

MEETING #406
OREGON STUDENT ASSISTANCE COMMISSION
Friday, February 25, 2011
University of Phoenix
Salem, OR

COMMISSIONERS

Bart Howard, Chair
Cap Sharples, Vice Chair (phone)
Glenda Melton
Alethia Miller
Ben Eckstein (phone)
Mike Holland

STAFF

Josette Green, Executive Director
Alan Contreras, ODA Administrator
Susan Degen, Opportunity Grant Administrator
Lorianne Ellis, ASPIRE Team Lead
Jennifer Diallo, ODA Program Evaluator
Peggy Cooksey, Program Analyst (phone)

GUESTS

Emma Kallaway, OSA
Brett Rowlett, Lane Community College (phone)
Gary Andeen (OICA)
Elizabeth Slater, NW Career Colleges Fed.
Gena Wikstrom, NW Career Colleges Fed. (phone)

CALL TO ORDER

Commission Chair Bart Howard called the meeting to order at 9:32 am. Having a quorum present, the meeting proceeded.

ODA Administrative Rules Hearing

Chair Howard opened the Administrative Rule Hearing and asked Alan Contreras, ODA Administrator to come forward. Mr. Contreras explained that the Commission is hearing these rules at this time because the original rule hearing that took place in the fall was invalid due to the hearing notice not being filed correctly.

OAR 583-030-0011: Repass housekeeping changes to 583-030-0010, and repeal 583-030-0011, actions from October, 2009 that were not filed correctly with the Secretary of State. These changes bring the OAR into alignment with statutory changes in 2009 related to ODA jurisdiction. There are no commission policy changes in this action.

OAR 583-030-0015: Repass a change to 583-030-0015 from September, 2010 defining ability-to-benefit tests that did not have proper notice filed with the Secretary of State. The language proposed herein is identical to that passed by the Commission in September, 2010.

Chair Howard called for public testimony. Gena Wickstrom said that they brought their comments forward when the rules were heard in September, and they have no further comments. No other public comments were made.

Chair Howard closed the hearing and called for a motion. Commissioner Melton made the motion to approve. Commissioner Holland seconded the motion. The motion passed by unanimous vote.

CHAIR'S/OTHER COMMISSIONER'S REPORT

Chair Howard reported that Ms. Green had asked for Commissioner feedback about her performance during her first three months as Executive Director. Chair Howard said that information will be part of the Executive Session. Chair Howard reported that he and Commissioner Eckstein had a conference call with Vicki Merkel before she left the agency regarding the future of the Scholarship and Access division. Chair Howard said that Ms. Green has been very forthcoming with information regarding the current legislative session and events as they occur. Chair Howard said that he and Commissioner Sharples have had some ideas regarding the future of ODA that will be discussed in the Executive Session also.

Commissioner Melton said that she and Ms. Green have gone on some legislator visits and it was very interesting. Commissioner Howard said he has received very positive responses from legislators with whom he has been in contact.

EXECUTIVE DIRECTOR'S REPORT

OSAC Executive Director Josette Green reported that on February 1st the Governor's Recommended Budget (GRB) was released. She was happy to report that there was an increase for the Oregon Opportunity Grant (OOG) in that budget. The increase was in the amount of \$20 million, increasing this biennium's amount of \$97 million to \$114 million. The Child Care Grant program is also being continued, but with a slight decrease. The ASPIRE program will be continued but would also receive a decrease under the budget. The Nursing Loan Repayment Program will not receive further funding that would enable OSAC to accept new borrowers into the program.

Ms. Green reported that testimony was given on SB 242 on February 1st, and since that day, more leaders and organizations have come forward in support of the Commission's view that it should remain intact. As of this Tuesday, we were invited to amend the bill with the house. Representatives Dembrow and Johnson held a meeting to hear the concerns of stakeholders regarding the bill. House Bill 2116, our own bill, is sitting in committee. We have requested that bill be withdrawn.

Throughout the month, Ms. Green has had various meetings with legislators that are going well, and our relationship with these individuals is growing. Two presentations were made a "Who is OSAC" to the House Higher Education Subcommittee, and a joint presentation on affordability by OSAC, OUS, and community colleges to the Joint Ways and Means Education subcommittee. Next Monday, February 28, OSAC Ways and Means Committee presentation materials are due, in preparation for the actual presentation to take place the week of March 7th.

Commissioner Holland asked if we know what the Legislative Fiscal Office's position on our budget will be. Ms. Green said she does not at this time. We have received questions from them and will be responding.

Concerning the OOG for 2011-13, we are currently working with the Governor's office to come to an agreement regarding awarding. She has asked for some level of commitment by March 1. Chair Howard

asked what number are we suggesting to the Ways and Means Committee to approve for fall awards. Ms. Green said we would plan to use 49% of the \$114 million from the GRB.

