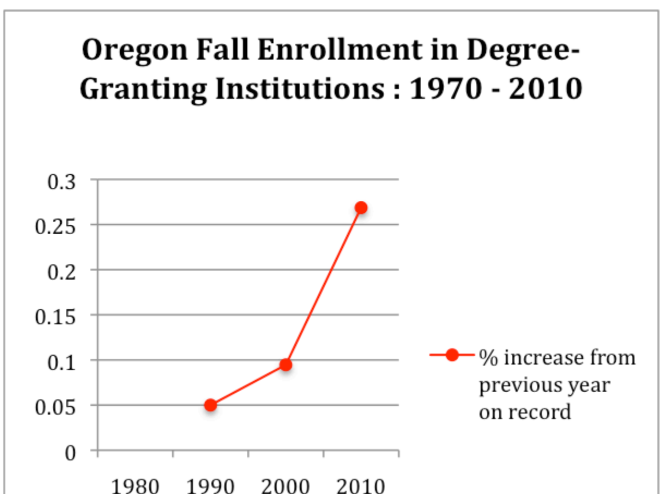
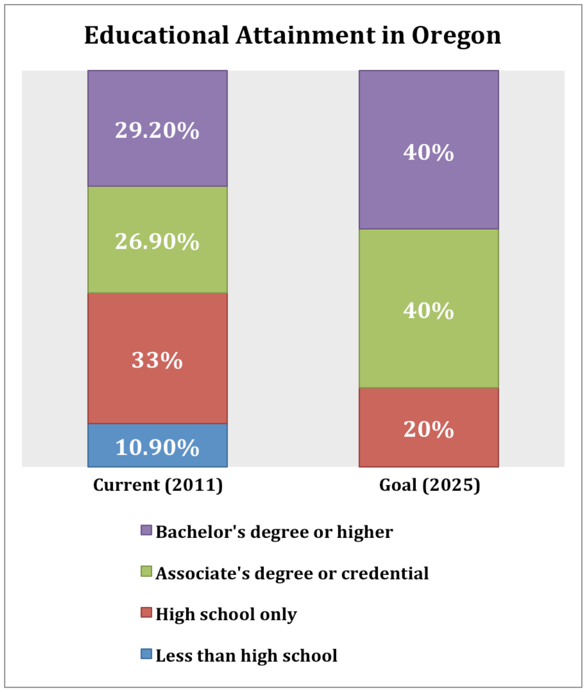


Figure 2
National Center for Educational Statistics. 2011. " Digest of Education Statistics." http://nces.ed.gov/programs/digest/d11/tables/dt11_216.asp (accessed November 2012).

B. Oregon's 40 – 40 – 20 Goal

In 2011, Oregon's Legislature established a clear and ambitious objective for the State, known as the "40-40-20" goal, which states that by 2025 all adult Oregonians will hold a high school diploma or equivalent, 40% of them will have an associate's degree or a meaningful postsecondary certificate, and 40% will hold a Bachelor's degree or advanced degree. Leaders across the state have been working to advance Oregon's educational attainment rates, but the passage of the goal into law through Oregon Senate Bill 253 has prompted a new drive for action and change. Governor Kitzhaber argues that this program will allow Oregon employers to be more confident that they can locate and grow within the state. He believes that this will prepare graduates to make successful contribution to our society and local economy while promoting job growth in the state of Oregon (Oregon University System. 2011a).

We are a long way from 40-40-20, however. As of 2011, 29% of Oregon residents have attained a Bachelor's degree or higher education, 27% have attained an associates degree or credential, 33% have a high school education and 11% have not completed high school requirements, as seen in Figure 3 below (Oregon University System, 2011b).



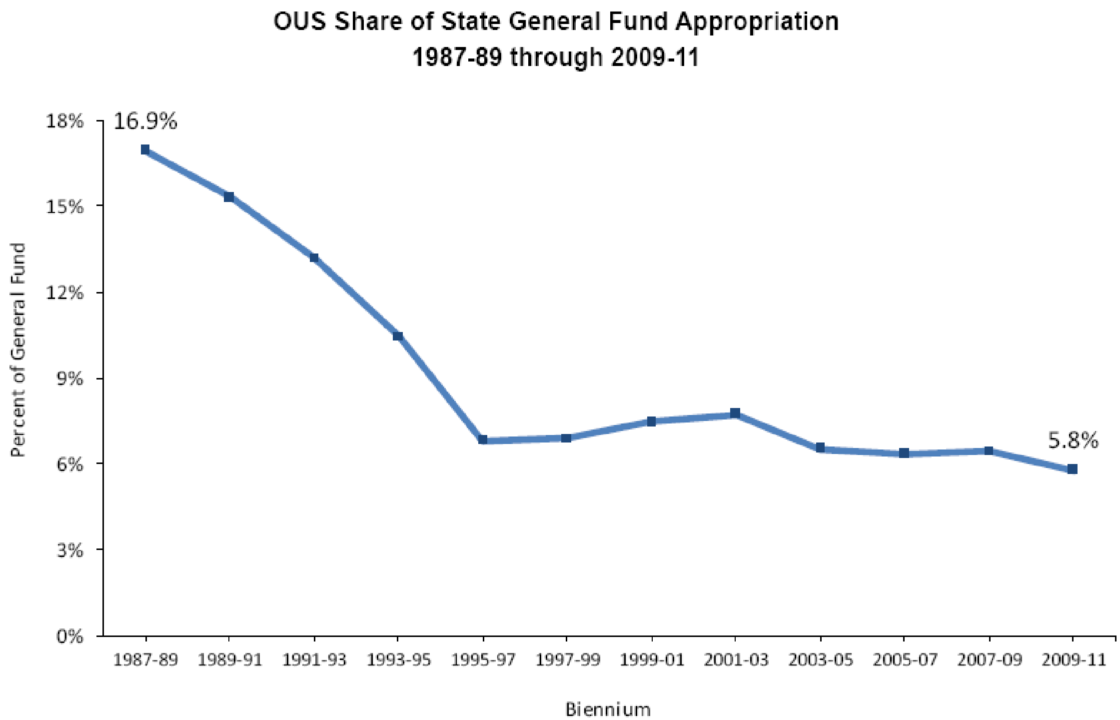
Source: Oregon University System, 2011b. http://www.ous.edu/sites/default/files/dept/govrel/files/2011IB40-40-20.pdf

