

Pay it Forward: Under pilot program, N.J. students would attend college tuition-free, pay later

By **DIANE D'AMICO**, Education Writer | Posted: Saturday, November 30, 2013 1:00 am

When most New Jersey students attend a state four-year college, they pay for it with borrowed money — almost \$744 million in 2011-12 from federal and state loan programs alone, according to U.S. Department of Education data.

The accumulated funds help rank New Jersey 10th in the nation in average college graduate debt in 2011, with about two-thirds of all graduates owing an average of \$27,610, according to The Project on Student Debt. Average debt at local colleges, including Richard Stockton and Rowan, exceeded \$30,000.

Several state legislators, led by Senate President Steve Sweeney, are pushing bill S2965 to create a College Affordability Study Commission and an Affordable Degree Pilot Program to promote more partnerships among county and four-year state colleges.

They also propose investigating a pilot “Pay it Forward” program that, instead of borrowing money, would allow students to attend college tuition-free, then pay back a percentage of their income after graduation for a set number of years.

“We have to find a way to do things differently,” Sweeney said. “There is no free ride, but maybe we can structure college in a way families can afford it. We can’t just shut the door on kids who want to go to college.”

A similar pilot project proposed in Oregon would have community college students pay back 1.5 percent of their income and four-year college students pay back 3 percent of their income for 20 years.

The proposal is most likely to appeal to middle-class families not eligible for federal Pell or state

questions of fairness and equity, including how grants and scholarships would be counted, and how much money the state should contribute.

The state share of college funding has dwindled steadily, from almost half the cost in 2004-05 to about a third in 2011-12. Colleges made up the difference with tuition hikes and other funds. According to state data, it costs about \$21,000 to educate an undergraduate student at a public four-year college, with tuition and fees covering about \$12,000 of that cost.

Low-income students are currently eligible for federal Pell grants and state Tuition Aid Grants, which do not have to be paid back.

In 2011-12, almost 50,000 undergraduates at public four-year colleges in New Jersey and 88,000 students at two-year colleges received Pell grants totalling \$668 million, according to U.S. Department of Education data. State TAG funds totaling almost \$377 million were given to 32,600 four-year college students and 66,200 community college students, some of whom may have also received Pell grants. A Pay it Forward plan would have to take those grants into account.

Jobs will also pay different amounts, meaning students would pay back different sums even if they attended the same college at the same time with the same major.

“It does mean that people who make more would pay more,” Greer said.

Also unclear is how the payback plan would affect graduates as they begin families and possibly take years off from work to raise children.

Pay it Forward programs would likely not cover room and board or other expenses such as books, and some families or students would still have to borrow to pay those costs, as they do now. About a third of full-time undergraduate students live on campus, paying room and board that can cost \$10,000 per year.

In 2011-12, Stockton budgeted almost \$70 million for tuition and fee revenue, but students there received more than \$81 million in federal and state grants, loans and scholarships, according to college and U.S. Department of Education data. Rowan University collected almost \$106 million in tuition and fees, but students received more than \$111 million in in grants, loans and scholarships. Those funds do not include private bank loans or scholarships students may have received, or credit card debt.

That debt, on top of a Pay it Forward payment, could leave students struggling to make payments.

Still, the possibility of not having to pay tuition and fees up front definitely appealed to some families at a recent college fair at the Atlantic City Convention Center. They said middle-class families are being squeezed, especially those with multiple children in college.

Michael and Carole Wright, of Mays Landing, said the program would work for families who can't get or don't want loans, and could give students more options for where they attend college. Their son, Greg, who is thinking of becoming a special education teacher, said he'd prefer to pay it back later when he got a job, rather than have loans that come due six months after graduation.

"If you don't get a job, you still have the loans to pay off," Michael Wright said.

An October report from the U.S. Department of Education found the national student loan default rate reached a record high of 10 percent for graduates required to begin paying them back in 2011-12.

Tom Shad, of Cape May Court House, said that with two children in college, and another a junior in high school, a Pay it Forward system could be a good option.

"It sounds good if you have multiple kids," he said. "I would absolutely do it."

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