



SENTENCED TO DEBT



THE HIDDEN COSTS OF UNAFFORDABLE EDUCATION



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AUTHORS

Ben Henry, MPA, Alliance for a Just Society
Hannah Smith, MPA, Alliance for a Just Society
Michelle Glass, Oregon Action
Alex Budd, Oregon Action

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Table of Contents

Executive Summary	1
Introduction	2
The Student Debt Crisis	3
▶ Oregon Tuition Increases	3
▶ Financial Aid Not Meeting Demand	4
▶ Increasing Student Debt Load	5
▶ Student Debt and Equity	5
State Divestment: Creating a Crisis in Oregon	7
Impacts of Student Debt	10
▶ Personal Finances	10
▶ Health and Well-Being	13
▶ Oregon Economic Impacts of Student Debt	14
Local Impacts: How the Student Debt Crisis Plays Out in Southern Oregon	15
▶ Description of Survey Participants	16
▶ The Drivers of Debt	16
▶ Impacts on Students	17
▶ Disproportionate Debt Loads	17
▶ Student Attitudes and Perspectives	17
Individual Stories	19
Recommendations	22
Endnotes	25

FUNDING CUTS AND INCREASED TUITION DRIVE OREGON STUDENT DEBT CRISIS

For this generation of students, a college education is becoming significantly more expensive. This trend, observable both in Oregon and across the country, makes college unaffordable to many, forcing students to turn to student loans as a necessary part of funding their education. In Oregon, students borrowed more than \$1.34 billion for the 2013-2014 school year, twice as much as they borrowed a decade before.

This trend comes as legislators reduce funding for higher education, leaving Oregon far behind other states. Oregon's funding cuts since the beginning of the Great Recession amount to the fourth highest in the nation. Meanwhile, Oregon is last in the U.S. in higher education spending, with 3.4 percent of its budget funding colleges and universities as of 2013.

These funding cuts shift the cost of attending college from the state to the students, funding a public good mostly through tuition. This privatized model is the primary driver of Oregon's student debt crisis.

Entering young adulthood with student debt has a significant impact on the financial and health outcomes for students. Those with debt find it more difficult to purchase a home, save for retirement or start a small business. With debt, many experience high levels of stress or anxiety. Debt without the means to repay it ranks fifth on a list of most stressful life events.

Furthermore, student debt affects the entire Oregon economy, with debt payments in 2013 resulting in \$269 million in lost economic activity and 2,220 lost jobs.

A 2015 survey of southern Oregon students finds students struggling to pay for housing, food, utilities and childcare. Respondents overwhelmingly say they need debt to fund their education. And respondents resoundingly state that policymakers are not doing enough to address the debt crisis.

Among the key findings:

- ▶ 88 percent of survey participants who took out loans to pay for school did so because they could not afford an education otherwise.

- ▶ Nearly three-fourths of respondents reported expecting to graduate with debt levels between \$25,000 and \$75,000.
- ▶ More than two-thirds of respondents reported working at least one job.
- ▶ 57 percent of respondents said they struggle to afford housing and 46 percent said they are food insecure.
- ▶ Two-thirds of respondents say they experience high levels of anxiety about their student loan debt, while 40 percent suffer from extreme or overwhelming anxiety.
- ▶ 93 percent of respondents say education should be available to everyone, regardless of income.
- ▶ 3 percent of respondents felt that elected officials understand the student loan-debt issue.

Based on these findings, we recommend significant and systemic changes in Oregon's higher education model. We recommend that the Legislature:

- ▶ Fully funds Oregon's public higher education so it is accessible to anyone seeking a higher education but unable to afford it.
- ▶ Raises revenue by mandating corporations pay into the system that produces an educated workforce from which they benefit.
- ▶ Robustly funds financial aid programs.
- ▶ Increases the minimum wage to address the shortage of living-wage jobs and increase student financial stability during and after college.

THE STUDENT DEBT CRISIS

Over the past generation, the cost of college to the student — and, as a result, levels of student debt — have increased dramatically. As of September 2015, outstanding student loans nationally total \$1.3 trillion¹ — more than any other form of consumer debt after home mortgages — and have quadrupled between 2003 and 2013.² And, as Alliance Job Gap research shows, with fewer living wage jobs available in the workforce, advanced degrees are no longer the investments they once were.³ As a result, higher education — a primary path to prosperity — is becoming accessible only to the wealthy and elite, and, ultimately, stifling equity and the broader economy.

National trends in exploding student debt are also observed in Oregon, where the state Legislature has administered deep cuts to Oregon's higher education institutions. As students are required to take on more of the costs of college, higher education becomes less accessible, particularly for those who are less advantaged. Students are increasingly forced to make difficult decisions about how to pay for college while mitigating the burden of debt, which impacts their success both during college and after graduation.

Oregon's change in legislative philosophy around higher education funding essentially shifts the cost of education from the state to students. With increasing

tuition and, subsequently, rising debt, students struggle to succeed while they are in school and repay loans after graduation.

OREGON TUITION INCREASES

College was once relatively affordable. But, today, the reality is far from that. Between 2008 and 2014, tuition across Oregon increased 28.8 percent.⁴ For the 2015-2016 school year, resident undergraduate tuition and fees at four-year colleges in Oregon range between \$6,741 at Portland State University and \$10,287 at the University of Oregon.⁵ As a percentage of Oregon's median family income of \$51,075, tuition ranges

BY THE NUMBERS

\$1.34B

Total amount of student debt in Oregon borrowed during the 2013-2014 school year, double what it was a decade ago.

60%

Portion of Oregon students who took out loans in 2014 to attend public or nonprofit four-year institutions. At Southern Oregon University, that number is 88%.

\$26,106

Average loan amount per student in Oregon in 2014 attending public or nonprofit four-year institutions. At Southern Oregon University, that number is \$30,936.

72%

Portion of Oregon's graduates who will enter workforce in 2016 with student debt.

\$269M

Total negative economic impact of student debt for Oregon's class of 2013.

17%

Portion of students eligible for the need-based Oregon Opportunity Grant who actually received aid, 2013-2014.



between 13 percent and 20 percent.⁶

In Oregon, the Legislature relies on tuition for a significant and growing portion of the cost of education. Public universities derive between 37 percent and 49 percent of their operating costs from tuition, depending on the institution, and the University of Oregon receives just 5 percent of its operating budget from the state.⁷ (These percentages factor in all institutional revenues, including proceeds from dorms and athletics, research grants, donor contributions and other campus-raised money.)

Looking at education-related operating funds, reliance on tuition for revenue has increased significantly over the years. Across Oregon in 2001, tuition and fees made up 45 percent of university revenue, while 47 percent was allocated from state funding. In 2013, Oregon’s universities received 73 percent of their revenue from tuition, and the state appropriated only 19 percent.⁸ (These numbers only factor in the educational operations of an institutional budgets; see Figure 1.)

Community colleges have experienced a similar shift. Between 2001 and 2012, state funding for community colleges decreased from 53 percent of revenue to 29 percent,⁹ while tuition increased from 26 percent to 47 percent.¹⁰ Going back to 1989, tuition contributed just 20 percent of revenue. Property taxes cover the rest. When taking property taxes out of the equation and examining the relationship between state funding and tuition, between 1989 and 2012, state funding decreased from 60 percent to 38 percent, while tuition increased from 40 percent to 62 percent.¹¹ (See Figure 2.)

Meanwhile, Oregon’s dependence on tuition exceeded the U.S. average in 2013. While net tuition covers an average of 47.5 percent of revenue for total educational revenue nationwide, in Oregon it is over 60 percent.¹² This is a 35 percent increase in net tuition revenue per student since 2009.¹³

To cover operating costs, institutions are also admitting more out-of-state students. In 2015, University of Oregon enrollment was 51 percent in-state students, 35 percent out-of-state students and 14 percent international students.¹⁴ These demographics illustrate a trend of fewer in-state students in the student body. Between 2005 and 2009, the share of in-state students in UO incoming freshman classes dropped from 70 percent to 59 percent.¹⁵ UO’s tuition for out-of-state students, meanwhile, has increased \$1,000 a year since 2008.¹⁶ In 2015, non-residents pay more than

FIGURE 1: STATE VS. STUDENT FUNDING AT OREGON PUBLIC, 4-YEAR COLLEGES

Public university percentage of total Education and General funds, by source.

