



Independent Democratic Conference

Making it Affordable to Get a College Education in New York

March 2014

Executive Summary

A college education is an integral part of the American Dream, and New York State has a rich history of providing a world-renowned education through its many outstanding institutions of higher learning. About 983,717 students (almost half of all New Yorkers aged 18 to 24) are currently enrolled in college,¹ and there are millions more high school students and their parents joining them in the search for the means to pay for a post-secondary degree.

The cost of a college education continues to rise, with tuition rates outpacing inflation and the growth of family incomes.² For the middle class, the path to college is increasingly paved with debt. At the same time, income disparities between those who go to college and those who do not continues to widen, heightening the importance of earning a college degree, regardless of one's financial circumstances.

The IDC believes we must do more to help families overcome the challenges of rising college costs. meet these challenges. College not only helps build the middle class and create spending power beneficial to the economy, but it also builds a highly educated workforce, which is key to fostering greater sustained economic growth. New York's college graduates are a critical ingredient in fostering new development statewide. New York State has and continues to make significant investments in higher education and these must continue, but it must do more. Making a college education affordable for every family in New York State must be one of the State's primary policy concerns.

With this in mind, the Independent Democratic Conference (IDC) proposes a series of options to help New York families better afford a college education. Some of the following proposals build on the success of existing programs while others employ innovative strategies that have been proven elsewhere in the country.

First, to address the rising cost of a post-secondary education, **the IDC proposes the creation of a New York Pre-paid College Tuition Plan.** This will allow parents to begin paying for tuition for their children at current tuition rates, locking in prices and saving themselves from future tuition increases. Many other states, such as Florida, Texas, and Illinois, have created such plans as an option for their residents.

Next, **the IDC proposes to expand on the success of New York State's 529 College Savings plan by allowing families to put more money into these accounts tax-free.** Specifically, the IDC proposes doubling the size of the income tax deduction that **families can claim when they put money into these accounts.** Doing so will help families save more *before* their child enters college.

In order to help families save more *during* their child's time in college the IDC proposes doubling the income tax deduction or tax credit that families can claim for college-related

¹ 2012 American Community Survey 1-Year Estimates.

http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_12_1YR_B14004&prodType=table

² Center for College Affordability and Productivity, *25 Ways To Reduce the Cost of College*, September 2010

expenses. By doing so, New York can help lower the burden that many families face from college costs.

The IDC believes that we must also do more to encourage our college graduates to build a life in New York after graduation. In order to do that, the IDC is proposing a Study and Stay tax credit that will incentivize long-term savings towards the purchase of a home.

THE IDC COLLEGE AFFORDABILITY PROPOSAL

- 1. Create a New Pre-paid College Tuition Plan**
- 2. Double the Size and Incentive for Using NY's Existing 529 College Savings Program**
- 3. Double the Size of NY's Tuition Tax Credit**
- 4. Create the NYS Study and Stay Plan**

The Value of a College Degree

According to the U.S. census bureau, approximately 1,199,000 New Yorkers are enrolled in undergraduate institutions, with 768,000 of them going to public universities for undergraduate classes and 430,700 going to private universities. An additional 319,600 New Yorkers are enrolled in graduate or professional colleges, with 122,300 going to public universities and 197,300 going to private universities.³

Families in this State and across the nation are left with the reality that getting a higher education is a critical step towards maximizing the future earnings of their children, but attaining that goal is becoming harder and harder as tuition costs rise. Nevertheless, the investment in post-secondary education directly impacts a person's ability to establish themselves in a chosen career, buy a car, a home, and all the hopes of the American Dream.

The Census data below shows that a 25-year-old man with an Associate's degree in 2011 could expect to earn an average of over \$10,000 more than someone who just graduated from high school, and that a woman with the same degree could earn over \$9,000 more. Gender discrepancy aside, both incomes can make a big difference to someone paying off college debt.

It is vital to the interests of the New York State economy to maximize the number of its residents that earn a higher degree. While New York already has a higher percentage of residents with a Bachelor's degree or higher (32.5% of New Yorkers over 25 years old) than the national average (28.2% over 25 years old), the changing demands of New York's workforce require more and more graduates in various technologies and the industries that support innovations in science, medicine, and manufacturing.

