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A City Club Report on Measure 86: Higher Education Bonds

City Club of Portland (Portland, Or.)

A City Club Report on Measure 86: Higher Education Bonds

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Majority Summary

Ballot Measure 86 amends the Oregon Constitution, creates an endowment that would generate financial assistance for Oregonians pursuing post-secondary education and career training, and authorizes the Legislature to issue general obligation bonds to fund the endowment. Decisions on whether, when, and in what amount the bonds would be issued to fund the endowment would be made by the Legislature at a later date.

A majority of the study committee concluded that earnings from a public endowment present a potential funding source that exceeds what direct allocation by the Legislature each year could achieve. Using proceeds from issuing general obligation bonds to initially fund this endowment provides a politically viable mechanism to accomplish something the Legislature has been unable or unwilling to prioritize up to this point, without a sacrifice to current spending. Using debt is more expensive than annual appropriations and has tradeoffs, but the majority concluded that funding a long-term asset with future earnings potential justifies the expense.

The majority recommends a "YES" vote on Measure 86.

Minority Summary

A minority of the study committee concluded that this proposal is a form of financial market arbitrage and that potential risks and costs outweigh potentially small returns. Current constitutional prohibitions are a safeguard to protect the state's financial assets. Supporting the goal of higher education affordability does not demand support for this measure.

The minority recommends a "NO" vote on Measure 86.

City Club members will vote on this report between Wednesday, August 20, 2014 and Monday, August 25, 2014. Until the membership votes, City Club of Portland does not have an official position on this report. The outcome of the vote will be reported in the City Club of Portland Bulletin Vol. 97, No. 6 dated August 26, 2014, and online at pdxcityclub.org.

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Introduction

Measure 86 will appear on the ballot as follows:

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

Result of "Yes" Vote: "Yes" vote amends constitution and requires legislature to establish fund for Oregonians pursuing post-secondary education, career training; authorizes state to incur debt to finance fund.

Result of "No" Vote: "No" vote rejects authorization for state to extend credit and incur debt to create dedicated fund for Oregon students pursuing post-secondary education and career training.

Summary: Amends Constitution. Oregon constitution generally prohibits the state from extending credit or incurring debt. Measure requires the legislature to create dedicated fund for exclusive benefit of Oregon students pursuing post-secondary education, including technical, professional, and career training. Measure authorizes the state to extend credit and incur debt to finance fund. Indebtedness incurred may not exceed one percent of all real market value of property in the state. Moneys in fund are not subject to constitutional limitations on investment. Generated earnings must be retained by fund, unless used to provide financial assistance to Oregon students pursuing post-secondary education. If governor declares an emergency, legislature may pass a bill to use the fund's money for any lawful purpose, provided the legislature has approved a plan to repay the fund.

Background

The Oregon Student Opportunity Fund (the Opportunity Fund) was conceived by State Treasurer Ted Wheeler to provide financial aid to Oregon students pursuing post-secondary education. Treasurer Wheeler worked with the Oregon Legislature on authorization for the Opportunity Fund, which passed as Senate Joint Resolution 1 on June 28, 2013. The legislation, which proposes an amendment to the Oregon Constitution, was referred to Oregon voters for consideration at the November 4, 2014 election.

What Measure 86 Does

This measure establishes the Opportunity Fund and enables the Legislature to issue bonds to finance the fund. Decisions of whether, when, and in what amount the bonds are issued would be made by the Legislature at a later date.

The creation of the Opportunity Fund establishes a public endowment. Money in the fund would be invested by the state.[1] The earnings from the investments would be used to provide financial assistance to Oregon students for post-secondary education.

While the Opportunity Fund could be funded through a variety of means, including direct appropriation from the Legislature or private donations, the measure authorizes initial funding from the proceeds of general obligation bonds issued by the state.

The measure requires that all deposits to the Opportunity Fund must be retained in the fund. Thus, proceeds from bonds, appropriations, and donations could not be directly given to students—only the earnings on the investments could be disbursed for financial assistance.

If bonds were issued, the State General Fund would be responsible for repaying the principal and interest on the debt.