The posting for the position of Scholarship and Access Director closes March 4th. Ms. Green said she is looking for someone with strong business skills to take scholarships and access to new heights.

Ms. Green attended the OASFAA conference at Salishan, is continuing her work with Leadership Oregon, and is doing leadership training with staff in office. The new OSAC website will be released in April.

Emma Kallaway asked if Ms. Green was aware the SB 242 has a hearing on March 3 before the Senate Education Committee. Ms. Green responded that she did not given the agenda has not been distributed. Ms. Kallaway also inquired if OSAC has legal counsel involved in the writing of amendments of SB 242. Ms. Green indicated that OSAC does have legal counsel available as well as experiences staff in house.

Mr. Andeen asked what HB 2116 is about. Ms. Green explained that it was OSAC's bill that added a loan component to the SRM for community college students and also extend the sunset date of the Shared Responsibility (SR) Steering Committee. We have asked that it be withdrawn. It is currently sitting in the house committee awaiting support of the Governor's office to withdraw it.

Chair Howard asked who Ms. Green had decided upon for the search committee the vacant Scholarship and Access Programs Director position that Vicki Merkel just vacated. Ms. Green said that she has appointed Lori Ellis to work on organizing the interview process. There will be two rounds of interviews, the first round, during the week of March 14th, will include one hour with herself and a second hour with staff and commissioners. The second round will be about three hours where staff and stakeholders will be involved. Per DAS Human Resources, the first round of interviews will require two days of attendance, so any Commissioner who is able to be part of the first interview will need to commit to two days during that week.

ODA ADMINISTRATOR'S REPORT

Program Administrator Alan Contreras reported that on HB 2117 we had four proposed amendments, some technical, some not. We received permission from the committee co-chair to send all four of the amendments to legislative counsel for drafting, which indicates to Mr. Contreras that there would be no major problems with the amendments as proposed. Mr. Contreras said that about three weeks ago he provided a copy to Nancy Golden with the Governor's Office, with a request for comments and concerns, and so far, nothing has been sent back to him. Mr. Contreras said that the Commission had asked that applicable amendments also be put in SB242, and he has provided that information to Susan Degen who is gathering all materials for SB 242. At Commissioner Week's request, draft text has been forwarded to our Legislative Counsel, Gary Cordy, who reported it is fine with a few minor comments. So, we will wait until the Legislative Counsel draft is back so that Mr. Cordy can make any comments on the actual LC draft. We are moving forward well and are within the legislative timeline.

The ODA workload has been consistently high all winter. Not all program reviews that were expected to be finished by the end of March will be completed on time. One reason is that we are receiving many inquiries from schools that want to offer on-line, distance education to students in Oregon. Doing some research shows that some programs we thought were purely **on-line** aren't, so more pre-screening is

being done to determine whether the requestors can be exempt from Oregon law or not. It is a time consuming process that is moving but slowly. We have authority under current regulations to assess a fee on any applications we review, so we are doing so to recover as much of the cost as possible. We are moving forward on implementing a web portal, but this too is a time consuming process. Mr. Contreras said he has testified on a case regarding naturopathy, and there is another investigation that the Department of Justice is doing for us regarding a state contractor who appears to not have the appropriate degree to hold the contract.

Mr. Contreras said he is retiring from state service on April 1st, but because so many people have asked if it is an April Fools' joke that he is now telling people the date is March 31st.

Commissioner Holland asked for some clarification about the on-line issue. Mr. Contreras said that the school has to be a purely on-line provider to be exempt from Oregon oversight. However, there are some that are applying that have some on the ground activity in the state of Oregon, so they must have approval from ODA to also provide the on-line degrees in Oregon. Using the words "solely on-line" would perhaps be clearer than saying "uniquely."

Chair Howard asked how many reviews are being done. Ms. Jennifer Diallo said there are currently 68 in-house. They expect to have at least one-third of those finished by the end of March. Ms. Diallo said including what we already have, we expect to have a total of 91 before the end of the biennium. Mr. Contreras said that in the past, when we were getting backed-up like this, we would contract them out to qualified reviewers. We have also taken schools that were on a three year cycle and put them on a two year cycle to spread them out more evenly. One reason we have such a big bubble right now, is that when we were trying to use a contractor-only system after Caroline Sinclair's retirement, we got behind. There are a limited number of people able to do the reviews, so we filled the position at OSAC with Jennifer Diallo. Ms. Diallo said that another issue is the transition to the database. Ms. Sinclair had set it up, but training and user issues weren't resolved before Ms. Sinclair retired and Ms. Diallo has had to do more transition work which has slowed her down with reviews. There are also a lot of little programs at career schools which are becoming degree schools that are slowing things down. Chair Howard asked if they believe it is possible to pop the bubble by mid-summer, the concern being that Mr. Contreras will be retiring. Mr. Contreras said yes, there aren't a lot of schools that come in during the summer and they are certain they will be able to catch up.

