

SENATE COMMITTEE ON EDUCATION

March 1, 1999 Hearing Room B

1:00 p.m. Tapes 43-44

MEMBERS PRESENT: Sen. Tom Hartung, Chair

Sen. Susan Castillo, Vice-Chair

Sen. Peter Courtney

Sen. Verne Duncan

Sen. Gary George

Sen. Avel Gordly

Sen. Marylin Shannon

MEMBER EXCUSED:

STAFF PRESENT: Jan McComb, Administrator

Karen O'Kelley, Administrative Support

MEASURE/ISSUES HEARD: SB 104 Public Hearing

Introduction of Committee Bills

SB 469 Public Hearing

SB 538 Public Hearing

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
TAPE 43, A		
005	Chair Hartung	Opens meeting at 1:05 p.m. and opens public hearing on SB 104.

SB 104 PUBLIC HEARING

008	Phil Keisling	Secretary of the State, and father of two children, ages 7 and 6. Testifies in favor of SB 104. Submits (EXHIBIT B) .
		Believes that SB 104 is a good idea because of the following reasons: <ul style="list-style-type: none">• Student debt is skyrocketing.• A college education has never been more important to economic success.• Traditional approaches to expanding access to higher education are not working.• Higher education is too important to risk being overly cautious and timid.
147	Keisling	Comments that SB 104 assumes that the state will continue to play an active role in financing college access. Explains that students could have their entire tuition bill eliminated. Adds that in exchange, the students would sign a contract to repay a modest percentage of their income, over a portion of their working lives. States that those who make less money would re-pay less and those who make more would re-pay more.
199	Rep. Ryan Deckert	House District 8. Submits (EXHIBIT C) . States that for the first time in Oregon history, more resources are being spent on incarcerating Oregonians than educating them.
		States that SB 104 would eliminate all financial barriers to higher education for any student that has the merit. Proposes that the committee assign a workgroup to improve the bill and: <ol style="list-style-type: none">1. Create a two-year pilot project which would offer 1,000 students the opportunity to participate.2. Utilize lottery revenue bonds to fund the start-up costs.
252	Ronald Buel	Citizen, Portland. Submits (EXHIBIT D) . Agrees with Rep. Deckert about the need for a workgroup to perfect the bill. Makes the following suggestions for what should be included in the bill: <ul style="list-style-type: none">• Require that students be Oregon residents.• Have the loan contract repayment period range from 7 to 10 years.• Have the re-payments withheld by employers, or by the state with the annual income taxes.• Determine the principles for how this new loan program should be administered.• Determine the funding for the short-term pilot project.
388	Sen. Courtney	Asks if there will be additional witnesses to discuss the specifics of the bill.
390	Chair Hartung	Responds that no one else has signed up to testify.

395	Keisling	States that he can answer questions regarding the specifics of the bill as drafted.
401	Chair Hartung	Asks Rep. Deckert to set up a workgroup to work on amendments to the bill.
418	Sen. Courtney	Asks if a federal waiver is necessary to allow students to participate in the pilot projects. Asks how the 1,000 students will be chosen.
422	Rep. Ryan Deckert	Responds that the work group will address Sen. Courtney's questions.
430	Sen. Duncan	Asks Keisling if he is familiar with the <i>Wall Street Journal</i> article that was written about the tuition postponement program at Yale.
435	Keisling	Responds that he is a Yale alumnus and that he participated in the tuition postponement option.
TAPE 44, A		
023	Keisling	States that the Yale experience is a good example of what not to repeat.
031	Sen. Duncan	Requests that the workgroup determine how the private institutions will come into play.
038	Chair Hartung	Closes the public hearing on SB 104 and introduces work session to consider the introduction of committee bills.
<u>INTRODUCTION OF COMMITTEE BILLS</u>		
043	Chair Hartung	Asks Jan McComb to describe the committee bill that is being introduced.
045	Jan McComb	Committee Administrator. Refers to LC 3661 (EXHIBIT J). States that this would direct the Department of Education to adopt guidelines and provide technical assistance, in compliance with special education requirements. Adds that this would require the preparation of individualized education programs for children with disabilities.
052	Chair Hartung	MOTION: Moves LC 3661 BE INTRODUCED as a committee bill.
		VOTE: 7-0
054	Chair Hartung	Hearing no objection, declares the motion CARRIED.