C. Disinvestment in Higher Education in Oregon

Despite its stated commitment to higher education, Oregon's funding for colleges and universities tells another story. Governing structures of institutions within the Oregon University System are quite diverse, but no governance system can make up for disinvestment in higher education by the State Legislature. Over recent decades, the State of Oregon has disinvested in higher education as is, evident from the fact that the share of General Fund money going to the Oregon University System shriveled from 16.9 percent in 1987-89 to 5.8 percent in 2009-11.

This trend has been echoed nationwide. Over the past 20 years there has been a breakdown in the historical funding pattern of recessionary cuts and expansionary

Figure 4: Share of State General Fund Appropriation (biennial) 1987-89 through 2009-11



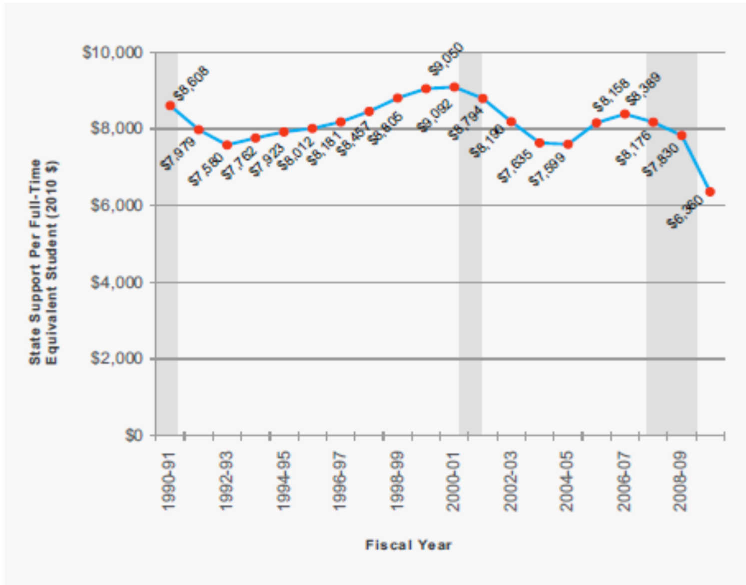
Sources: (1) Oregon Legislative Fiscal office, (2) Oregon Office of Economic Analysis, (3) OUS Budget Operations

rebounds. According to John Quinterno (2012), the length of time for higher education funding to recover following recessions has lengthened for every downturn since 1979. Early evidence suggests that the recovery from the Great Recession of 2008 will be no different.

While state spending on higher education nationwide has increased by $10.5 billion in absolute terms from 1990 to 2010, funding in per-student terms has declined markedly, as shown in Figure 5, below. The data illustrated in Figure 5 are adjusted for inflation and indicates recessions in the shaded areas.

Figure 5: State Support for Higher Education per Full-Time Equivalent Student, 1990-91 to 2009-10.

Figure 6 | **STATE SUPPORT FOR HIGHER EDUCATION PER FULL-TIME EQUIVALENT STUDENT, FISCAL YEARS 1990-1991 TO 2009-2010**



*NOTE: *Shaded areas indicate recessions. ARRA funds not included.*

SOURCE: *Author's analysis of Grapevine data, various years; and National Center for Education Statistics, Digest of Education Statistics, various years.*

In the 2008-2009 fiscal year, Oregon was ranked 42nd in the nation for State appropriations, at $5,020 per full-time equivalent student (FTE), significantly below the national median of $6,928, as shown in Figure 6, below. Over the five years between 2004 and 2009, Oregon's higher education appropriations fell by -1.7%, while other states increased their funding, by a median amount of 4.0%. Oregon state funding is considerably below where it should be.

One of the causes for this disinvestment may be Measure 5, passed in 1990, which capped property taxes and reduced (and continues to reduce) a key source of funds for state programs. This was followed by the passage of Measure 11, which resulted in the reallocation of state funds to public safety and judicial programs, further reducing the amount of funds available for higher education.