Mr. Andeen asked what the plan is when Mr. Contreras retires. Chair Howard said that will be part of the Executive Session today. Commissioner Melton asked if Mr. Contreras would be able to work on a contract basis after his retirement date to help get the reviews caught up. Mr. Contreras said he can come back as a temporary employee as long as he doesn't work more than half-time during a calendar year, or he can work on a contract basis. He said he thinks it will be necessary to do one or the other for a couple of months and will do so if asked. Ms. Sinclair may also be available when she finishes working on a large contract for the State of Kentucky in a few weeks. There will be a member of Human Resources in today's Executive Session to help work through this plan. Commissioner Holland said that Mr. Contreras' successor should be made part of the planning process for resolving the bubble issue.

POST- SECONDARY EDUCATION IN OREGON

Gary Andeen, President of the Oregon Independent Colleges Association, gave a presentation entitled the: "Common Agenda for Oregon's Private and Public Higher Education Resources." The entire presentation was made available in a handout.

Mr. Andeen gave a comparison regarding how the three sectors of post-secondary schools (community colleges, Oregon University System, and private-independent colleges including proprietary schools) compare regarding population, growth, numbers of degrees granted, percentage of low to high income students in each sector, and the division of financial aid between sectors. Overall, private sector students are losing out on publically funded aid (OOG) over time, despite having consistent growth in enrollment and a consistent number of low-income students enrolled. When OSAC shifted to the SRM, the need to set the same maximum grant levels for OUS and private independent students have caused a loss to private independent students. Independent colleges are also losing Oregon residents because they don't have adequate public grant dollars to offer them. About one half of degree receiving students at private independent colleges started at community colleges. The percentage of students who borrow and the dollar amount of loans for students at private-independent colleges is higher for first year full time students and graduates alike, and the use and total of unsubsidized loans have increased tremendously. The private independent schools have a higher percentage of students who graduate in four or six years than other sectors.

SCHOLARSHIP AND ACCESS PROGRAMS

Lori Ellis, Team Lead of the ASPIRE and Outreach Programs, gave an update on the scholarship process. The Early Bird deadline was February 16th. Review is on-going. OSAC eApp starts are up this year, and to date, we have an increase in 523 applications starts over last year. Chair Howard asked if we know how many Early Bird Scholarships we have to award. Lori said she would have to get back to the commission on that question as she didn't have that information at hand.

Lori gave an update on 2010-11 funding and staffing for ASPIRE. We will be able to expand to 165 sites with the grants and staffing that we have. For 2011-12, Lori provided two versions for funding. Version one included the Governor's Recommended Budget, current awarded grants, and no additional outside grant. This scenario would only allow us to have four staff, 80 sites and 25 partnership grants.

Version two included everything from version 1 potential grant opportunities, continuation of the CACG program and a possible new grant from The Ford Family Foundation. This version would support eight positions, 165 sites and 109 partnership grants.

Commissioner Eckstein asked how not receiving the TG grant would affect these scenarios. Lori responded that the TG grant would have funded Gretchen Beckner's position for full-time, and given us 30 partnership grants.

Lori reported that we have had a lot of interest from Eastern Oregon sites, and we want to put emphasis in adding sites in Eastern Oregon. Lori has been in contact with Belle Cantor of Oregon Community Foundation and other organizations to find out about additional grant options.

In response to a question from Commissioner Eckstein about if we only have the money from scenario one, Lori responded that we are streamlining operations, using more on-line trainings, etc., and ASPIRE site coordinators are responding well to these new processes. Commissioner Eckstein also asked how many non-school sites we have. Lori responded there are currently five to seven, but she believes that this is where we will see the most growth.

Chair Howard said that Ms. Green has been really making efforts to raise awareness about access and outreach programs at OSAC.

OREGON OPPORTUNITY GRANT (OOG)

Update: Opportunity Grant Administrator Susan Degen gave an update regarding current OOG statistics. We started the 2010-11 academic year with \$17.42 million, not including OUS contributions of up to \$4.3 million. We have approximately \$6.1 million remaining, and have used all General Fund money available and have started using Lottery funds. We expect to have perhaps \$3 million in Lottery funds that will carry over to the next biennium. We should be on or a little under budget. We held some money back in case there was one more round of budget reductions. However, we think we won't see any more for the remainder of the biennium.