The allocation method for how the Opportunity Fund's earnings would be distributed to students is a detail that would be decided through the legislative process and is not addressed in this ballot measure.

Step 1: If the ballot measure passes, the Opportunity Fund would be created and the state would have the ability to issue debt to fund the endowment.

- All subsequent steps are actions that must be voted on and approved by the Legislature.

Step 2: The Legislature must vote and approve to sell bonds to fund the endowment.

- The details of when, how many bonds, and at what price would be determined by a vote of the Legislature at a later date.
- Investors buy the bonds and the state repays them over 20 to 30 years, plus interest. This raises money that does not have to come out of the state's current budget in one lump sum, but the State General Fund is committed to paying back the principal and the interest on this debt for the next 20 to 30 years.

Step 3: Money in the endowment would be invested and expected to produce positive returns.

- The endowment would be invested by a financial management team in a variety of places.
- Endowments are regularly used by schools as long-term sources of funding. The state already has the Common School Fund, which is like an endowment, in that investment returns provide funding for Oregon's K-12 schools.

Step 4: Investment earnings would be distributed as financial assistance to students.

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[1] Similar to the Oregon Common School Fund, which provides funding for Oregon's K-12 public school districts.

- Only earnings from the investments could be taken out of the endowment – the original money (the bond proceeds) cannot be directly given to students.
- If the investments don't make money, there is no financial assistance, but the endowment itself would remain as an asset.
- Details about how the money would get distributed are details the Legislature would need to decide at a later date.

Declining Higher Education Funds

There is much discussion both locally and nationally on the increasing costs of and declining public funding for higher education. In Oregon, there has been declining state investment in higher education over the last 30 years.[1] In 2013, Oregon ranked 47th out of 50 in state funding per student for overall higher education spending.[2] Oregon commits less than half of the national average for state-based student aid per full-time college student—$250 per student in 2012.[3] Only one out of every five students in Oregon who qualifies and applies for need-based financial aid from the state actually receives it due to lack of available funds.[4] Oregon is not alone in this situation. The recent recession accelerated declining state support for higher education across the United States.[5]

Numerous well-documented barriers related to higher education exist that impact students, families, and communities. Student debt is rising[6] and college graduation rates among low-income and underrepresented students are low.[7] Not enough local workers are trained in science, technology, engineering, and math (STEM), which require more years of schooling, yet are vital to employment in emerging industries.[8]

Financial constraints have also led to a significant increase in student debt. Approximately 60 percent of graduates from four-year higher education programs in Oregon graduated with official forms of student debt, with the average amount of debt being $26,639.[9] Nationally, the amount of student debt almost tripled from 2004 to 2012.[10] Total student debt in the United States is now over $1 trillion, which is more than 6 percent of the total US gross domestic product.[11] Delinquent student loan accounts continue to rise due to students' lack of ability to repay.[12]

There are long-term workforce and economic implications when significant numbers of Oregonians cannot afford higher education. Higher education is a well-established factor in higher wages, per capita income, and overall self-sufficiency.[13] For lower and middle income earners, education plays an important role in the ability to participate in the labor market, especially since it is projected that by 2020, 65 percent of all jobs will require some form of post-secondary education.[14] Recent statistics from the US Department of Labor show historic declines in the number of Americans choosing to attend college.[15]

A New Concept

A public endowment funded by borrowing is a new concept. Louisiana's Millennium Trust Fund[16] and the Oregon Common School Fund[17] are examples of public endowments used to fund education, but both were established with other resources. If this measure passes and the Legislature issues bonds, Oregon would be the first state to use debt as the mechanism for funding an endowment for higher education financial assistance.

City Club of Portland charged your committee with studying this new concept and recommending a vote “for” or “against” the measure. Your committee met weekly for 11 weeks and interviewed 8 witnesses to develop the following report.

Identifying revisions or evaluating other alternatives to the measure is outside the scope of your committee.

Proponents' and Opponents' Assertions

Major Assertions Made in Favor of the Measure

This measure encourages additional state investment to make higher education more affordable for Oregon students. Passing this ballot measure would be a clear demonstration that voters recognize education as a community benefit and prioritize the state’s intervention in higher education affordability in Oregon.