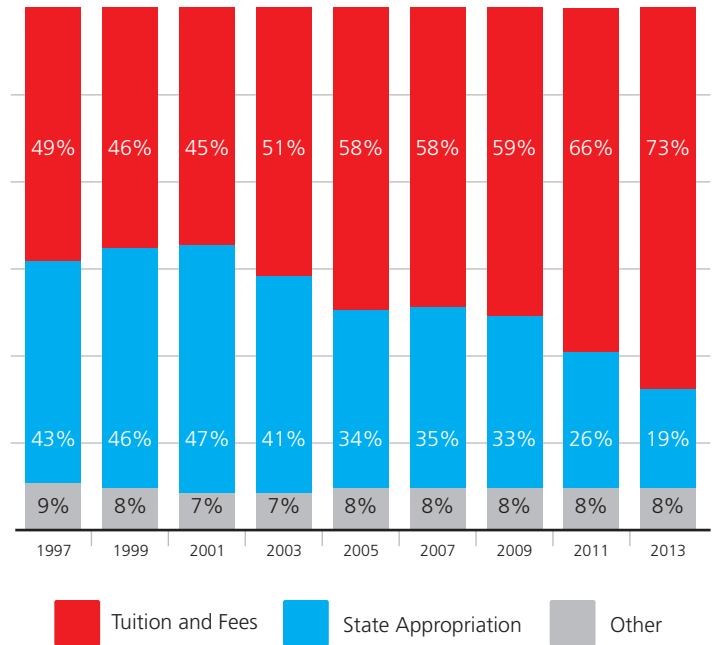
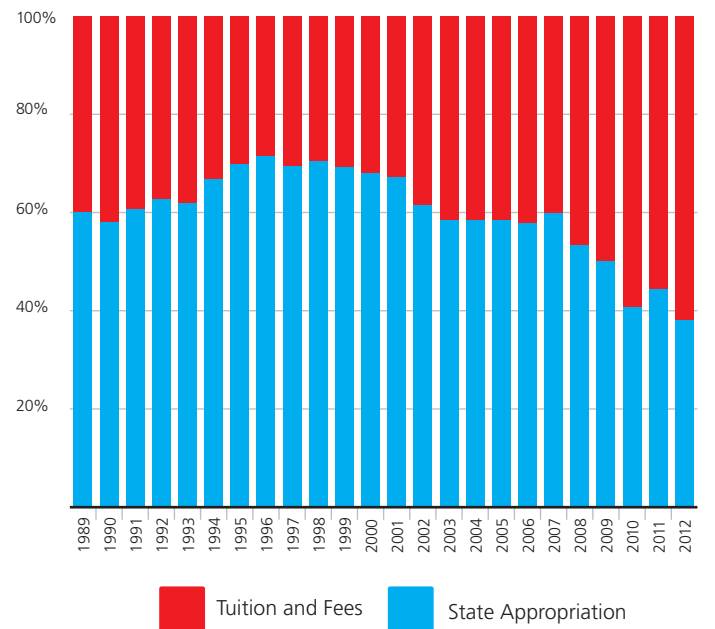


FIGURE 2: STATE VS. STUDENT FUNDING AT OREGON COMMUNITY COLLEGES

Percentages of community college tuition/fees and state funding, relative to each other. Between 1989 and 2012, the state share of funding dropped from 60 percent to 38 percent. Note that local property taxes also provide a significant source of community college funding but are excluded here.



Source: Oregon Higher Education Coordinating Commission



three times as much in tuition.¹⁷ The high costs and increasing number of non-Oregon students changes the face of higher education in the state and is a reaction to the current funding practices.

FINANCIAL AID NOT MEETING DEMAND

Meanwhile, state funding for need-based financial aid has not kept up with rapidly increasing tuition.

The Oregon Opportunity Grant is the largest need-based program in the state; the fund provided \$58 million in financial aid to 35,000 students in the 2014-2015 school year.¹⁸ After completing the FAFSA, eligible full-time students are granted \$2,000 in aid for the school year. Grants are available for families earning less than \$70,000, and the amount is determined using expected family contributions and federal aid awards.¹⁹

State funding for the program falls far short of meeting demand, which has a direct impact on debt students in financial need are forced to take on to pursue a higher education. During the 2013-2014 school year, 156,000 Oregon college students were eligible for the grant, but just 33,000 students, or 21 percent, received aid.²⁰ For all of Oregon in 2012-2013, state-funded grant aid per undergraduate student is \$304.87, which ranks 23rd in state spending on need-based aid and far below the national average of \$509.33.²¹

The University of Oregon's Pathway Oregon program provides tuition assistance to those eligible for Pell Grants and who graduated with a 3.4 GPA.²² This program covers all tuition and fees for recipients after federal and state grants are applied, making college tuition-free for recipients.²³ In 2015, 722 UO freshmen were in the Pathway program, a 33 percent increase

from the year before.²⁴ Much of the funding for the program comes from private donations.

INCREASING STUDENT DEBT LOAD

As tuition skyrockets, so do debt levels. Student debt in Oregon is climbing quickly and varies by geography and demographic. In 2014, more than 60 percent of Oregon students took out loans to attend public or nonprofit four-year institutions, at \$26,106 per student.²⁵ For students at Southern Oregon, debt affects more students at a higher rate. At Southern Oregon University, 88 percent of graduating students take on debt, averaging \$30,936 per graduate.²⁶

During the 2013-2014 school year, Oregon students and their families borrowed a combined \$1.34 billion, an amount that is double what it was a decade ago. It was the sixth year in a row aggregate state debt has exceeded \$1 billion.²⁷

In 2015, 72 percent of Oregon's graduates will enter the workforce with student debt, joining thousands of recent graduates also burdened by debt.²⁸ In 2013 alone, 53,019 people began making payments on student loans, with almost 15 percent of those loans in default.²⁹

STUDENT DEBT AND EQUITY

There is a narrative that success can be had simply by putting your head down and working hard. However, the reality is that your ability to "pull yourself up by the bootstraps" can be predicted by your gender, skin color or location.

People of color in America are subject to implicit biases on a variety of areas, from income to wealth, from



housing to health care, from jobs to jails. For instance, research shows that job-seekers with white-sounding names are more likely to get a call-back than an identical resume with a Black-sounding name.³⁰

These biases manifest in gaping disparities in wealth. For every dollar in assets owned by an average Black household, an average white household owns \$13. For every dollar owned by a Latino household, the white household owns more than \$10.³¹

In terms of building wealth, higher education is the most effective pathway to prosperity there is. But, in reality, it is not accessible to all.

These biases start early on, with systems that put communities of color behind. High schools with high concentrations of students of color have less access to rigorous college preparatory courses, experienced teachers, and school counselors.³²

And if students of color are able to make it to college, they are forced to borrow the most to pay for their education.

Students of color borrow at a higher rates and have larger loans compared to their white peers. Nationally in 2013, 81 percent of Black students borrowed money to attend college, while only 65 percent of white students did.³³ Black students who do not complete college are more likely to cite cost of tuition as the reason they do not finish college.³⁴ And a recently released study finds that 54 percent of young Black households (ages 25–40) have student debt, while young, 39 percent of white households have student debt.³⁵

National Postsecondary Student Aid Study data shows that Black, Latino and mixed-race graduating students experience higher average student debt lev-

els than white graduating students. And these students of color work more hours, on average, in part-time or work-study employment while enrolled in school than white students. And while Black, Latino and mixed-race students receive slightly more average financial aid than white students, that is far outweighed by disproportionately higher average parental income for white students.³⁶

Further, students who attend college and work in rural areas feel an acute debt burden. These communities often require car ownership and lack rental housing. For graduates burdened by debt, the additional costs can be a deterrent for living in a rural area and exacerbates the shortage of professionals these communities already face.³⁷

When it comes to gender, women are more likely to borrow money to attend school and face a greater challenge repaying loans after graduation.³⁸ Women spend a higher percentage of their incomes on payments on their debts because of the gender pay gap.³⁹ Nearly half of women working full-time a year after graduation pay more than 8 percent of their income to student debts, compared to 38 percent of men.⁴⁰

The disparities between communities and people borrowing money to attend college to pursue their dreams makes student debt an issue of equity. For rural students, students of color, and women, the doors that college promises to open are not as open as they are for their peers.

Above, Southern Oregon University during winter break in Ashland, Ore.

Photo credit: Traveljapanblog.com

STATE DIVESTMENT: CREATING A CRISIS IN OREGON

The Oregon State Capitol. Rather than seeing Oregon's universities as a public good — with a key role in educating the future workforce, driving the local economy and spurring innovation — current funding patterns signal a mandate that universities fund themselves, essentially privatizing what were once public institutions.

M.O. Stevens photo



A change in legislative philosophy around higher education funding essentially shifts the cost of education from the state to the students. Since the beginning of the Great Recession, higher education funding cuts in Oregon amount to the sixth highest in the country, at 33.5 percent between 2008 and 2015.⁴¹ (See Figure 3.) Funding per student, meanwhile, decreased 32 percent between 2002 and 2012.⁴²

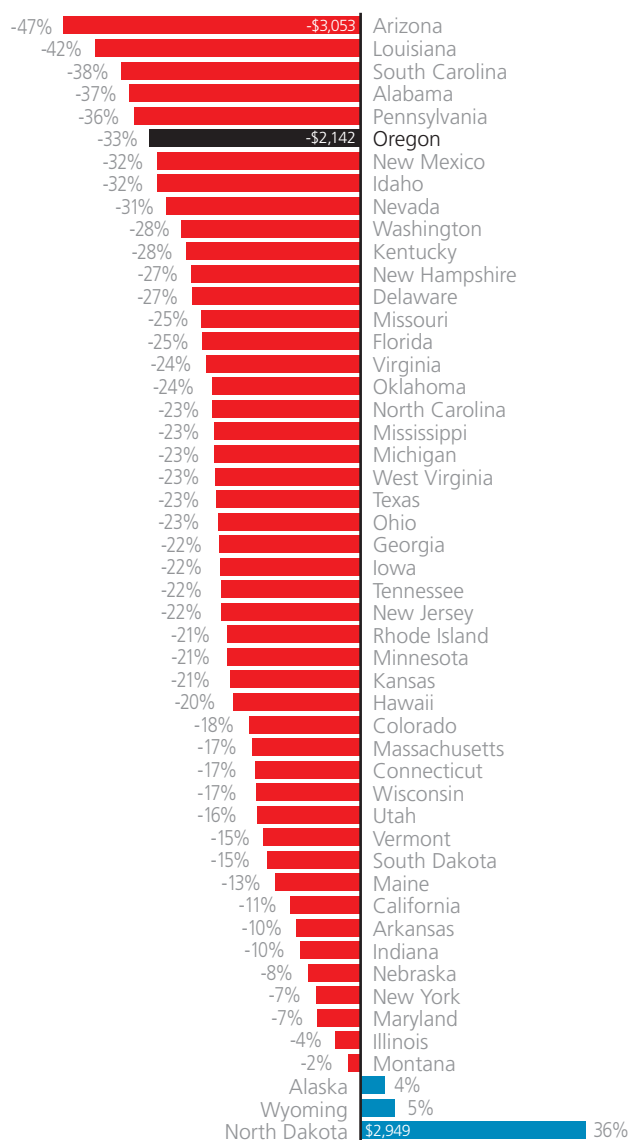
As a result, Oregon ranks last among all states for spending on higher education, according to the most recently available data national. In 2013, Oregon spent 3.4 percent of its state budget on colleges and universities, compared to a national average of 9.5 percent. This is the smallest percentage in the country, ranking behind Connecticut (3.9 percent) and Massachusetts (3.7 percent), and well behind the top-spending states of Alabama (20.4 percent) and North Dakota (18.6 percent).⁴³ (See Figure 4.)