Figure (6): Comparative Data on Higher Education in the United States: State Higher

Rank	State	State Higher Education Appropriations per FTE, Public 2-yr and 4-yr, 2008-09
1	Wyoming	$15,391
2	Alaska	12,962
3	Idaho	9,255
4	Hawaii	8,849
5	North Carolina	8,844
6	Oklahomha	8,797
7	Nevada	8,781
8	Georgia	8,765
9	New Mexico	8,359
10	Connecticut	8,317
11	New York	8,238
12	Texas	8,171
13	Alabama	8,102
14	Maryland	8,100
15	Louisiana	8,092
16	Kentucky	7,969
17	Arkansas	7,955
18	Tennessee	7,901
19	Illinois	7,777
20	New Jersey	7,481
21	Mississippi	7,316
22	Arizona	7,301
23	Nebraska	7,048
	United States	6,928
24	California	6,899
25	Maine	6,756
26	Florida	6,564
27	Wisconsin	6,534
28	Washington	6,483
29	West Virginia	6,433
30	Minnesota	6,161
31	Utah	6,103
32	Missouri	6,084
33	Iowa	5,905
34	Virginia	5,702
35	South Carolina	5,700
36	Delaware	5,695
37	Kansas	5,591
37	Massachusetts	5,591
39	Pennsylvania	5,542
40	North Dakota	5,476
41	Michigan	5,365
42	Oregon	5,020
43	Ohio	4,858
44	Rhode Island	4,763
45	Indiana	4,752
46	Montana	4,465
47	Colorado	3,929
48	South Dakota	3,927
49	New Hampshire	3,131
50	Vermont	2,654

Excludes appropriations for medical schools and statewide public services.
Source: SHEEO, State Higher Education Finance, FY2009.

Rank	State	Percentage Change in Higher Education Appropriations per FTE, Public 2-yr and 4-yr, 2004-2009
1	Wyoming	31.9%
2	Alabama	31.6%
3	Louisiana	30.8%
4	Oklamhoma	29.2%
5	Hawaii	28.9%
6	Alaska	27.7%
7	Colorado	27.3%
8	Tennessee	26.0%
9	New York	19.8%
10	Nebraska	19.5%
11	Montana	17.6%
12	Arizona	17.0%
13	Texas	13.2%
14	Utah	12.0%
15	West Virginia	9.5%
16	Virginia	8.6%
17	Iowa	8.1%
18	Idaho	8.0%
19	North Carolina	7.2%
20	Washington	7.1%
21	North Dakota	7.0%
22	Arkansas	6.3%
23	Illinois	4.4%
24	Mississippi	4.1%
	United States	4.0%
25	Georgia	3.2%
26	Maryland	1.9%
27	Minnesota	1.6%
28	Maine	1.4%
29	California	0.6%
30	Connecticut	0.4%
31	Delaware	-0.1%
32	Florida	-0.9%
33	Wisconsin	-1.5%
34	Oregon	-1.7%
35	Nevada	-2.6%
36	Kentucky	-3.4%
37	Ohio	-4.2%
38	Missouri	-5.2%
39	New Hampshire	-6.2%
40	Pennsylvania	-7.1%
41	Indiana	-7.3%
42	New Mexico	-9.2%
43	South Carolina	-9.3%
44	Kansas	-9.9%
45	Michigan	-13.0%
46	Massachusetts	-13.3%
47	Vermont	-15.0%
48	New Jersey	-18.7%
49	South Dakota	-22.1%
50	Rhode Island	-29.1%

Excludes appropriations for medical schools and statewide public services.
Source: SHEEO, State Higher Education Finance, FY2009.

Education Appropriations

Sources: Oregon University System 2010 Fact Book, ous.edu.

Since 1991, more than 41 percent of the state funding per full-time enrolled student in higher education has been cut - the worst cut in any state in the nation, according to the state higher education executive officers. In other words, each full-time enrolled student in Oregon higher education today is receiving only 58.6 percent of what a student received from the state in 1991, adjusted for inflation.

Currently, the effects of our State's disinvestment are widely evident. The student-faculty ratio for public higher education institutions in Oregon is above the national average; faculty salaries are below the national average. In addition, there is more than

$640 million worth of deferred maintenance on OUS facilities waiting to be addressed, according to the 2011 OUS *Factbook*.

A national comparison of public university affordability done by the OUS Budget and Management Division shows that Oregon now ranks 46th out of the 50 states. Clearly, Oregon can invest more in Oregon public colleges and universities. Our state has become wealthier; yet we are investing less in the younger generation.

D. Student Debt in Oregon

With disinvestment by the State, there has been a steady growth in tuition at Oregon's public colleges and universities, and a concomitant growth in the reliance on student loans to pay for the costs of a higher education. Oregon ranks 45th nationally in state appropriations per full time student, and 16th in tuition and fees charged per student. From the period 1990-2010, even adjusting for inflation, the tuition and fees charged to a full time student have more than doubled.

This increase in tuition is largely funded through student debt. For the 2009-10 academic year, the Oregon University System awarded $785.3 million in financial aid, of which $532.1 million, slightly over two thirds, was in the form of student loans (OUS 2011c, 66). The current numbers are staggering, but the trend over the last 6 years is even more revealing of the increasing debt facing Oregon students of higher education. Between the 2004-05 and 2009-10 academic years full time equivalent enrollment at OUS schools increased approximately 13%; at the same time, the volume of loans taken out by OUS students increased by almost 50%; federal unsubsidized loans almost doubled, and the volume of outside loans increased by more than two thirds, as shown in Table 2 , below.