055	Chair Hartung	States that LC 3661 is introduced as a committee bill.
057	Chair Hartung	Closes the work session on introduction of committee bills and opens the public hearing on SB 469.
<u>SB 469 PUBLIC HEARING</u>		
060	Sen. Lee Beyer	Senate District 21. Comments that he has introduced this bill for the last three legislative sessions. Explains that this bill would implement a College Savings Program. Adds that Oregon is one of the few states that has not instituted a College Savings Program. Explains that the concept would allow parents or grandparents to be able to establish an account under the supervision of the State Scholarship Commission (SSC) where money could be put aside each year toward the college education of a family member.
088	Rep. Al King	House District 44. Comments that there will need to be amendments to the bill. Comments that this program would need to be at a low cost to the state. Adds that the SSC should be responsible for the accounts.
138	Chair Hartung	Closes the public hearing on SB 469 and reopens public hearing on SB 104.
<u>SB 104 PUBLIC HEARING</u>		
145	Matthew Swanson	<p>Student, University of Oregon, and Board Member, Oregon Student Association (OSA). Submits (EXHIBIT E). States that the OSA is the representative body for the seven Oregon University System (OUS) schools.</p> <p>Appreciates Rep. Deckert's commitment to finding possible solutions to solve the problem of debt among Oregon students.</p> <p>States that the impact of rising tuition can be measured in the following ways:</p> <ul style="list-style-type: none"> • Studies have shown that for every one hundred dollar increase in tuition, there is a corresponding one to two percent drop in enrollment. • According to studies done by the OUS, tuition increases have driven students out of OUS schools and into less expensive community colleges. <p>Refers to a graph included in EXHIBIT E and states that "cost" is one of the top reasons for not going to college.</p>
193	Grattan Kerans	Director of Government Relations, OUS. Submits (EXHIBIT F) . Opposes SB 104. States that although the OUS is concerned about the ability of Oregon residents to gain access to the public university system and meet the cost of their education, they are not prepared to recommend an additional student loan program. Believes that this bill would simply reconfigure the existing portfolio of student debt, or worse, increase the overall size of the student debt load.
275	Kerans	States that the OUS has the following chief goals: access, quality, cost effectiveness, and employable graduates. Explains that each one of the goals comes into play in the OUS's response to SB 104.

		Urges the committee to advance all existing initiatives before devising a new form of student debt.
348	Kerans	Suggests that before the committee approves a new program they should consider whether to increase the debt burden, or assist those students who have an economic need.
		States that careful examination of the proposal by the Treasury is of the utmost importance to ensure: <ul style="list-style-type: none"> • The proposed revenue stream would be available. • The rating and interest rate that would be required. • The consideration of the tax treatment of the bond income to the bond holder.
407	Sen. George	Asks for an explanation of a concern from Keranis testimony which states that, "In addition, the most likely scenario of participation in the new program would reveal a profile primarily of borrowers from low income and lower middle income families, inviting negative actuarial outcomes as a result of the principle of adverse selection."
422	Kerans	Responds that if this were implemented, the plan would need to be flexible, have variable rates of interest, and have a revenue stream coming from the 1,000 students in the pilot program.
		Refers to the law of adverse selection. States that there is a huge risk of only low-income students participating and not being able to meet the debt obligation.
TAPE 43, B		
012	Sen. George	Comments that he does not agree.
022	Kerans	Responds that the plan is unsound if only low-income students participate. States that the plan relies on high-income graduates to make up for and balance out the low-income students.
031	Sen. George	Believes that there are many benefits from having low-income students attend college.
035	Kerans	Agrees with Sen. George's comment. States that the pilot project would create a program of about \$25 million dollars in bonds for only 1,000 students. Comments that over a two year period, a very large debt obligation would be dedicated to a very small number of students.
059	Thomas Turner	Director of Special Services, SSC. Explains that the SSC is the state's financial aid agency. Comments that Oregon's largest financial aid programs are student loan programs. Explains that SB 104 is a student loan program of a different kind

		with a longer repayment period than traditional student loans.
103	Turner	States that there is a detail in Section 8 that has not yet been addressed. Reads from the bill, "...Earnings on monies in the education endowment fund shall be transferred and appropriated continuously to the Department of Higher Education for this pilot program until \$16 million dollars has been transferred." Asks where the funding will come from to meet the present needs of the OUS system when the dollars would be loaned to students who may not repay those dollars for decades.
162	Turner	Refers to Section 4. States that this would ask the SSC to seek a waiver so that students at OUS institutions could continue to participate in the federal need-based student aid systems, in addition to the pilot program. Explains that the SSC has no standing with the OUS institutions in their participation in the big student aid programs. States that the waiver would need to be directed to the OUS.
		States that, in general, the SSC shares Keransí concerns.
209	Gary Andeen	Executive Director, Oregon Independent College Association. States that SB 104 could be very expensive for both the citizens who would be paying for it, and for the students for whom it is intended to be a benefit. States that it might be worthwhile to look at why Yale did not continue a program similar to the one outlined in SB 104.
269	Chair Hartung	Closes public hearing on SB 104 and opens public hearing on SB 538.
<u>SB 538 PUBLIC HEARING</u>		
277	Sen. Courtney	Testifies in support of SB 538. Submits (EXHIBIT G) . States that college tuition rises at a rate of approximately 7 percent per year. States that the average debt of a student graduating from college with a bachelors degree is \$20,000. Comments that the rising costs of education make it more difficult for students to pay for a college education.
363	Sen. Courtney	Explains that this bill would help talented students from Oregon to go to college by providing them with assistance in paying for higher education. States that no more than half of the scholarships can go to athletics. Comments that the state needs this program to keep the most talented students in Oregon.
430	Vice-Chair Castillo	Asks if this idea has been rejected in the past due to funding.
434	Sen. Courtney	Responds that it has.
TAPE 44, B		
001	Swanson	Testifies in support of SB 538. Submits (EXHIBIT H) . Comments that there is a perception that Oregonís "best and brightest" students leave Oregon for the East