In the most recent legislative session, Oregon lawmakers increased spending for higher education 22 percent.⁴⁴ In the next biennium, Oregon's colleges and universities will get \$700 million in total funding and community colleges will receive \$550 million.⁴⁵ However, even with the largest appropriations increases in over a decade, state funding for higher education remains below pre-recession levels.⁴⁶ Funding is still 55 million less than in 2007-2009.⁴⁷ Over the past decade, Oregon cut state funding by nearly 40 percent, while enrollment increased 23 percent; a small increase in funding in the last legislative session still falls far short of historic funding levels and is below what Oregon's universities asked for originally.

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FIGURE 3: OREGON'S COLLEGE FUNDING FAR BELOW PRE-RECESSION LEVELS

Percentage and Dollar Change in State Spending per Student, Inflation Adjusted, FY2008-15



Source: Center on Budget and Policy Priorities

FIGURE 4: SHARE OF STATE GENERAL FUND EXPENDITURES DEDICATED TO HIGHER EDUCATION, 2013

Rank, State	Percentage	Rank, State	Percentage	Rank, State	Percentage
1. Alabama	20.4%	18. West Virginia	12.4%	35. Colorado	8.1%
2. North Dakota	18.6%	19. Indiana	12.0%	36. Alaska	8.0%
3. Nebraska	18.2%	20. Louisiana	11.8%	37. Washington	7.5%
4. Arkansas	16.4%	21. Georgia	11.6%	38. New Jersey	7.1%
5. Mississippi	16.4%	22. Idaho	11.6%	39. Minnesota	6.9%
6. South Dakota	15.7%	23. Wyoming	11.2%	40. Hawaii	6.6%
7. Michigan	15.2%	24. Ohio	11.0%	41. Illinois	6.5%
8. Utah	15.0%	25. Florida	10.7%	42. Delaware	6.2%
9. Nevada	14.9%	26. Maryland	10.5%	43. New Hampshire	5.9%
10. Texas	14.8%	27. Missouri	10.3%	44. New York	5.9%
11. Oklahoma	13.7%	28. South Carolina	9.8%	45. Vermont	5.9%
12. New Mexico	13.4%	29. Montana	9.7%	46. Pennsylvania	5.8%
13. Tennessee	12.8%	30. Wisconsin	9.6%	47. Rhode Island	5.4%
14. North Carolina	12.7%	31. California	9.3%	48. Connecticut	3.9%
15. Iowa	12.6%	32. Arizona	8.7%	49. Massachusetts	3.7%
16. Kansas	12.4%	33. Maine	8.7%	50. Oregon	3.4%
17. Kentucky	12.4%	34. Virginia	8.6%	National Average	9.5%

Source: kff.org/other/state-indicator/distribution-of-general-fund-spending/#table

On average, the state funds just 10 percent of university operating costs in Oregon.⁴⁸ At Southern Oregon University, 14 percent of the budget is funded by the state while just 5 percent of the budget comes from the state for the University of Oregon.⁴⁹ At this level of funding, Oregon spends \$2,230 less per student than the national average.⁵⁰

These trends mark a radical shift to a privatized model of higher education. Rather than seeing Oregon’s universities as a public good — with a key role in educating the future workforce, driving the local economy and spurring innovation — current funding patterns signal a mandate that universities fund them-

selves, essentially privatizing what were once public institutions.

This has prompted individual universities to seek local tuition-setting authority, which it got when the Legislature dismantled the Oregon University System in June 2015. The state agency had governed the state’s seven public universities for 83 years.⁵¹

In effect, the Oregon Legislature has systematically withdrawn from its role as stewards of a strong system of public higher education in Oregon, ceding the management of quality and affordability to leadership at individual institutions and essentially leaving schools to their own devices.

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IMPACTS OF STUDENT DEBT

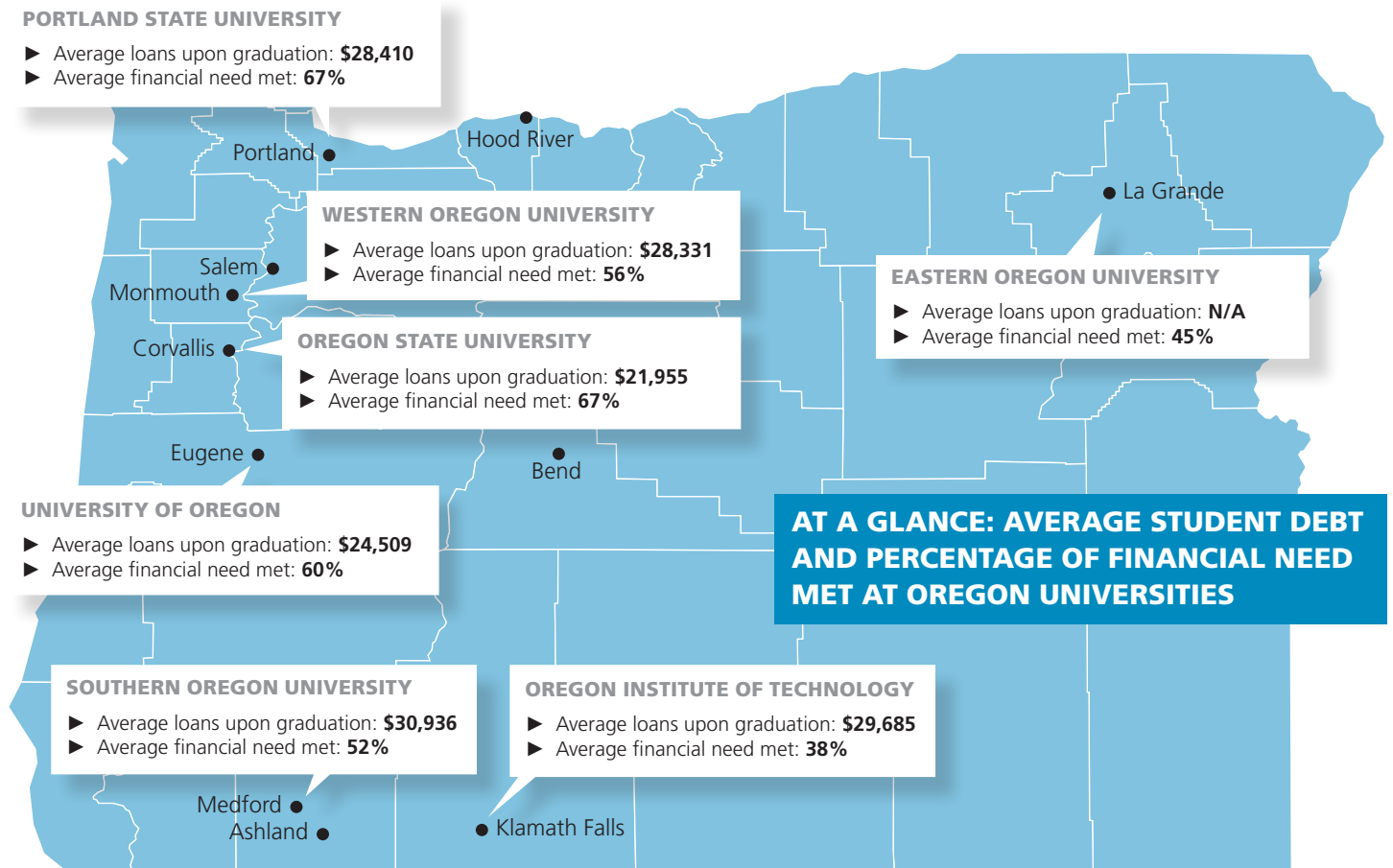
Given Oregon's rapidly emerging student debt crisis, we examine its impacts on students and alumni.

PERSONAL FINANCES

High tuition and student debt affect the quality of life for borrowers both during school and later as they enter the workforce. The financial costs of paying off student debt lasts for years; debt affects the career choices, investments and life events traditionally expected for young adults with a college education. Instead of accessing the opportunities a college edu-

cation promises, many borrowers find that debt limits their ability to start careers and gain financial security.