Table 2: OUS Loan Aid in Millions of Dollars, 2004-05 to 2009-10							
Academic Year	04-05	05-06	06-07	07-08	08-09	09-10	6 Year Change
Federal Subsidized Loans	$150.00	$145.20	$141.40	$149.50	$159.70	$187.60	25.10%
Federal Unsubsidized Loans	$112.70	$117.00	$119.40	$125.50	$172.20	$217.00	92.60%
Federal Perkins Loans	$15.80	$15.90	$16.70	$18.30	$6.40	$7.00	-56.00%
Parent Plus Loans	$62.70	$66.40	$67.80	$67.90	$71.60	$91.60	46.20%
University/Outside Loans	$17.40	$29.20	$31.60	$35.40	$37.40	$28.90	65.50%
Total Loan Aid	**$358.60**	**$373.70**	**$376.80**	**$396.60**	**$447.30**	**$532.10**	**48.40%**

Source: Oregon University System, 2011c. *OUS 2011 Facts and Figures*, p. 67
http://www.ous.edu/factreport/factbook/2011

According to the Oregon University System (2011c), 60% percent of OUS graduates in 2010 took out student loans to finance their education. In 2010 the average debt at graduation from a 4-year public institution in the state of Oregon was $22,216, the 13th highest in the nation, compared to the national average of about $21,700.

E. International Students in Oregon

International students increasingly come to the United States to pursue a college education. China is the leading place of origin for international students in the United States, accounting for 25% of international students with 194,029 in 2011/12 (Institute of International Education, 2012) . Among Chinese students, it's common that the tuition is paid by the parents, but may well be based on loans taken in China. Zhang is a Chinese student majoring in business at Portland State University. Since she didn't do well in the College Entrance Examination in China, her parents wanted her to get the opportunity to enter a good university in U.S. Although the tuition and living expense exceed their ability to pay, they still want their daughter study abroad to earn a bright future. After consideration, they borrowed $30,000 from the Bank of China. The length of maturity is 4 years and the interest rate is 6.9%.

Sami is an international student from Jordan. He is a full-time student majoring in business. He borrowed $4,000 dollars through Federal student aid programs; non-citizens are eligible for federal aid and loans if they are permanent residents, or have refugee status (U.S. Dept. of Education, 2012). Sami was proud of his independence, “I have a part time job and I work 20 hours a week so I can pay the tuition with the salary and the student loan.” When talking about his friends, he said, “All my friends have scholarship from other countries and some friends have financial aid.”

F. Current Oregon State Policy Initiatives

Several state policy initiatives have emerged in response to the funding crisis in public higher education. Ted Wheeler, the current Treasurer of the State of Oregon, has proposed "The Opportunity Initiative" through which the State would restructure the funding base for Oregon's higher education system in order to garner new revenue sources as well as improve the needs-based grant program for public higher education students, the Oregon Opportunity Grant. The Oregon Opportunity Grant is currently woefully inadequate; it is available only to a small fraction of the students who are eligible, based on their incomes, and provides each funded student less than $2,000 a year.

Treasurer Wheeler recognizes that the student debt problem stands in the way of achieving Oregon’s education goals. The Treasurer proposes to create a fund that will generate income to better fund the Oregon Opportunity Grant program. Wheeler suggests that the fund will start out with a bond issue of $500 million in 2013 and be invested so as to grow to an estimated $6 billion within 30 years. The fund would allow for a 50% increase in current Oregon Student Assistance Commission (OSAC) financial aid, and after 30 years would serve every student eligible for an Oregon Opportunity Grant for two years. The fund will receive a marginal state contribution and rely heavily upon bonding. While raising large sums through bonding emerges as a political issue in itself, Treasurer Wheeler is confident the Oregon voters will be in favor of such an overhaul (Oregon State Treasury, 2012).

In addition, administrators from several Oregon University System institutions have proposed to restructure the system so that individual institutions hold more authority over their budget and the possibility of raising their own funds, whether through bonding or other means. Journalist Julie Sabatier (2011) notes that the state board of education and the presidents of the seven public universities in the state stand in agreement that individual institutions should have the authority to set tuition and negotiate funding. Allowing universities to operate somewhat separately would allow for more diversity when it comes to the distribution of funding, as philanthropic and business interests tend to prefer that their money support a particular institution. It is not clear how this effort would ameliorate the financial hardship facing OUS students, however.

V. SEDR Proposal – Pay it Forward

Another Way

There is another way that college can be made more affordable to Oregon students on every rung of the economic ladder and simultaneously maximize the likelihood that a college degree delivers on the promise of a better life. The program is called Pay It Forward.

Pay it Forward is a program that will greatly reduce and possibly eliminate the necessity for students and families to take on debt in order to secure post-secondary education. It achieves this goal through the establishment of a fund that pays the tuition and fees of all students enrolled in Oregon public community colleges and universities. In return, students make a binding commitment to pay into this fund a small fixed percentage of their income for a set number of years after leaving school. Based on an analysis by Jason Gettel, Policy Analyst at the Oregon Center for Public Policy, graduates would pay 1.5% of their adjusted gross income for two-year Associate's degrees, 3% for Bachelor's degrees and 4% for Master's degrees. In other words, graduates would pay 0.75% of their annual adjusted gross income (AGI) for every full-time, academic year attended, based on the current level of tuition and fees in Oregon's public institutions. These payments would continue for 24 years. In this way, students who obtain a bachelor's degree would pay, on average, $39, 653 into the Pay it Forward fund, which would include $7,417 on top of the value of tuition and fees that they would otherwise have paid.