This proposal supports a larger economic development strategy to make Oregon’s workforce more competitive. Any additional financial assistance that helps students choose post-secondary education who wouldn’t otherwise is good for the larger workforce and Oregon’s economy.

This proposal specifically supports technical, professional, and career training, in addition to college and university education. Much of the funding for these programs was eliminated at the high school level several years ago, yet these programs are crucial for future workers for whom college or university is not a viable option.

An endowment has the potential to become a sustainable source of funding for higher education financial assistance for the long term. Even if investments in the Opportunity Fund provide minimal investment returns, the fund itself is a long-term asset due to restrictions on access to the principal.

The proposed investment approach is fiscally conservative. According to Treasurer Wheeler, the fund would be a diversified risk-managed portfolio.

This proposal creates a protected fund that cannot easily be diverted to other uses by the Legislature. Rather than earmarking funds that could later be diverted to other purposes, this measure clearly indicates that money in the Opportunity Fund cannot be used for purposes other than higher education, except under extraordinary emergency circumstances.

This proposal creates a mechanism to receive other gifts and donations for higher education financial assistance. Donors currently give to individual schools or foundations, but this structure would provide one fund that serves all post-secondary schools in Oregon.

By enabling only the framework, the proposal gives the Legislature the flexibility to determine how the Opportunity Fund is funded and how the earnings are distributed. The ballot measure creates a tool and a framework to provide additional financial assistance to students, yet does not bind future legislatures to any specific course of action.

Major Assertions Made Against the Measure

As a matter of principle, the state should not use general obligation bonding authority as a funding mechanism for a fund that will leverage returns from financial markets. If the state wants to create an endowment, they should do so by direct appropriation, rather than issuing bonds.

Relying on the State General Fund for the debt service commits limited discretionary resources. If bonds are sold, the principal and interest payments would tie up General Fund monies for the next 20 to 30 years that could otherwise be spent on other projects.

Attempting to make higher education more affordable is not the right approach to making our workforce and economy more competitive. Other investments in infrastructure or improving K-12 educational outcomes could produce bigger economic benefits.

This is a complicated plan that has much simpler alternatives. Direct allocation of financial assistance by the Legislature each year would not incur debt and would be more straightforward than an endowment.

This proposal has too many unknowns in how it would be implemented. All the details about how large the fund would be, if and when bonds would be sold, how much money will be disbursed, and who will receive the assistance would all be determined by future legislatures.

This plan contains unreasonable risk for an uncertain amount of financial gain. Unknowns remain about the financial cost of decisions and how much assistance will actually be generated.

By relying on investment earnings, this provides an unstable funding source that could vary significantly from year to year. It is unclear how this funding would fit with other forms of financial assistance given to students and whether or not disbursements would occur in years the endowment has negative earnings.

This measure does not mandate any additional support for higher education. This measure still requires a legislative vote to fund the endowment. Passage of the measure could make it look like the Legislature is committed to higher education without actually dedicating the necessary funds.

This measure does not do enough to impact higher education affordability and workforce development outcomes. Even under the best investment earnings scenarios, more funding is needed to close the affordability gap of higher education.

Discussion & Analysis

This ballot measure raises three important questions for Oregon voters: 1) Is a better funding model needed for higher education? 2) Is a public endowment a good solution? 3) Is issuing debt an acceptable form of financing an endowment?

Higher Education as a Community Benefit

Some view higher education as an individual benefit because of the increase in learning or income-earning potential, but Oregon University System Chancellor Melody Rose described higher education as a community benefit because of its long-term impact on building civic participation and a skilled workforce, which collectively shapes the future of the economy and society.[18] These community benefits provide direct incentive for the state to assist Oregon students in achieving higher education success.

Creating a vehicle for long-term funding through an endowment is a strategy used by many schools. There are costs to funding an endowment using debt, which are outlined in sample scenarios and projections from Treasurer Wheeler's Office.[19] A primary benefit is that after 30 years of repayment, the Opportunity Fund would be a long-term asset generating ongoing investment returns with no annual cost to the General Fund. In that regard, the endowment presents a potential funding opportunity for the future that even direct allocation by the Legislature each year could not achieve.