Current Students: The struggle for financial security begins even before having to make debt payments while enrolled. Despite taking on tens of thousands in student loans, many current students still struggle to pay their basic living expenses. Nationwide,

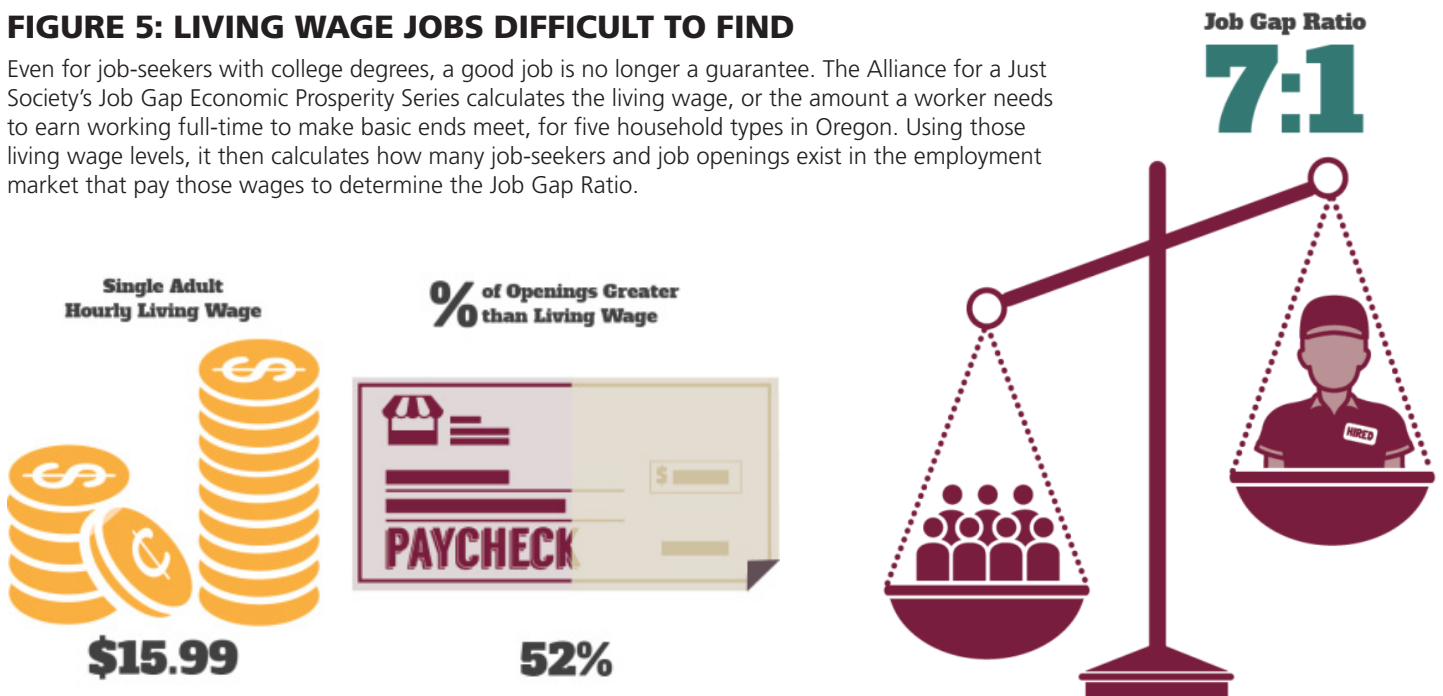


Average loans are for graduating baccalaureate students from the class of 2014 from public and private nonprofit colleges, as calculated by The Institute for College Access and Success. Available at: http://ticas.org/posd/map-state-data-2015#overlay=posd/state_data/2015/or

The average need met is the percentage of a family's expected contribution that the school provides grants, loans or scholarships to meet. Data derived from surveys administered by the College Board. Available at: <https://bigfuture.collegeboard.org/college-university-search/oregon-state-university> and <http://collegeselectionstrategy.com/colleges-that-meet-full-financial-need/>.

FIGURE 5: LIVING WAGE JOBS DIFFICULT TO FIND

Even for job-seekers with college degrees, a good job is no longer a guarantee. The Alliance for a Just Society's Job Gap Economic Prosperity Series calculates the living wage, or the amount a worker needs to earn working full-time to make basic ends meet, for five household types in Oregon. Using those living wage levels, it then calculates how many job-seekers and job openings exist in the employment market that pay those wages to determine the Job Gap Ratio.



OREGON 2015 Monthly Family Budgets	Household 1: Single adult	Household 2: Single adult with a school-age child (age 6-8yrs)	Household 3: Single adult with a toddler (12-24 months) and a school-age child (6-8yrs)	Household 4: Two adults (one of whom is working) with a toddler and a school-age child	Household 5: Two adults (both of whom are working) with a toddler and a school age child
Living Wage per working adult (Hourly)	\$15.99	\$24.16	\$31.23	\$31.39	\$20.91

Source: Alliance for a Just Society, <http://thejobgap.org/job-gap-2015-patchwork-of-paychecks/oregon-patchwork-2015/>

55.7 percent of college students who live off campus live below the federal poverty line.⁵² Poverty during college is so prevalent that students increase the total national poverty rate by 1 percent.⁵³ In Oregon, college students make up between 1 and 12 percent of the poverty rate, depending on the area.⁵⁴ Student loans may help pay for increasing tuition, but living expenses are still a struggle. While pursuing the dream of a higher education as a path to prosperity, living in poverty is a common reality.

Employment: After college, some students find their employment and financial options dictated by their loans. In a national survey, 41 percent of recent col-

lege graduates reported taking jobs that did not require their degree to pay their bills.⁵⁵ Student debt contributes greatly to those bills; 30 percent of the graduates in this survey said student loans were "a deciding factor" or had "considerable impact" on their career choices.⁵⁶

While graduates choose jobs for the paycheck rather than career satisfaction, even those paychecks are smaller than they used to be. Today, the average wages for a college graduate are 2.5 percent lower than they were in 2000 after adjusting for inflation.⁵⁷ And a recent Alliance for a Just Society study found that, in Oregon, there are seven job-seekers for every job that pays a living wage for a household of single

individual, and 27 job-seekers for every living wage job for a household with a single parent with two children.⁵⁸ (See Figure 5.)

Lower wages and dissatisfaction in employment last beyond the first job a graduate takes. Today's students graduate in a weak economy that has still not returned to pre-recession hiring rates.⁵⁹ For the next 10 to 15 years, members of the class of 2015 will earn less than they would if they had graduated during a time with a better job market.⁶⁰ Without the flexibility to pursue careers that interest them and a shadow of debt hovering over them for a decade or more, graduates with debt start their careers behind and struggle to catch up with their debt-free peers.

Housing: Employed graduates find that student debt limits their ability to live independently and pay for housing, food and bills. Many students are unable to afford rent; 36 percent of 18- to 31-year-olds in the U.S.

lived at home with their parents in 2012, a trend that has increased 46 percent since 2007.⁶¹ In a national survey, 27 percent of respondents said that student debt was a strong factor in delaying moving out of their parents' homes.⁶²

Homeownership, meanwhile, is unattainable for many with student debt. In the same survey, 75 percent of graduates cited college loans as the reason they are unable to purchase a home.⁶³ Young people are establishing fewer new households, and the Federal Reserve Bank of Cleveland attributes three-quarters of the decrease in household formation to people 18 to 34 not having the financial security to start families and purchase homes.⁶⁴ Aspiring homeowners are finding their student debt burdens impact their ability to qualify for a loan.⁶⁵ And those who do purchase homes still struggle with student debt, with more than two-thirds of the nation's households headed by an adult under 40 owing money on

LOGIC MODEL: COLLEGE AS A PATHWAY TO PROSPERITY

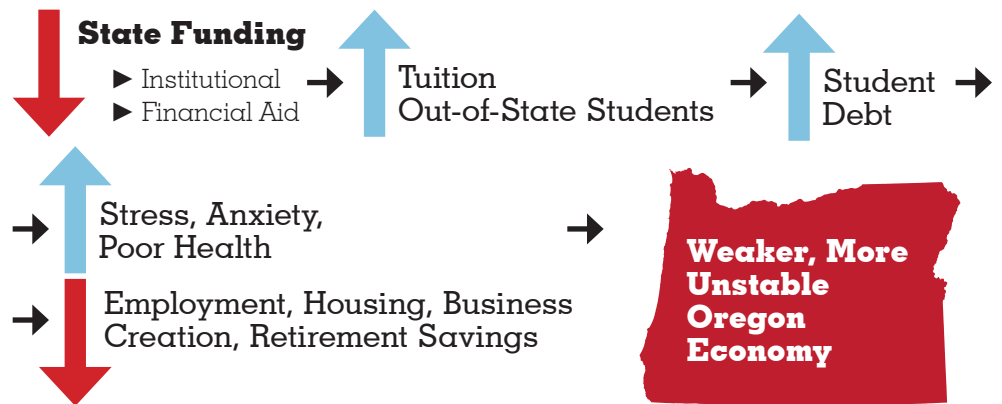
ELEMENTS THAT FUND HIGHER EDUCATION

- ▶ Tuition/Fees from the Student
- ▶ Funding from the State
- ▶ Other*



* Includes proceeds from dorms and athletics, research grants, donor contributions and campus-raised money

STATUS QUO



HOW IT CAN BE

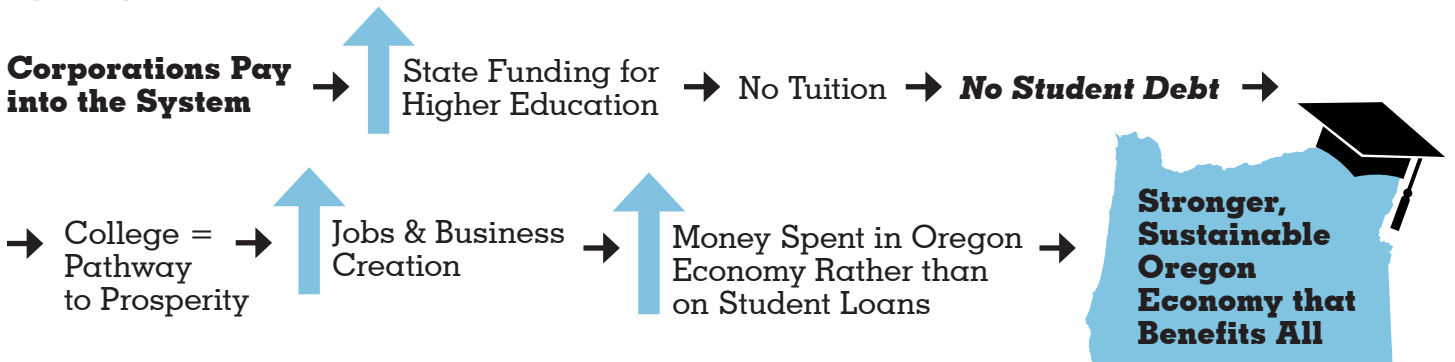


FIGURE 6: LIFE EVENTS INVENTORY

Weightings of life event items by Cochrane and Robertson (2001), ranked in order of severity of weights.