Fully Funded Shared Responsibility Model: Ms. Degen said that that was a previous request made by the Commission to know what it would cost to fully fund the SRM. Ms Degen used the following methodology to create the model: using unchanged income limits, federal share (Pell, tax credits), 2010-11 costs of attendance, and a slight increase in student share, \$0 LEAP/SLEAP funding, and the FAFSA pool for 2010 academic year through the current week. The calculations show that approximately \$168 million per year would be required to fully fund the SRM as it is designed. For the biennium, it would require \$350 million including cost of attendance increases. Chair Howard said this is good information to have, when speaking to legislators, to show that it would take more than double the amount in the GRB to fully fund the program for the biennium. Mr. Andeen asked Susan if we took all limits away, how much it would change the fully funded scenario. Ms. Degen said in that case, we would need approximately \$295 million per year to fully fund the program, or \$590 million for the biennium.

Changes to OOG: At the last Commission meeting, a recommendation was approved to remove the tax credits from the calculation of the SRM. After running the numbers, almost every person who applied would be eligible for the maximum OOG amount. By doing this, have we eliminated some awards? Susan responded that by increasing the number of people eligible for maximum awards, those at higher income levels may lose awards. Chair Howard asked for the opinion of the students in the room Commissioner Miller and Emma Kallaway. They asked how the number of students would be affected. Ms Degen said for someone with a family income of about \$50,000, they will receive little or no Pell Grant money, and without the tax credit, they actually become eligible for an OOG. Chair Howard asked for staff recommendation. Ms. Degen said her recommendation is to put part of the tax credit back. Last year, we credited every OOG recipient with at least \$1000 in tax credits, even those who have \$0 Expected Family Contribution (EFC) or very low income, assuming they were receiving refunds of the credit. However, what we know now is that those people wouldn't actually be receiving refunds, because they can only get refunds for money paid out of pocket, not for grants received that are used to pay tuition. The recommendation is to split the group, so that lower income groups would not have the tax credit used in their SRM calculation, but higher income students would have the tax credit calculation included in their SRM.

Commissioner Holland said that he thinks using the tax credit for higher income students is the first in a series of steps we will have to take over the next few years. Ms. Degen said this strategy is what we had in place during the 2008-09 and 2009-10 academic years. We didn't use the across-the-board tax credit until 2010-11 because of the cost-cutting necessary to stay within the budget for the biennium. Ms. Green said that in clarification, if we follow staff's recommendation, we will be able to award a larger

number of students. Chair Howard said that in the future, we will need to look at sector breakdowns, and this is the first step.

Ms. Degen added that because of the way the tax credit phases out at different income levels for joint tax filers and single tax filers, we have over time developed an inequity for dependent students who have single parent/head of household. There have been situations where a child of a two parent household received a higher grant than a child of a single-parent household with two children because of where the tax credit phases out. Commissioner Eckstein clarified that this change eliminates that disparity. Chair Howard asked for scenarios to be laid out to show how tax credits come into play and what the final number is. He asked that that information sent out so that the Commissioners can see it as soon as possible. We want to avoid past issues where perhaps the Commission didn't really understand the details and we ended up with over-budget problems. We want to start awarding March 1st, so it needs to be done right away. Vice Chair Sharples asked if there was ever any intent, with the SRM, to award a married family over a single parent family, or was it an accident of the formula. Ms. Degen replied that it is an accident of the formula. Ms. Degen will put together the scenarios to explain.

Commissioner Eckstein made a motion that the staff recommendation of restoring other assumed tax credit amounts based on the adjusted gross income, Commissioner Melton seconded the motion. Unanimous vote to approve the motion.

PUBLIC COMMENT

No public comment.

CONSENT CALENDAR

Commissioner Holland made the motion to approve meeting minutes #405 January 29, 2011. Commissioner Melton seconded. The minutes were approved unanimously.

EXECUTIVE SESSION

Chair Howard called a recess at 12:05 PM of the regular meeting for the Executive Session pursuant to ORS 192.660(2)(a) to consider the employment of a public officer, employee, staff member or individual agent. After the Executive Session, the meeting will resume to complete any action items.

OTHER BUSINESS AND ADJOURNMENT

Commissioners ended the Executive Session and resumed the regular meeting at 12:55 p.m.

Commissioner Mike Holland made a motion to ask Commissioner Howard, Executive Director Green, and OSAC's contact with DAS Human Resources to meet with Jennifer Diallo and discuss an Interim ODA Administrator role. Commissioner Melton seconded the motion. The motion passed with aye votes from Commissioners Sharples, Holland, Melton, Howard, and Miller and zero votes against. Commissioner Eckstein was not present for the vote.

Commissioner Howard reported that he would send out a written report on his evaluation of Executive Director Green's first 90 days for Commissioners for their input and would then share the final version with Ms. Green.

The meeting was adjourned at 1 p.m.

Respectfully submitted,

Bart Howard, Chair