A Statement of Support

Given three decades of declining investment in higher education by the state, this ballot measure is a rare opportunity for voters to directly weigh in on the issue of state-funded higher education assistance. Many of your committee's witnesses testified that the results of this ballot measure could be viewed by the Legislature as a larger statement of voter priorities around higher education in general, and less about the particulars of this funding mechanism. Ben Cannon, executive director of the Higher Education Coordinating Commission, attested to the fact that Oregon has historically not been an aspirational state when it comes to higher education and it's hard to discern whether higher education affordability is a priority for the average Oregon voter.[20]

Your committee recognizes that financial aid from the Opportunity Fund is likely to be only a very small step toward addressing the larger problem of higher education affordability. Treasurer Wheeler is considering recommending the issuance of $100 million in bonds to initially fund the Opportunity Fund. According to projections, approximately $5 million might be available for financial aid disbursement for every $100 million in bonds. Compared to the current $113 million two-year direct allocation for the Oregon Opportunity Grant, which is the current budget line item for higher education financial aid, this feels like a minor increase. However, witnesses expressed concern that people who vote "no" due to questions about the specific funding plan or because this measure does not go far enough could send a message to the Legislature, perhaps unintentionally, that financial assistance for higher education is not a priority.

On the other hand, the state budget should reflect the state's priorities. Much of each legislative session is focused on developing the state's budget. It is an involved process with opportunities for public input. The resulting budget should reflect the tradeoffs that must be made in a world of unlimited wants, and limited resources.

The Pros and Cons of Bonds

The most controversial element of this proposal is the authorization for the state to sell general obligation bonds to provide initial funding for the Opportunity Fund. To that criticism, a majority of your committee points to the opportunity this funding strategy represents.

Bonds provide a mechanism to accomplish something the Legislature has been unable or unwilling to prioritize up to this point. Bonds allow the state to spread the burden of repayment over many years, rather than forcing the Legislature to make a large up-front allocation that could potentially reduce funding for other programs. Given past unwillingness to appropriate funding for higher education, it seems unlikely the Legislature would fund the Opportunity Fund without bonds.

Opponents of the measure note that the amount of state funding for higher education is the result of a deliberate legislative process that makes trade-offs in the face of limited resources. The current constitutional limitations on how general obligation bond proceeds can be used are intentionally put in place to protect state assets. The Legislature's decision to fund higher education at current levels does not reflect a lack of ability or lack of political will. Rather, these are decisions that reflect the priorities of the Legislature given the resources at its disposal.

Bonds would require an annual expense to the General Fund for the principal and interest payments. This would require increased tax revenues and/or divert state resources from other General Fund programs during the years of repayment. Both Jody Wiser from Tax Fairness Oregon and Steve Buckstein from the Cascade Policy Institute mentioned the opportunity costs to other projects or programs that could be funded with those debt payments, including other educational investments, such as K–12 education.

Debt service payment will impact the state's General Fund budget over the next 20 to 30 year terms of the bonds. A decision to issue bonds would be part of the legislative process, and that decision would impact future legislative budgets.

Some have expressed concern that the General Fund would be financially liable to make up any losses if the endowment investments fail. This is not the case. The only liability to the General Fund is the principal and interest on the debt. Additionally, Laura Lockwood-McCall, Director of Debt Management for the State of Oregon, testified that issuing bonds at the levels being discussed for this program would have little or no impact on the overall debt capacity of the state.[21]

The separation of benefits and costs was a concern for witness Jody Wiser of Tax Fairness Oregon. She testified that the Opportunity Fund reaps all the benefits of investment earnings, yet the costs are borne by the programs supported by the General Fund, which must repay the debt.

Bonds typically fund tangible, physical structures, such as buildings. However, funding a financial asset with bonds is not an entirely new idea: voters authorized the state to issue pension obligation bonds in 2003 to be invested in the state pension fund. One advantage of this approach is that, while traditional capital assets depreciate in value, endowments typically appreciate in value due to investment returns.[22]

There is also the argument that using bond proceeds to invest in higher-risk, higher-yield investments poses an unreasonable risk for the Opportunity Fund and are inappropriate investment tools for governments to use, especially when there is potential for periods of small, zero, or negative rates of return. This is a tenet of the minority report conclusion.