Rank	Life event	All	16–25	26–35	36–45	46–55	Male	Female
1	Death of spouse	93.77	98	94	93	94	95	93
2	Jail sentence	90.17	93	88	91	91	92	89
3	Death of immediate family member	88.44	96	87	86	91	88	89
4	Immediate family member attempts suicide	87.45	85	86	88	89	86	89
5	Getting into debt beyond means of repayment	83.86	82	79	86	87	82	86
6	Period of homelessness (hostel or sleeping rough)	82.48	90	73	86	87	81	84
7	Immediate family member seriously ill	81.38	87	80	78	86	83	80
8	Unemployment (head of household)	81.02	77	79	76	90	82	80
9	Divorce	80.78	82	79	78	86	81	81
10	Break-up of family	80.60	86	75	79	88	81	81

Source: Spurgeon, A., C.A. Jackson, and J.R. Beach. "The Life Events Inventory: Re-Scaling Based on an Occupational Sample." *Institute of Occupational Health, University of Birmingham*. 31 Jan. 2001. Available at: <http://ocmed.oxfordjournals.org/content/51/4/287.full.pdf>

their loans.⁶⁶ This has doubled since 1989 and demonstrates that the kind of debt Americans have has changed and follows them long after graduation.⁶⁷

Retirement: When so much of one's income must go to repaying debt, there is little left over to plan for the future. Only half of young workers under 30 have enrolled in their employer's retirement plans and 43 percent do not save enough to receive a full employer match and are more likely to cash out their plans while changing jobs.⁶⁸

Business Formation: Young adults with student loans have less ability to take on additional debt to launch small businesses, which create 60 percent of new jobs in the private sector.⁶⁹ Between 2010 and 2013, the percentage of young adults owning a business dropped from 6.1 percent to 3.6 percent.⁷⁰ In a national survey, 47 percent of recent graduates said that their loans impeded their ability to start a small business.⁷¹ Most new businesses require personal debt and those with student loans have already reached their debt capacity. A study from the Federal Reserve Bank of Philadelphia found that, in counties with an increase of one standard deviation in student debt, there is a 14.4 percent decrease of new small businesses.⁷²

College loans diminish the ability of young adults to form businesses and create jobs. Those who leave school debt-free have greater economic freedom, with 26 percent starting at least one business.⁷³

HEALTH AND WELL-BEING

The student debt crisis also impacts borrowers' health and quality of life. Household debt is a significant predictor of health outcomes,⁷⁴ as those with high debt-to-asset ratios report higher levels of stress, depression and poor general health.⁷⁵ Borrowers with large debt report a 11.7 percent increase in stress compared to those without debt.⁷⁶

Debt is an enormous source of stress; "getting into debt beyond means of repayment" ranks fifth on a list of most stressful life events, in between "immediate family member attempts suicide" and "period of homelessness."⁷⁷ (See Figure 6.) Student debt can last decades, meaning those with debt endure one of the most stressful life events for years.

Further, those with student debt exceeding \$50,000 report doing worse than those with smaller or no debt on several measures of well-being, including a sense of purpose, physical health and sense of community.⁷⁸ Those with no student debt report thriving physically 11 percent more than those with debt greater than \$50,000.⁷⁹ Students with high debt-to-income ratios report higher blood pressure and worse general health.⁸⁰

The stress of student loans can continue for years, affecting the ability of borrowers to live healthy, productive lives. As more students borrow at increasing rates, the health and well-being of a generation of college graduates is greatly affected.

FIGURE 7: ECONOMIC IMPACT OF DEBT CANCELLATION FOR CLASS OF 2013

State	Graduates	Average Debt	% Graduates With Debt	Total Economic Impact	Jobs Created
Oregon	25,402	\$25,577	60%	\$269,046,167	2,208
Nation	2,271,475	\$26,408	61%	\$27,083,461,418	212,555

Sources: *The Institute for College Access & Success, College InSight*, <http://www.college-insight.org>.

College-level data are taken directly from U.S. Department of Education sources and the Common Data Set (CDS).

Percentage of students with debt and average debt levels: <http://ticas.org/sites/default/files/legacy/fckfiles/pub/classof2013.pdf> (page 5)

Graduate counts: http://collegecompletion.chronicle.com/state/#state=or§or=public_four

Multiplier Effect: *BEA Household Multipliers (From RIMS II DATA)*

OREGON ECONOMIC IMPACTS OF STUDENT DEBT

The student debt crisis has far-reaching, deleterious impacts that extend beyond students and graduates. While student debt significantly impacts those with debt, it also stifles the broader state economy.

When households with student debt spend hundreds of dollars a month paying back loans, it comes with an opportunity cost of spending on other things that would better spur local economic growth. When money that is spent paying back loans goes instead to a local restaurant or retailer, that spending increases local demand, which generates an economic ripple effect with benefits extending beyond the business to its employees and the establishments those employees patronize. This is called a “multiplier effect.” (See “Economic Impact Methodology.”)

This study examines the question, what would be the economic impact if a single graduating class in Oregon did not have loans to pay back? In terms of dollar output and job creation, we find our current system to be a significant drag on the economy.

Nationally, we find that cancelling the student debt of the nearly 2.3 million graduating students at public and private, two- and four-year colleges would result in \$27.03 billion in total economic impact, 212,555 jobs created and \$15.48 billion in GDP growth.

For the class of 2013 in Oregon, with 25,400 graduating students, average debt at \$25,577 and 60 percent of graduates with debt, aggregate student debt for the class of 2013 amounts to nearly \$170.3 million, with a \$269 million total economic impact. (See Figure 7.)

These figures represent lost economic activity that otherwise could have been used to stimulate the economy. Instead, it will be consumed by student debt payments.

ECONOMIC IMPACT METHODOLOGY

In this research, we utilize the U.S. Bureau of Economic Analysis’s Regional Input-Output Modeling System (RIMS II) economic multipliers, at the state level. These multipliers are an established and widely used method in measuring the impact of an economic activity.

Economic impact is defined as the multiplier effect from the dollar output of debt payments and the subsequent ripple effect from that increased spending, over the 10 years of a typical student loan. BEA multipliers are commonly used in studies to estimate the total economic impact, in terms of dollar output and jobs created, of a project on a region.⁸¹ These methods keep in line with Keynesian, demand-side economic theory. According to the BEA:

► *The idea behind the results of RIMS II is that an initial change in economic activity results in other rounds of spending — for example, building a new road will lead to increased production of asphalt and concrete. The increased production of asphalt and concrete will lead to more mining. Workers benefiting from these increases will spend more, perhaps by eating out at nicer restaurants or splurging more on entertainment.*⁸²

In this study we utilize an Institute for College Access & Success dataset, taken directly from U.S. Department of Education sources. The data covers individual cohorts, and we specifically examine the 2013 graduating class. Economic impact calculations cover the conventional 10 years of loan payments at present value over the life of the loan, factoring in the weighted average of the interest rates for loans issued by the federal government.

Graduating students include those obtaining public four-year, public two-year, private four-year, for-profit four-year and for-profit two-year degrees.

Note that we are looking specifically at the class of 2013, the most recent year that data is available, and not at all student debt that exists. Also, this data does not include student debt for graduate or not-completed degrees, and has some limitations in reporting debt from private loans. We have deemed it the most accessible and credible data source that breaks down by state.

LOCAL IMPACTS: HOW THE STUDENT DEBT CRISIS PLAYS OUT IN SOUTHERN OREGON



Photo credit: Traveljapanblog.com

Southern Oregon University in November.

While the research demonstrates the depth of the Oregon student debt crisis, it is important to remember whom this crisis affects and its impacts on those individuals.

To hear directly from Oregon students on what they are facing, a survey of 100 current undergraduate and graduate students in Southern Oregon was conducted between May and September 2015.