Pay It Forward is not a loan program but a system of income-based payment that operates under an economic principle akin to Social Security. Unlike Social Security, costs are incurred prior to payment into the system so the challenge lies in startup funding. In time, however, as graduates pay into the program, the Pay it Forward Fund would build a large enough surplus to pay for future students' tuition and fees without any additional money provided by the State of Oregon. The program assumes, however, that the State appropriations for higher education do not sink below their current level, adjusted for inflation. In other words, this is a program of shared responsibility.

A Sustainable, Solvent Solution

Implementing the Pay It Forward program will require a substantial start up fund, but would lead to solvency for students and the Oregon higher educational system. At a payment rate of 3% of graduates' adjusted gross income for 24 years, the program will take in more than it spends in the 25th year, and begin to build a positive balance that will grow annually thereafter (see Appendix A2, analysis by Jason Gettel of the Oregon Center for Public Policy, for further details.) In the meanwhile, the gap would be filled either by bonding or philanthropic contributions or both. This proposal could work well in conjunction with Treasurer's Wheeler's Opportunity Initiative.

A more aggressive payment plan, requiring payment of 1.25% of adjusted gross income for 24 years (i.e. 5% for a four year degree) would allow the state to recuperate costs much more quickly. Annual payments into the Pay it Forward Fund are estimated by the Oregon Center for Public Policy to exceed costs in the 18^{th} year of this program.

A Paradigm Shift

We anticipate that switching to a Pay it Forward program would encourage more people to enroll in Oregon's state universities and community colleges. Research shows that educational costs and fear of debt keeps many people out of college, particularly among low-income and minority populations. Young people in our primary and secondary schools will see their family members go to college and know that path is open to them. Many working adults who want to return to school but cannot afford to will have an opportunity to get the education and skills that lead to careers offering living wages. Parents can save for their children's education and have confidence that it will make a significant impact on college expenses.

Upon enactment of Pay It Forward earning a college degree with low or no debt will no longer be reserved only to the fortunate sons and daughters of the well heeled. A clear path to higher education will be made available to everyone. In Oregon we will be able to say, "Here, the path to adulthood includes college education."

Potential Challenges and Solutions

Students for Educational Debt Reform propose that Pay It Forward should be the means by which the tuition and fees portion of college expense is paid by the entire full time, in-state student body within Oregon's community colleges and universities. However, several challenges may arise.

Part-time Students

Not everyone is a full-time student in pursuit of a degree. Students who are taking a handful of classes at the behest of an employer or for personal enjoyment could pay at the same rate as full-time students on a Pay it Forward system. Students must earn a minimum of 180 credits to obtain a bachelor's degree at Portland State, or 45 credits a year if they were to study full-time for 4 years – and then would owe 0.75% of their adjusted gross income to the Pay it Forward fund for that year. All students could pay 1/45th of 0.75% of their income per year for each credit in which they enroll. Or it may be more practical to allow students who are enrolled with course loads below some threshold to pay tuition and fees as they do currently.

The Potential to "Freeze" Oregon's Higher Educational System at its Current Level

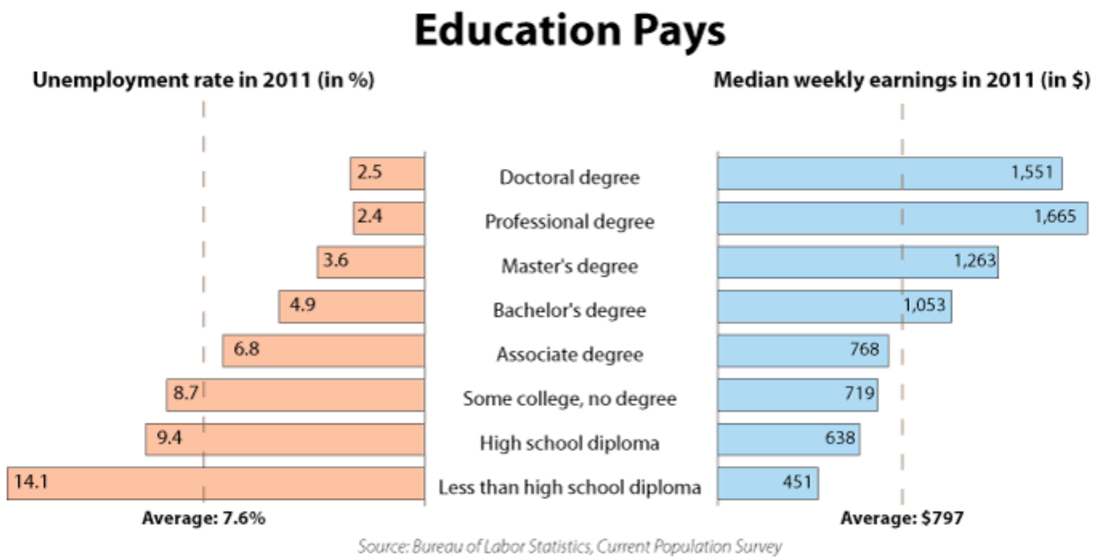
The reputation of our state community colleges and universities depends on providing great facilities, gathering top faculty, and attracting high quality students. Unless the state is committed to increasing its contribution to public higher education, and moving back toward per-student funding levels available 20 years ago, the quality of Oregon's institutions of higher education is at risk of falling further behind those elsewhere.