However, Oregon is already using similar investment strategies for other state funds.[23] Treasurer Wheeler expressed intention that the Opportunity Fund be a diversified, risk-managed portfolio similar to other Oregon endowments, such as the Public Employees Retirement Fund and the Oregon Common School Fund. While we can't predict the future of market returns, the history of these funds has seen positive growth over the last ten years. Even taking into consideration the downturn from the recent recession, these funds have ten-year average returns of 8.7 percent and 7.8 percent, respectively.[24]

A white paper published by Oregon Treasurer's office describes a hypothetical scenario, in which the State would borrow at 4.5 percent a year and earn an average rate of return of 7 percent a year.[25]

> For every $100 million in bonds that the state issues at an assumed 4.5 percent interest rate, the state will have a set liability of about $81 million in interest payments over 30 years, in addition to the $100 million in principal. The Fund would, however, generate $350 million in added value over that same period, given Treasury staff projections of a 7 percent average annual return and a 5 percent draw rate.

Treasurer Wheeler and Director of Debt Management Laura Lockwood-McCall testified before your committee that if interest rates on general obligation bonds were to increase beyond the projected scenarios, then using debt as a funding mechanism would be less attractive.

The Legislative Process

Several details of implementation were noted by your committee as requiring further definition to prevent loopholes or unintended outcomes during the legislative process. There is no specific language in the measure specifying whether the funds will be used as scholarships or need-based aid, only a reference that funds "may" be used for "financial assistance to Oregon students." Nor is there a definition in the measure of what constitutes an "Oregon Student." These areas should be better defined.

Majority Conclusions

The majority of your committee agrees with Chancellor Melody Rose that higher education provides community benefits and the state plays a role in making higher education more affordable for Oregon students.

Voting “yes” on this ballot measure presents an opportunity for voters to show support for increased state involvement in making higher education more affordable for Oregon students. Voting “no” runs the risk of sending the message that financial aid is not important.

As a result of 30 years of declining funding, your committee concludes that a new funding model for higher education is needed and a public endowment presents a valid solution.

By creating a long-term asset in the form of an endowment, this proposal presents a potential funding opportunity that goes beyond what direct allocation by the Legislature each year could achieve.

The majority of your committee sees the value and accepts the risks of issuing general obligation bonds to initially fund this endowment. Debt provides a politically viable mechanism to accomplish something the Legislature has been unable or unwilling to prioritize up to this point, without a significant sacrifice to current spending. Using debt is more expensive than direct allocation, and it has tradeoffs, but is worth it because of the long-term asset with future earnings potential that it ultimately creates.

The risk of the endowment’s investment approach is in line with current investment strategies used by the state that have seen positive returns. Though the General Fund is responsible for the debt payments of principal and interest, there is no larger or unexpected liability that threatens the General Fund through this proposal.

Supporting this measure also rewards creative and out-of-the box thinking by our state leadership. Results of this ballot measure have the potential to make a larger statement about whether voters value government innovation and are willing to take a chance on new ideas. If this measure fails, it runs the risk of inhibiting new, creative approaches to solving problems.

Depending on the funding level at implementation, this measure would likely be a very small step toward addressing the larger problem of higher education affordability. However, this measure could help show the Legislature there is public support for making an intentional decision to turn the tide of declining investment in higher education.

Majority Recommendation

The majority of your committee recommends a “yes” vote on Measure 86.

Signatures

Respectfully submitted,

Beth Crane

Ulla Dosedal

April Ruth Hoffmann

Ian McDonald

Christopher Stadler

Abby Coppock, lead writer

Charles McGee, chair

Minority Discussion & Analysis

The minority agrees with many of the findings and conclusions of your committee. However, the minority disagrees with several key conclusions and recommends a vote "against" Measure 86.

The remainder of this report provides the reasons for the minority's recommendation.

Legislatively determined budgets are the appropriate place to express funding priorities.