This survey puts a face to the crisis, and the findings paint a picture of students struggling to make ends meet. We find that students in Southern Oregon

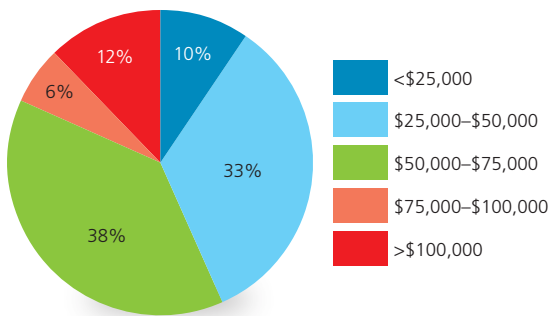
are struggling with basic needs, like affording housing, food, utilities and childcare. Average debt levels here are much higher than the state average, and students are experiencing a significant degree of stress and anxiety as a result of their debt.

For them, student debt has become a prerequisite to a higher education, which would be unaffordable

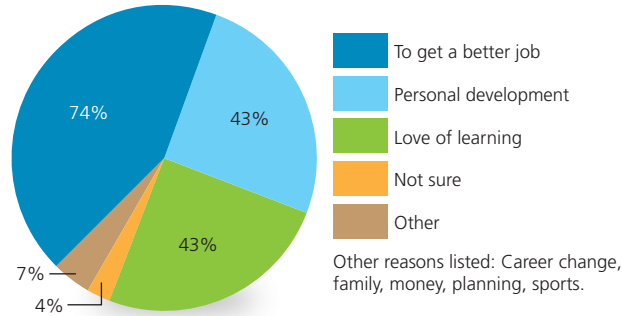
FIGURE 8: SOUTHERN OREGON SURVEY, ENTIRE SAMPLE

Findings from a survey of 100 current undergraduate and graduate students in Southern Oregon, conducted between May and September 2015.

EXPECTED DEBT UPON GRADUATION



REASON FOR GOING TO COLLEGE



Average Student Debt Per Borrower:

\$43,750

Experiencing significant anxiety about loan repayment:

64%

Working at least 1 job:

69%

Source: Oregon Action survey results

otherwise despite two-thirds of respondents holding down jobs while in school.

And respondents resoundingly state that policymakers are not doing enough to address the debt crisis.

These findings highlight living conditions and the financial outlook for Oregon's non-traditional, low-income students of color living in a rural area.

DESCRIPTION OF SURVEY PARTICIPANTS

This survey was conducted through visits to student family housing and tabling at campus events in Ashland and Medford in Jackson County, Ore. The survey sample includes the following characteristics:

- ▶ Among respondents, 60 percent identified as women and 40 percent as men.
- ▶ Undergraduate students comprised 80 percent of the sample and graduate students 20 percent.
- ▶ At least 52 percent of respondents are families with children.
- ▶ More than two-thirds (69 percent) earn less than \$20,000 in income per year.
- ▶ Racial composition: 80 percent White, 5 percent Asian, 4 percent Native, 4 percent Latino, 2 percent Black, 2 percent Pacific Islander and 2 percent other/mixed. This is roughly representative of Jackson County's population with the exception of Latino, who comprise 12 percent of the county population.⁸³

THE DRIVERS OF DEBT

Survey respondents overwhelmingly reported unaf-

fordable tuition, with student debt a necessity. Nearly 90 percent of respondents who took out loans to pay for school did so because they could not afford an education otherwise.

We also find evidence that college is not affordable for parents or students who are working: More than two-thirds (69 percent) of respondents reported working at least one job, and nearly 40 percent are working either a full-time job or multiple jobs.

And while statewide debt levels are reaching new highs, the crisis is even more pronounced in Jackson County. Our sample, which features higher representations of non-traditional and low-income students, reports average student debt per borrower of \$43,750, significantly higher than the statewide average of \$26,106 in 2014.⁸⁴ This highlights the importance of regional data and looking at impacts on specific populations such as student-parents, low-income students, women and students of color.

Nearly three-fourths of respondents reported expecting to graduate with debt levels between \$25,000 and \$75,000. Respondents fall into the following categories of debt levels:

- ▶ 10 percent expect to graduate with less than \$25,000 in student loan debt.
- ▶ 33 percent expect to graduate between \$25,000 to \$50,000 in debt.
- ▶ 38 percent expect to graduate between \$50,000 to \$75,000 in debt.
- ▶ 6 percent expect to graduate between \$75,000 to \$100,000 in debt.
- ▶ 12 percent expect to graduate with more than \$100,000 in debt.

IMPACTS ON STUDENTS

Despite students having to take on significant debt to acquire an education, their loans often do not provide enough to get by. Survey respondents describe a struggle to meet basic living needs while in school:

- ▶ 51 percent of respondents who indicated having student debt said they struggle to afford housing.
- ▶ 38 percent said they are food insecure.
- ▶ 42 percent said they are not always able pay for basic utilities, like gas, power, water, phone or the Internet.
- ▶ 22 percent of all who indicated having student debt said they struggle to afford childcare.
- ▶ 59 percent said they cannot afford to save for emergencies or retirement.

Low-income students face even steeper challenges. Among students in households with \$20,000 or less in income:

- ▶ 70 percent can't save for emergencies or retirement.
- ▶ 60 percent are housing insecure.
- ▶ 48 percent cannot pay full amounts on basic utilities.
- ▶ 42 percent are food insecure.
- ▶ 24 percent struggle to pay for childcare.

These impacts are significant, even for students working either full-time or in multiple jobs:

- ▶ 39 percent struggle to afford housing.
- ▶ 36 percent are food insecure.

The impacts of debt are not just financial, but emotional. Respondents report their debt causing a significant amount of stress and anxiety:

- ▶ 64 percent of respondents with student debt indicated they experience high levels of anxiety about their student loan debt, 40 percent suffer from extreme or overwhelming anxiety. High levels of anxiety cut across income, debt load, gender and age differences.
- ▶ 59 percent of people who indicated they had all of the information they needed about their student loans still reported high levels of anxiety,

70 percent of those with some information, and 85 percent of those without enough information report high levels of anxiety.

DISPROPORTIONATE DEBT LOADS

Broader equity trends are also observed in Jackson County. Survey respondents identifying as women are more likely to have to take out loans to attend college; more likely to fund their education through grants and scholarships; and expected to graduate with more debt than men in this sample.

Among women with student debt in this sample, 84 percent cannot afford college without student loans, compared to 78 percent of men.

In the survey sample, we observe disparities in attitudes around student debt based on race. Separating respondents into white students with student debt and students of color with student debt, we see that 71 percent of students of color experience "quite a bit," "extreme" or "overwhelming" levels of anxiety over loan repayment, compared to 60 percent of white students.

Further, 86 percent of students of color with student debt report struggling to afford housing, compared to 41 percent of white students. When it comes to nourishment, 71 percent of students of color report being food insecure, compared to 32 percent of white students. And 36 percent of students of color struggle to afford childcare, compared to 19 percent of white students.

STUDENT ATTITUDES & PERSPECTIVES

Survey findings also offer insight into student attitudes around the value of a well-funded education system and whether lawmakers are engaging enough on this issue. We find:

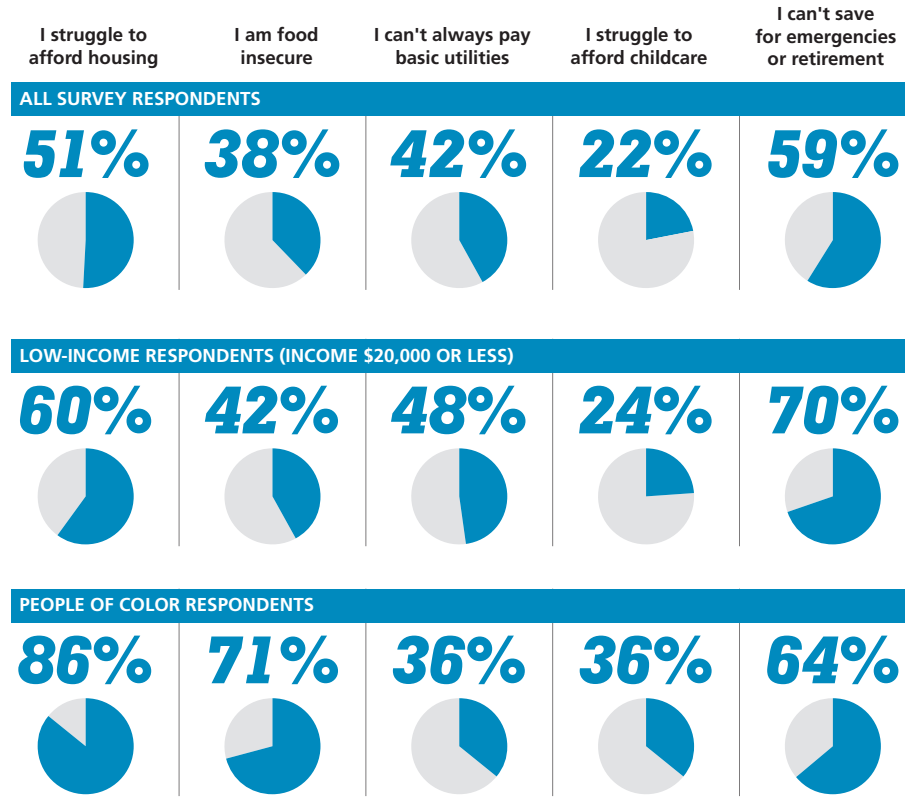
- ▶ 93 percent of respondents agreed that education should be available to everyone, regardless of income.
- ▶ 3 percent of respondents felt that elected officials understand the student loan-debt issue; 78 percent felt that elected officials do not understand the issue, while 19 percent were unsure.
- ▶ 92 percent of respondents said that elected officials should address student loan debt more aggressively.