		Coast and Ivy League Schools. Refers to a survey done by the OUS which found that Oregon students that choose out-of-state schools said that it was due to the schools reputation and financial aid packages. States that SB 538 would hopefully keep the "best and brightest" students in Oregon.
037	Sen. Duncan	Comments that Oregon is able to retain many of the "best and brightest" students.
042	Vice-Chair Castillo	Thanks Swanson for his testimony. States that it is very important for the committee to hear from students.
046	Kerans	Testifies that the state system cannot recommend SB 538 for the reason that it would dedicate very scarce general fund and/or lottery funds for non-need based scholarships. Explains that the need grant has yet to be fully funded so that each student who qualifies has an award.
097	Sen. Shannon	Comments that when students leave Oregon, the out-of-state tuition goes with them.
102	Kerans	Refers to Sen. Courtney's earlier statement about rising tuition costs. States that for the academic school year in 1997 and 1998 the increase in resident, undergraduate tuition in Oregon was zero. States that the trends of rising tuition in Oregon have changed significantly from the early 1990s.
135	Andeen	Testifies against SB 538. Points out that until Oregon takes care of all need-based programs, it seems inappropriate to spend public dollars on merit based scholarships.
161	Sen. Gordly	States that some African-American students leave Oregon to attend black colleges out-of-state. Comments that we need to understand the implications of Oregon's universities not having the offerings that these students are looking for.
181	Andeen	Comments that Sen. Gordly's point is well taken.
183	Chair Hartung	Closes public hearing on SB 538 and reopens public hearing on SB 469.
<u>SB 469 PUBLIC HEARING</u>		
203	Eric Lindauer	Attorney, representing Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF). Testifies in support of SB 469. Submits (EXHIBIT I) . States that thirty-five states have tax advantage state tuition plans in operation and he hopes that Oregon will join them.
246	Jim Edmonds	Attorney, representing TIAA-CREF. Explains that SB 469 would allow for investment accounts to be created that would be used by family members to create a tuition savings plan. Suggests that the committee consider amendments to the bill which would assist the SSC to develop and implement the program.

259	Turner	Testifies in support in of SB 469. Believes that there is a need for a program like this in Oregon. States that the SSC approves of SB 469 because it would make it possible for families, with disposable income, to save for the education of family members. Suggests amending the bill to explain in greater detail how the program would work.
311	Gary Christensen	Director of Enrollment Services, OUS. Gives full support of SB 469. States that the bill is positive because it would reduce student borrowing and debt.
320	Lisa Zavala	OUS. Supports SB 469.
323	Andeen	States that SB 469 is a great bill. Adds that the bill would reduce student debt and encourage saving for college. Comments that other states have excellent models for how savings investment plans would work.
358	Chair Hartung	Closes the public hearing on SB 469 and adjourns the meeting at 2:55 p.m.

Submitted By, Reviewed By,

Karen O'Kelley Jan McComb

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ Charter schools, article submitted prior to the meeting, Sen. Tom Hartung, 2 pp

B ñ SB 104, written testimony, Phil Keisling, 5 pp

C ñ SB 104, written testimony, Rep. Ryan Deckert, 1 p

D ñ SB 104, written testimony, Ronald Buel, 3 pp

E ñ SB 104, written testimony and graphs, Matthew Swanson, 3 pp

F ñ SB 104, written testimony, Grattan Kerans, 7 pp

G ñ SB 538, written testimony, Sen. Courtney, 3 pp

H ñ SB 538, written testimony, Matthew Swanson, 4 pp

I ñ SB 469, written testimony, Eric Lindauer, 12 pp

J ñ LC 3661, LC draft, staff, 6 pp