The state budget reflects the state's priorities. If Oregonians agree that reducing the costs of higher education to individual students is a state priority, then that priority should be reflected in the state budget process by, for example, increasing direct appropriations to the Oregon Opportunity Grant.

By establishing a dedicated—and virtually untouchable—fund, this measure in many ways circumvents the legislative budget process. The minority has not seen any evidence indicating that providing financial assistance to Oregon students represents such a spending priority that it requires its own constitutionally established fund that is protected from the legislative appropriations process.

The measure enables the state to engage in financial market arbitrage.

The funding/financing process envisioned by proponents of the measure is a form of financial market arbitrage. *Arbitrage* is the exploitation of differences between prices of financial assets within or between markets by buying where prices are low and selling where they are higher. [26] The state would borrow money at "low" interest rates and place the proceeds in various investments with the expectation that the returns on the investments exceed the borrowing costs.

The importance of bond interest rates, as described in Treasurer Wheeler's scenario, indicates that this measure enables the state to use its bonding authority to engage in interest rate/investment return arbitrage.

The state's General Fund would be obligated to pay the principal and interest on any bonds issued under this measure, yet any investment returns would be accrued entirely to the Opportunity Fund. In this way, the measure enables what can be characterized as fiscal arbitrage.

Current constitutional prohibitions are a safeguard to protect the state's financial assets.

The measure amends the Oregon constitution to allow the state to issue general obligation bonds for the purposes of investing the bond proceeds and using the investment returns to fund financial assistance for higher education students. While the measure merely "enables" the Legislature to issue general obligation bonds for such purposes, the minority concludes that the issuance of general obligation bonds authorized by the measure is inappropriate, and the Legislature should not be given the authority to issue general obligation bonds to engage in interest rate/investment return arbitrage.

The minority concludes that the current constitutional prohibition on using general obligation bond proceeds to invest in financial markets is not an accident, mistake, or oversight. The state constitution identifies specific uses for general obligation bond proceeds. Any use of proceeds not specified in the constitution is, therefore, prohibited. The prohibition is a deliberate protection to safeguard the state's assets. Indeed, Treasurer Wheeler testified that many state legislatures do not have the power to do what this measure authorizes.

Typically general obligation bonds are issued to finance capital projects. These projects tend to be fixed in place, long lived, and benefit the general public. For example, Oregon uses general obligation bonding to build college and university classrooms and dorms and to finance small scale energy projects.[27] This measure would amend the constitution to create a new use for general obligation bond proceeds.

The majority of your committee concludes that the state would engage in "conservative" and "low risk" investment activities with the proceeds of any bond issuance. The minority does not doubt the prudence of the current Legislature and Treasurer. However, constitutional protections are put in place to protect the state from future administrations that may not be prudent with the people's assets.

Support for higher education does not demand support for this measure.

The majority has expressed concern that defeat of this measure would signal a lack of public support for higher education. In contrast, the minority concludes that defeat of this measure may signal that voters understand that dollars spent on higher education are dollars that cannot be spent elsewhere.

The minority concludes that a measure as imperfect as this should be rejected on its merits and that a "no" vote on this measure sends no broader message regarding public support of higher education in the state. The minority believes that policy makers would be mistaken to read a "yes" or a "no" vote on this measure as evidence of a broader mandate.

There is a substantial risk that the projected costs to the state's general fund would outweigh the anticipated benefits of the measure's proposed arbitrage process

An Oregon State Treasury white paper projects that for every $100 million borrowed, over the 30 year life of the bonds, the state general fund would incur $181 million in debt service costs ($81 million in interest and $100 million in principal) [28] and provide a total of $188 million in financial assistance via the Opportunity Fund. The $162 million permanent balance will remain in the fund and be unavailable for distribution.[29]

Thus, even under these optimistic circumstances, the net benefit to Oregon students over 30 years would be $7 million—less than $235,000 a year. If the interest on the bonds is even a little more than 4.5 percent and/or investment returns average a little less than 7 percent a year, the process could generate a net negative impact on the state budget over the 30 year life of the bonds.