FIGURE 9: SOUTHERN OREGON SURVEY

Findings from a survey of 100 current undergraduate and graduate students in Southern Oregon, conducted between May and September 2015.

DEBT IMPACTS STUDENTS' LIVING CONDITIONS AND SECURITY

Due to student loan debt, which of the following apply?



STUDENT DEBT AN ISSUE OF EQUITY

I cannot afford college without student loans.



I experience significant anxiety over loan repayment.



POLICYMAKERS SHOULD DO MORE

Should student debt be addressed more aggressively by elected officials?

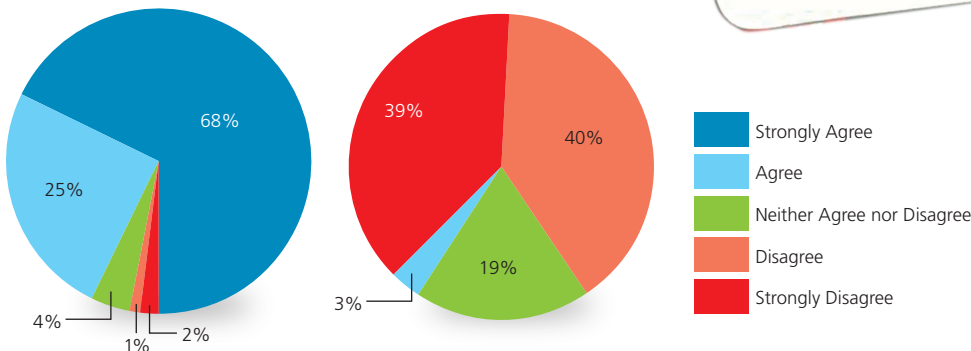
Yes: **92%**

Should education be available to everyone, regardless of income?

Yes: **93%**

Do elected officials understand the student debt issue?

Yes: **3%**



Source: Oregon Action survey results

INDIVIDUAL STORIES

With these survey findings, we can examine how the student debt crisis plays out in one Oregon county. Further qualitative examination of the impacts on specific individuals offers more insight into the effects of the crisis.

VALERIE HOUGAN

"I wouldn't be able to go to school, not at all. I would be working a low-wage, dead-end job."

With a young daughter at home, I knew I didn't want to continue working low-wage jobs. I'm 23 and about to graduate from Southern Oregon University with approximately \$20,000 in debt. Unlike many of my peers, I had no financial support from my parents and family, placing the financial burden on my shoulders.

While my childcare costs were covered by subsidies and I was awarded a number of scholarships, I had no choice but to take out loans to support my family while going to school full-time.

I followed my passion and studied theater arts, one of the top programs at SOU. Even though it is something I love, I am worried that my loans will haunt me financially. Jobs in theater tend to not pay large salaries, especially in the beginning years when developing a career.

Without taking out loans, I wouldn't be able to go to school, not at all. I would be working a low-wage, dead-end job. I have chosen a 10-year payment plan, but I still worry about the impact of losing parts of my income every month to loan repayment. My fiancé will be entering school just as I graduate in the spring, and we have no choice but to take out more loans.



AHSANTE SANKOFA FOREE

"I am determined to having nothing get in the way of my dreams."

I am a fourth-year student at Southern Oregon University. In my home state of California, tuition is too high to be affordable. My family's first solution was to send me to school in Alabama. On that campus I found the homophobia and transphobia too much to bear. It began to affect my mental health, my studies and therefore my chances of achieving my dreams. I am determined to have nothing get in the way of my dreams.

I made the decision to transfer to SOU because it was the place where I knew I could be myself, especially because it stands as one of the most LGBTQIA+ inclusive campuses in the country. At SOU, I am able to receive the academic tools to mobilize my passion for social justice and healing folk. I am working toward a degree in sociology that I will someday turn into doing work in the non-profit sector and social work.

At the outset, I knew that I would have to overcome systematic racism, transphobia and homophobia. I knew my learning disabilities would make it difficult as well. **Yet, the most forbidding boundary in my way is the tremendous debt I have accrued, a fact compounded by the prospect that my calling is not known for being financially lucrative.**

Moreover, I lay claim to my debt, but, in truth, it is not actually mine. My family has brought me here today, both in terms of their steadfast devotion and the many loans they have taken out to finance my education. Mine is not the only debt that my family carries, and, in fact, it is one of the most expensive debts they must shoulder. **I have grown to fear that the pursuit of my passion, which is ultimately to help and liberate others, has doomed myself and my family to captivity; working all our lives to pay for five years of education.**



"I have grown to fear that the pursuit of my passion, which is ultimately to help and liberate others, has doomed myself and my family to captivity; working all our lives to pay for five years of education."

JAMANI LASHAWN CROCKETT

“As of now, I have paid off \$2,000 of my Parent Plus Loan from working on campus and during the summer. With accruing interest, it is barely a dent.”

Growing up the youngest of four, it seemed as though my path was mapped out for me by my older siblings. Since all three of them graduated before I reached eighth grade, it was obvious that college was going to be a part of my future. The financial side was difficult for my family since the older children are all two years apart in age, but we managed.

When it came time for me to apply for college, my family’s financial situation was at an all-time low. We were in the process of losing our house, with other assets in jeopardy. Before I lost hope, I filled out the FAFSA, hoping that I would be awarded enough to pay for my first year at Southern Oregon University. I received the Pell Grant along with subsidized and unsubsidized loans. Among these was the Parent Plus Loan, the largest of the three. My parents were very discouraged because my three siblings had been declined for this loan after finishing the parent application. To everyone’s surprise, I received an accepted notice shortly after I submitted the application. In September 2014, I took all of the belongings I had left after losing our house and drove 18 hours to Ashland, Ore. — \$7,443 in debt and owing \$14,855 more through the Parent Plus Loan.

In October 2015, I unfortunately did not receive the Parent Plus Loan, since losing a few assets drastically reduced my dad’s credit score. Even with the \$13,000 of loans for my second year on top of my original \$7,443, I was unable to pay off Fall 2015. This meant that I was in jeopardy of being forced to leave SOU. The only reason I am still enrolled is because the fi-



financial aid office increased my unsubsidized loans by \$3,000.

As of now, I have paid off \$2,000 of my Parent Plus Loan from working on campus and during the summer. With accruing interest, it is barely a dent. From my own pocket I owe \$23,443 and I still have two more years of school. With interest accruing on two of my loans and the cost of my next two years of school I estimate that I will owe \$52,000 by graduation.

“Even with the \$13,000 of loans for my second year on top of my original \$7,443, I was unable to pay off Fall 2015. This meant that I was in jeopardy of being forced to leave SOU. The only reason I am still enrolled is because the financial aid office increased my unsubsidized loans by \$3,000.”

RECOMMENDATIONS

With student debt in Oregon doubling in the past decade, it will take more than a patchwork approach to adequately address this rapidly emerging crisis.

Exploding student debt is the result of a broken system that has put Oregon at the bottom of national rankings of higher education support and at a competitive disadvantage with other states.

Without systemic change and a redefinition of its higher education model, Oregon risks continuing the cycle of a never-ending string of funding shortages that puts the cost of education primarily on students.

Fully Fund Oregon's System of Public Higher Education

The true solution lies in transforming a broken system. That means anyone who seeks a higher education should be able to get one without having to go deep into debt. To best serve the people of Oregon, we define this as accessible education to anyone who seeks a college education but does not have the financial means to attain it.

This need-based approach can be accomplished either through state funding that is adequate enough to allow universities to offer zero tuition, or through robust and consistent funding of financial aid so that tuition is set at a graduated scale.

Such a model should be implemented thoughtfully — ensuring that institutional capacity keeps up with demand, it's phased in over time, and it is implemented in an equitable way.

The positive economic impacts of this approach would be significant.

As outlined in this study, canceling student debt for a single class would provide a substantial economic boost to Oregon's economy. Based on BEA economic multipliers, we find that if those graduates did not have their student debt, they could contribute \$269 million into the economy over 10 years. As it stands, those Oregon graduates have \$170.3 million in aggregate debt, so the net economic impact would amount to \$98.76 million, which would all go toward building a stronger state economy.

The Legislature has taken positive steps includ-

ing increasing higher education funding between 13 and 28 percent, depending on the institution.⁸⁵ However, it has not been enough to stave off tuition hikes and cuts to staffing and programs around the state. The 22 percent overall increase in higher education funding still falls short of 2009 funding levels. Continued shortfalls and tuition increases discourage students attending college, ultimately keeping Oregon from its 40-40-20 goal — a 2011 legislative mandate that sets the goal that, by 2025, 40 percent of Oregonians have bachelor's degrees, 40 percent have associate's degrees and 20 percent have high school diplomas.⁸⁶

Without a fundamental shift in college cost and accessibility, the 40-40-20 goal remains unobtainable.

To stop the bleeding with student debt, we recommend that the Legislature fully fund higher education. Increased funding will reduce the need for both high tuition and student borrowing.

Raise Revenue By Mandating Corporations to Pay into the System

As Oregon falls behind in its funding of higher education, it is doing so despite giving away hundreds of millions of dollars in tax breaks to large and out-of-state corporations each year.

To address the student debt crisis, the Legislature should mandate that corporations pay into the system that produces the educated workforce from which these corporations benefit.