Would Pay it Forward Incentivize Low Work Effort?

Objections may be raised based on the possibility that some graduates may choose to earn relatively little, thus minimizing their payments. However few people go to college in preparation for future unemployment. Certainly, unwanted unemployment is its own punishment. One possibility is that people be expected to pay for 288 months (24 years), which ideally would be consecutive but could be deferred on the basis of unemployment. As clearly seen in Figure 7, below, the risk of unemployment is much greater for those with less education.

If graduates decide to take some time out of the labor force to care for young children, or elderly parents, society as a whole is benefited. And the analysis of the costs and structure of Pay it Forward are based on the earnings histories of college graduates on average in the U.S., which incorporate the fact that a certain proportion of people work part-time or not at all for periods of their lives, for a variety of reasons. If people return to

Figure 7: Unemployment and Weekly Earnings by Educational Level, 2011



Source: U.S. Bureau of Labor Statistics. 2012. Employment Projections
http://www.bls.gov/emp/ep_chart_001.htm

full-time work after a period of part-time or no paid work, they are likely to earn more with more education.

We see no reason to expect that a payment as low as 3% of income would reduce work effort, given the much greater gains available in terms of promotion and career development to those who obtain more education and build on it in the work force, as is clear in Figure 7, above.

What about the Oregon Opportunity Grant, and Federal Aid?

Implementation of Pay It Forward on a system-wide basis would most likely mean the end of the Oregon Opportunity Grant. However, the Pay It Forward program would provide substantially greater benefit to Oregon's neediest students than is currently possible through the Oregon Opportunity Grant program

It will most likely take some time to prepare a shift to a Pay it Forward system, during which we should retain full engagement with the Oregon Opportunity Grant. Once a Pay it Forward system is up and running, we imagine that Oregon Opportunity Grants would be phased out, and any funds established to support them be shifted to a Pay it Forward Fund.

Students could use the entirety of any Federal Pell Grants for which they are eligible to pay for living expenses and books. Money invested in 529 savings plans could be tapped to pay the Pay it Forward fund after graduation, or to cover living expenses while in school.

Is a shift to Pay it Forward too ambitious?

Perhaps the most obvious criticism likely to be leveled at Pay It Forward, will be that it is simply too ambitious and the money cannot be made available. To this we say that the current level of student debt is at a crisis level and must be addressed.

Second, a Pay it Forward program could be launched on a partial or pilot basis that is less daunting than immediate statewide implementation. One possibility for partial implementation is through designation of pilot institutions, perhaps one university and one community college. If begun on a pilot basis, we anticipate that the Pay It Forward program will be highly sought after by the majority of Oregon's college students.

V. CONCLUSION

Student debt is a heavy burden on Oregon's younger generations and a drain on Oregon's economy. Students are being told by parents, guidance counselors, and the State's elected leaders that they need a college education to succeed in today's economy, and yet the State's commitment to funding higher education has been lagging for decades. Thus tuition keeps rising, leaving students with no choice but to borrow significant sums of money before they even know what their future employment prospects will be. The result is that students graduate from Oregon's public colleges and universities into an uncertain job market burdened with high levels of debt. This is not a recipe for success either for the individual or for our state.

There are a number of proposals being considered on a federal level that would alleviate the burden of already existing student debt, through Income Based Repayment plans, loan forgiveness after a certain number of years, a cap on interest rates, and reinstatement of the ability to discharge student debt in bankruptcy. All of these are worthy of support, and our elected leaders should work actively toward their passage.

But for future students, Students for Educational Debt Reform (SEDR) proposes a dramatically different approach, one that demonstrates shared responsibility, a commitment to future generations, and a seriousness about the value of higher education. Pay It Forward represents a social commitment, not a debt. The State will maintain at least its current level funding of higher education, and the students will contribute a small fixed percentage of their actual earnings for a set number of years after graduation.

We have the opportunity to make a dramatic impact on one of society's most urgent and pressing problems and to fulfill a promise to those students who work hard, graduate from high school and look to our public colleges and universities as a pathway to a better future. We owe them nothing less.

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APPENDICES

A1. Jubilee Oregon: Responsible Lending and Borrowing

The issues and difficulties related to student debt can be informed by examples of debt from other similar environments. One example of a similar environment comes from the experiences of global south countries with sovereign debt. Although not perfect, these similarities can be characterized by:

- Debt incurred by a large group of people who have little control over decisions, terms or visible benefits of the debt incurred,
- Debt that is unsustainable because it is too large to be repaid in a reasonable time frame,
- Debtors who are often not given all the necessary information needed to make informed decisions and
- Debtors who are not in control of any ability to renegotiate the terms of their debt as warranted by changing circumstance.

These similarities become more relevant if we consider that sovereign debt is the debt of the people of the country and not the governments or ministers of finance that are often the decision makers about debt.