Minority Conclusions

Reducing the cost of higher education is an unambiguously worthy goal. However, resources used to reduce the cost of higher education to individual students take away resources from other programs. If Oregonians agree that reducing the costs of higher education to individual students is a state priority, then that priority should be reflected in the state budget process by, for example, increasing direct appropriations to the Oregon Opportunity Grant.

This initiative amends the Oregon constitution. As it represents a momentous change to the governing of the state, any attempt to amend the state's constitution should not be taken lightly. There is no evidence that financial support for higher education students is a spending priority that calls for a separate constitutionally established fund. The current constitutional limitations on the use of general obligation bond proceeds are a deliberate safeguard to protect the state's financial resources.

The expected benefits resulting from this measure are small. The potential for such small benefits does not justify amending the state's constitution.

Minority Recommendation

The minority recommends a "no" vote on Measure 86.

Signatures

Eric Fruits

Krystine McCants, vice chair

Acknowledgments

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Roger Eiss, research advisory

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Greg Wallinger, research and policy advisor

Witnesses

Steve Buckstein, Senior Policy Analyst, Cascade Policy Institute

Ben Cannon, Executive Director, Higher Education Coordinating Commission

Joel Fischer, Senior Policy Analyst, Oregon Business Association

Laura Lockwood-McCall, Director of the Debt Management Division, Oregon State Treasury

Melody Rose, Chancellor, Oregon University System

Ted Wheeler, Treasurer, State of Oregon

Wim Weiwel, President, Portland State University

Jody Wiser, Founder, Tax Fairness Oregon

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About City Club

City Club of Portland brings together civic-minded people to make Portland and Oregon better places to live, work and play for everyone. For more information about City Club of Portland or for additional copies of this report, visit [www.pdxcityclub.org,](http://www.pdxcityclub.org) email info@pdxcityclub.org or call 503-228-7231.

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Endnotes

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[1] Oregon University System Fact Book 2013, 113.

[2] Ibid., 58.

[3] NASSGAP, 43rd Annual Survey Report, 23.

[4] Oregon State Treasury, *Building a Workforce*, appendix 4, 63.

[5] Barr and Turner, "Expanding Enrollments," 168.

[6] Johnson, Van Ostern, and White, *Student Debt Crisis*.

[7] Radford et al., Persistence and Attainment.

[8] President's Council of Advisors, *Engage to Excel*.

[9] Reed and Cochrane, *Student Debt*, 8.

[10] Lee, Household Debt and Credit, 9.

[11] Federal Reserve Bank of New York, *Quarterly Report on Household Debt and Credit*, exec. summary.

[12] Ibid., 9.

[13] Haskins, Isaacs, and Sawhill, *Getting Ahead or Losing Ground*, 4–5.

[14] Carnevale, Smith, and Strohl, Recovery: Job Growth and Education Requirements, 15.

[15] Bureau of Labor Statistics, “College Enrollment and Work Activity of 2013.”

[16] Purpera, Taylor Opportunity Program for Students, 1.

[17] Oregon Department of State Lands, “About the Common School Fund.”

[18] Rose, interview.

[19] For every $100 million in bonds that the state issues at an assumed 4.5% interest rate, the State will have a set liability of about $81 million in interest payments over 30 years, in addition to the $100 million in principal.

[20] Cannon, interview.

[21] Lockwood-McCall, interview.

[22] Oregon State Treasury, Building a Workforce for the Future, 9–10.

[23] Both of these funds use similar investment strategies, yet are not funded by bonds.

[24] Ibid., 12, citing Oregon State Treasury: State Street Report, December 31, 2012.

[25] Oregon State Treasury, *Building a Workforce*, 10.

[26] *The Dictionary of Economics* (1989), s.v. “arbitrage.” For example, using proceeds from a relatively low-interest home equity loan to pay off the balance on relatively high interest credit cards is a form of arbitrage.

[27] Oregon State Treasury. “Frequently Asked Questions.” Accessed June 22, 2014. http://www.oregon.gov/treasury/BuyOregonBonds/Pages/Frequently-Asked-Questions.aspx.

[28] Oregon State Treasury, *Building a Workforce*, 10.

[29] Oregon. State Treasury. Building a workforce for the future: The Oregon Opportunity Initiative. White Paper. September 2013, p. 13.