Currently, Oregon's corporations are assuming a

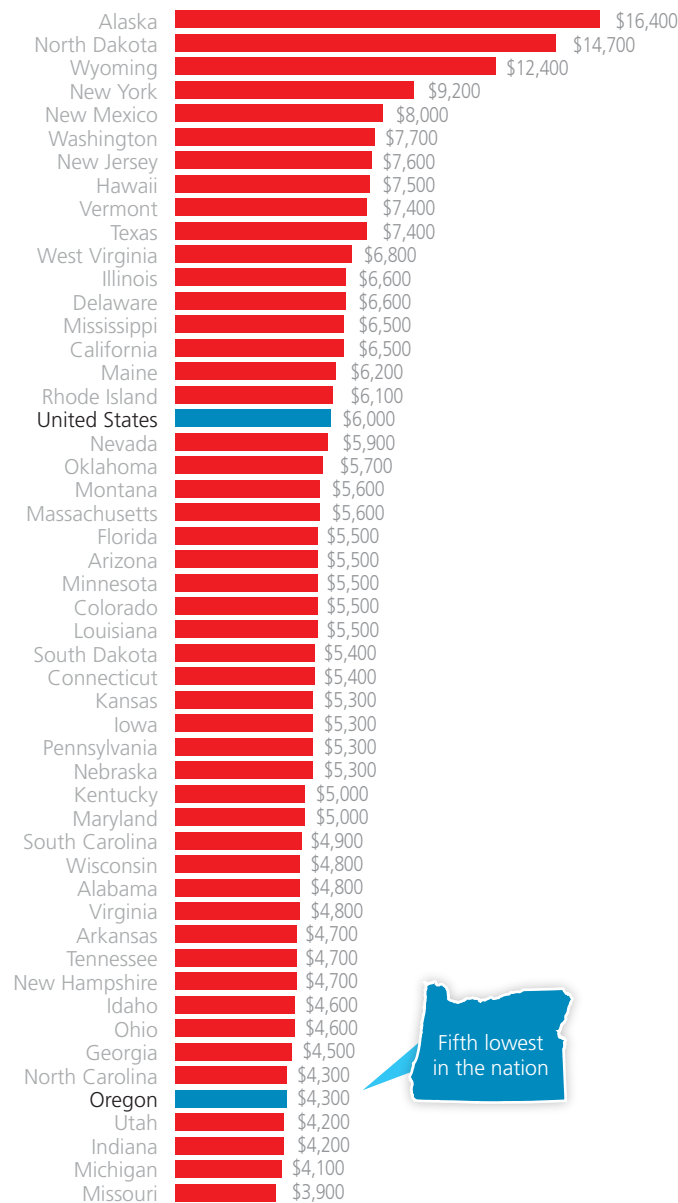
significantly low level of responsibility in paying for a quality system of public higher education as compared to the rest of the country. At 2015 study finds that Oregon is tied for the nation's lowest total effective business tax rate, including corporate income and excise taxes and taxes on owners of S-corporations and limited liability companies.⁸⁷ (See Figure 10.)

This essentially amounts to a dramatic disparity in

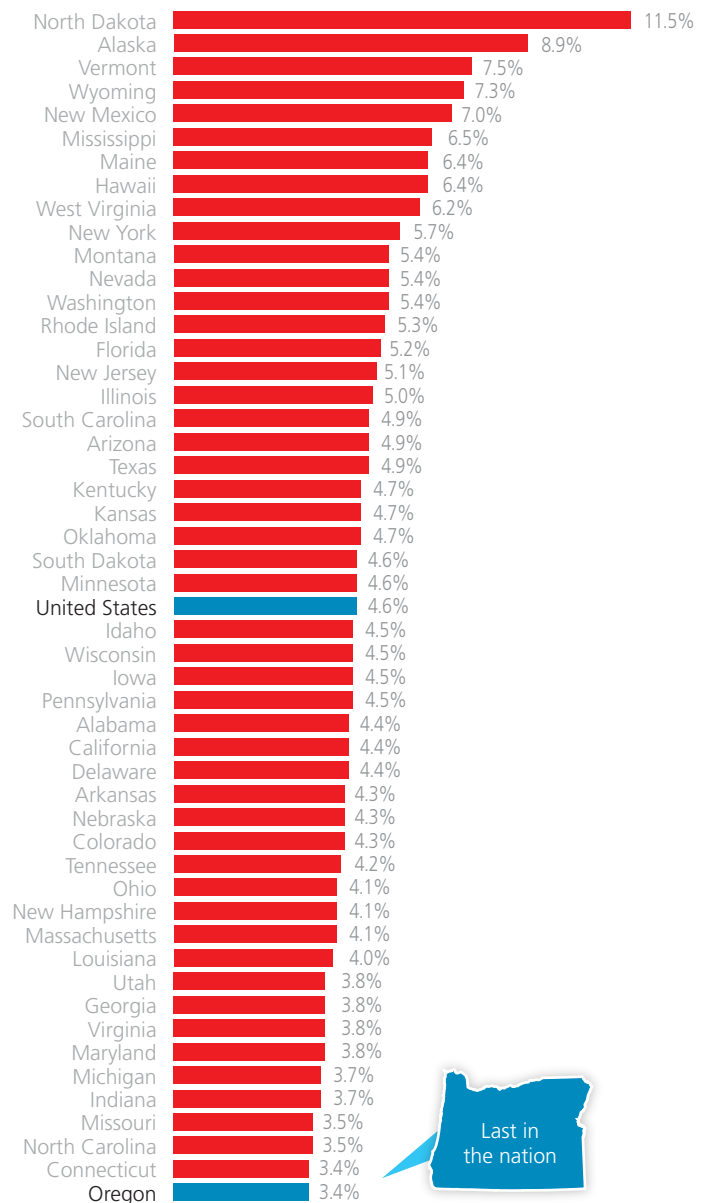
the responsibility of covering the cost of education. Rather than asking corporations that benefit from an educated workforce to help cover costs, students are covering the costs in the form of debt. Working families and students are thus left to pick up the tab for the cost of higher education. While corporations benefit and profit from an educated workforce, they largely are not helping to cover the cost.

FIGURE 10: OREGON BUSINESS TAXE RATES AMONG LOWEST IN THE NATION

State and local taxes per employee, FY2014



State and local taxes as a percentage of gross state product, FY2014



Source: Oregon Center for Public Policy and Council on State Taxation

Increase Minimum Wage to Address the Shortage of Living Wage Jobs

In Oregon, as in other states around the country, there is a shortage of living wage jobs. In 2014, only half of the job openings in the state paid at least the living wage for a single adult.⁸⁸ This shortage not only makes it more difficult for graduates to support themselves and pay off their loans, but can make it difficult for students to find work to help pay for tuition and other living costs while in school, leaving them little choice but to take out loans to cover tuition and other living costs.

While a college degree is increasingly necessary in today's economy, the jobs students get after graduation pay 2.5 percent less than they did in 2000.⁸⁹ Students are paying significantly more for college, but find their ability to make ends meet and pay off their loans to be greatly reduced.

A living wage for a single adult in Oregon is \$15.99 per hour while the minimum wage is \$9.25.⁹⁰ The promise of college is to earn more and have a better-paying job upon graduation. This is not necessarily the case and these jobs do not provide a living wage. Considering that most graduates have an average monthly payment of \$242 for their student loans, a low-paying job adds an additional burden.⁹¹ If graduates in Oregon were paid a living wage, it would take them 15 hours of work each month to pay average student debt payments. The average young college graduate earns \$18 an hour, meaning it would take them over 13 hours of work each month to pay off loans.⁹²

Graduating with debt operates under an assumption that students are able to earn a high enough salary to make payments on their loans. Oregon should raise the minimum wage and increase the standard of living so that graduates find well-paying jobs that ease the burden of their student loan debt.

Increasing Oregon's minimum wage would ultimately help all workers, including students and graduates, have greater financial stability. With more jobs paying higher wages, students able to work and go to school would not have to take out such significant debt. Graduates would also benefit, as any job they get after college would provide them with a better ability to make loan payments.

Invest in Innovative New Models for Higher Education

A lack of state funding creates a privatized higher education system that burdens too many of Oregon's students. Oregon's changing economy and workforce puts pressure on the current funding system. Innovative new models for higher education funding like Pay it Forward can improve the affordability and accessibility Oregon's students.

Pay it Forward is a proposed policy that eliminates up-front tuition costs and asks students to pay a portion of their annual earnings once they enter the workforce back to the college.⁹³ In this system, graduates pay a fixed percent of their income which funds education for those currently in college. With no tuition due at the time of attendance, Pay it Forward removes a large barrier of entry for college and eliminates the need for student loans.

The revised version of Pay it Forward in Oregon asks students pay 3.5 to 4 percent of their annual income over 20 years or until they have repaid the cost of tuition and fees at the time of their attendance.⁹⁴ As everyone pays a fixed percentage of income, the amount paid for college depends on employment after graduation. This eliminates some of the problem of current loan systems which discourage students from choosing careers based on paychecks over passion.

One of the largest criticism of Pay if Forward is the amount of funding needed upfront for the program to work. Funding for higher education is already insufficient in Oregon and funding this program does not change the fundamental expectation of who pays for college. PIF continues the trend of privatization in higher education highlighted in this report. It does not address the rapidly rising cost of tuition and lack of state funding. Pay it Forward continues to ask students to pay for a public good, just at a different point in time. To adequately address the need of Oregon's students and workforce, policies must recognize the need to fully fund education so that Oregon shares a greater responsibility for educating its citizens.

Students are paying significantly more for college, but find their ability to make ends meet and pay off their loans to be greatly reduced.

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