There are decades of experiences of sovereign debt that we can use to help us understand the consequences of unsustainable debt. Simply put, those consequences for the people of global south countries keep these people and these countries extremely poor. The servicing of debt to international financial institutions (IFIs) such as the World Bank and the International Monetary Fund means that the conditionalities imposed prevent these governments from providing services to the people such as health care, education or infrastructure development that could enable the countries to take the first steps up the ladder towards prosperity and away from poverty.

The response to the modern sovereign debt crises has been reluctant cancelation of debt with conditions defined by the lending institutions. These conditions often impose upon the lenders specific requirements the lenders believe will ensure the repayment of future debt. However, these conditions are often not in the best interest of the people. Conditions for debt cancelation often include privatization of government sponsored services and utilities, focus on export crops and procurement of resources from lender nations. But debt cancelation has proven very beneficial to countries that have been able to meet these demands. The problem, however, continues because countries continue to borrow money without improving their economies or the lives of their citizens.

A new effort is underway that deals with some of the root-cause issues of this cyclical and unsustainable debt. This effort is focused on responsibility of both the borrower and the lender about decisions, benefits, transparency and control of the purposes of incurring debt. **Responsible Lending and Borrowing** addresses the responsibilities of the borrowers, but more significantly, addresses the responsibilities of the lenders, which are often not considered when debt is evaluated. For example, should debt incurred by a government to repress their citizens be allowed and be the responsibility of the people long after that repressive regime has changed? Should debt be allowed if it is obvious that the country cannot repay their loans? Should debt be allowed if the people of the country would not benefit from the debt? These are all examples of situations that currently exist for many countries that are in debt.

Many of the principles of responsible lending and borrowing apply equally to both sovereign debt and other institutionalized debt such as student debt and mortgage debt. In the international sphere, the difficulty is finding a governing body to uphold these principles and to hold lenders and borrowers accountable. This is a structural problem. For domestic institutionalized debt responsibilities, the difficulties relate to the power and control of lending institutions that may find it against their self-interest to comply with certain responsibilities. This is a political problem.

Organizations such as the international Jubilee Movement have developed principles to assure responsible lending and borrowing focused on sovereign debt. Many of these principles can be considered as we think about the reforms needed to assure a sustainable debt situation for student debt. These principles address the responsibilities of the lenders and borrowers. They do not address the responsibilities of the federal and state governments in their allocation of resources for our educational establishments to keep the need debt at a sustainable level for the borrower.

Principles of Responsible Lending and Borrowing[1]

[Note: principles that relate directly to student debt are bolded below]

1. Ensure that loan contraction complies with relevant national and international laws
2. Investigate low-income countries' debt portfolios to determine if portions should be declared illegitimate and odious
3. **Assess the financial position of the borrowing country**
4. **Ensure the use of fair interest rates and penalties**
5. **Provide details of fees charged as part of transaction**
6. **End harmful economic conditionalities attached to loans**
7. **Regulate the sale of loans on secondary markets in an effort to make it illegal for vulture funds to profit from debt relief to poor countries**
8. **Recognize that there may be cases where a dramatic change in circumstances prohibits a borrower from meeting its financial obligations on the loans**
9. Ensure that loan contraction procedures protect human rights
10. Ensure that loans comply with social, labor, and environmental standards
11. **Promote orderly debt resolution processes that provide incentives for responsible lending and fair burden-sharing**

[1] *Haang'andu, Privilege and Calieri, Aldo. 2012. The Responsible Lending and Borrowing Imperative: Addressing the Root Causes of Poverty.* *http://www.jubileeusa.org/fileadmin/user_upload/Resources/2012_Jubilee_USA_Files/RLB_New_Formatting_FINAL.pdf*

SEDR
Students For Educational Debt Reform

A2. PAY IT FORWARD for Oregon's Future

Debt-Free Public Higher Education in Oregon

No tuition or fees for instate students

Upon entering university or community college, students sign a binding contract to pay a low percentage of their incomes for a set number of years to an Oregon Higher Ed Fund.

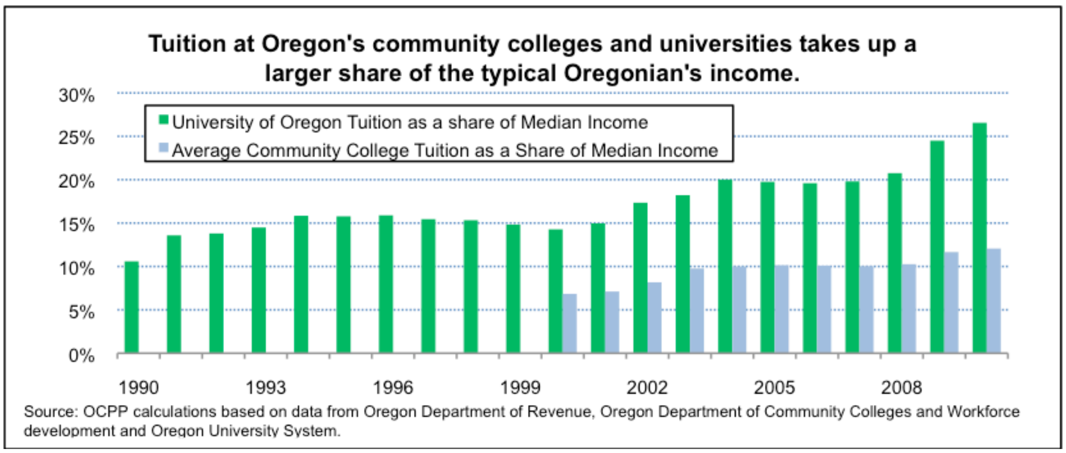
3% of an individual's income for 24 years is estimated to cover 4 years of tuition and fees and pay an additional $7,400 (on average) to build the Oregon Higher Ed Fund.

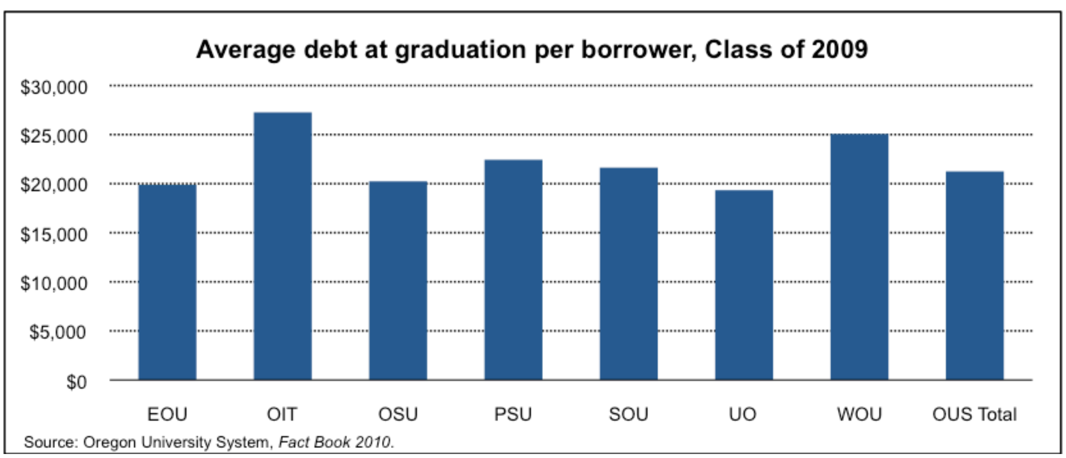
The State of Oregon to contribute to public higher education at least at the per student level of 2009/2010; preferably at the higher level of earlier years.

Start-up costs to be paid by bonding and philanthropy.

Pay it Forward could be started on a pilot basis at a few institutions or for Oregon Opportunity Grant recipients.

Pay it Forward is under discussion in California, Washington, Vermont and Pennsylvania





Pay it Forward ($2009/10)
Analysis by Jason Gettel, Oregon Center for Public Policy

- Based on 2009-10 Student Share of Education Cost, OUS Average Tuition and Fees
- State Appropriation per Full-time Equivalent Student at Level of 2009/2010; ***SEDR Recommends Future Increases to Enhance OUS Institutions***
- Repayment: 3% of Adjusted Gross Income for 24 years after graduation, based on national census data on earnings by education and age in 2010

Program Year	Repayment Year	annual payback at 3% per graduate	cumulative deficit/surplus per individual	annual payback at 3%	total net annual cost
1			$8,059		$171,167,116
2			$16,118		$342,334,232
3			$24,177		$513,501,347
4			$32,236		$684,668,463
5	1	$818	$31,418	$17,379,016	$667,289,447
6	2	$908	$30,509	$36,669,724	$647,998,739
7	3	$1,008	$29,501	$58,082,410	$626,586,053
8	4	$1,119	$28,382	$81,850,492	$602,817,971
9	5	$1,252	$27,130	$108,439,272	$576,229,191
10	6	$1,314	$25,816	$136,357,491	$548,310,972
11	7	$1,380	$24,436	$165,671,621	$518,996,842
12	8	$1,449	$22,987	$196,451,457	$488,217,006
13	9	$1,522	$21,465	$228,770,285	$455,898,178
14	10	$1,593	$19,872	$262,606,322	$422,062,141
15	11	$1,673	$18,199	$298,134,160	$386,534,303
16	12	$1,756	$16,443	$335,438,391	$349,230,072
17	13	$1,844	$14,598	$374,607,833	$310,060,630
18	14	$1,936	$12,662	$415,735,747	$268,932,716
19	15	$1,993	$10,669	$458,065,360	$226,603,103
20	16	$1,995	$8,674	$500,437,303	$184,231,160
21	17	$1,997	$6,677	$542,851,617	$141,816,846
22	18	$1,999	$4,678	$585,308,346	$99,360,117
23	19	$2,001	$2,677	$627,807,531	$56,860,932
24	20	$1,979	$698	$669,838,945	$14,829,518
25	21	$1,999	-$1,301	$712,290,673	-$27,622,210
26	22	$2,019	-$3,319	$755,166,918	-$70,498,455
27	23	$2,039	-$5,358	$798,471,926	-$113,803,463
28	24	$2,059	-$7,417	$842,209,983	-$157,541,520

Total (Gross) Cost per Individual: $39,653

Total PayForward: $7,417
(Amount Added to Higher Ed Fund by Each Person Over and Above Costs Incurred for them)