³ American FactFinder 2012 American Community Survey:
http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_12_1YR_B14004&prodType=table

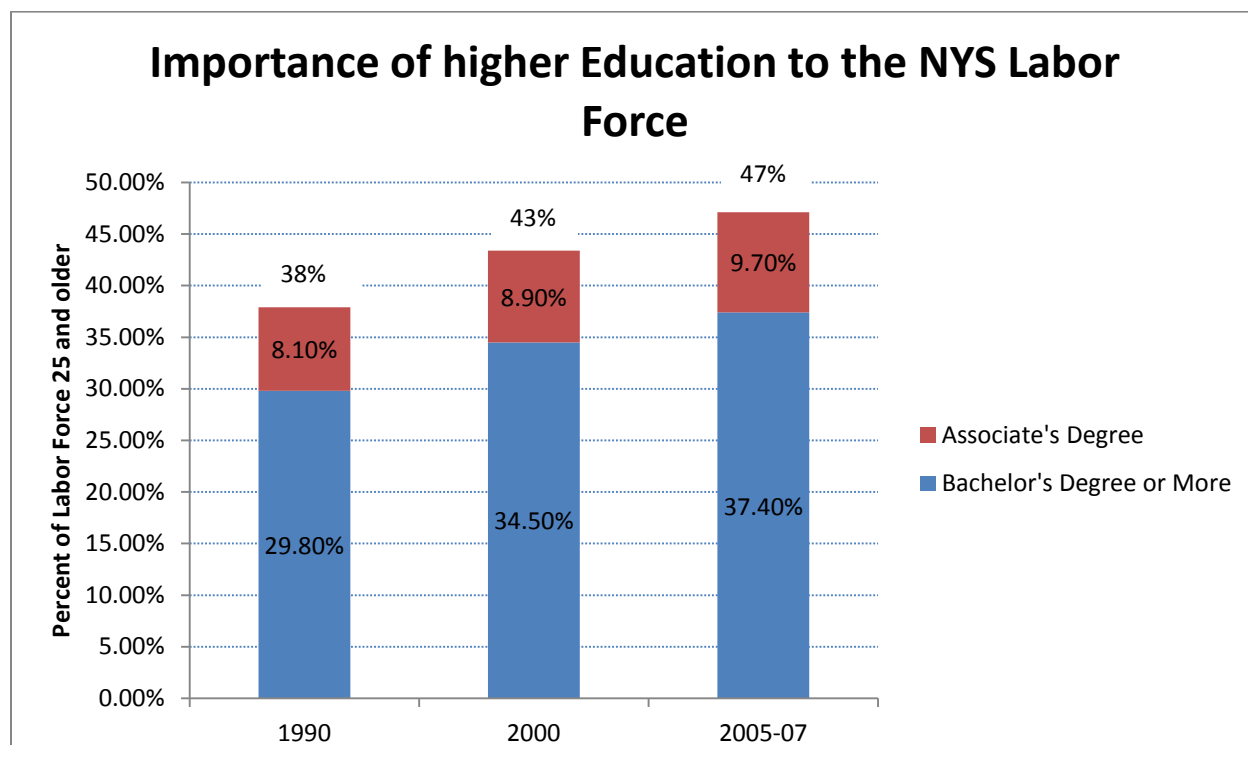
Median Earnings by Educational Attainment⁴

Table P-20. Educational Attainment--Workers 25 Years Old and Over by Median Earnings and Sex: 1991 to 2011

Educational attainment and year	Male			Female		
	Number with earnings (thous.)	Median earnings		Number with earnings (thous.)	Median earnings	
		Current dollars	2011 dollars		Current dollars	2011 dollars
High School Graduate (includes equivalency)						
2011	20,667	34,005	34,005	15,948	22,484	22,484
2010	20,906	32,613	33,642	16,342	22,459	23,167
Some College, No Degree						
2011	11,636	40,426	40,426	11,104	26,742	26,742
2010	11,656	40,025	41,288	11,383	26,649	27,490
Associate Degree						
2011	6,676	45,300	45,300	7,743	31,397	31,397
2010	6,411	42,430	43,768	7,806	31,546	32,541
Bachelor's Degree						
2011	15,854	60,242	60,242	15,178	41,013	41,013
2010	15,594	57,305	59,113	14,679	40,564	41,844
Master's Degree						
2011	5,879	76,215	76,215	6,811	51,187	51,187
2010	5,867	72,027	74,299	6,704	51,107	52,719
Professional Degree						
2011	1,594	101,399	101,399	872	70,373	70,373
2010	1,527	101,480	104,681	847	65,868	67,946
Doctorate Degree						
2011	1,570	90,721	90,721	943	70,939	70,939
2010	1,533	93,399	96,345	962	72,139	74,414

⁴ US Census Historical Income Tables (<http://www.census.gov/hhes/www/income/data/historical/people/>)

The chart below shows that the percent of New York's workforce with a Bachelor's or higher has risen from 38% to 47% since 1990.⁵



Source: FPI analysis of 1990,2000, and 2005-07 ACS PUMS

Note: Includes those in the labor force 25 years of age or older.

Income disparities and workforce demands are but two of the many factors that make investment in higher education a necessary and worthy endeavor, both for New York's citizens and its future economic growth. Unfortunately, the cost of a post-secondary degree is rising faster than the State's investment and a family's ability to save.

The Rising Cost of a College Education

It is difficult for families to make an accurate college savings plan when the price tag is such a moving target. Parents tend to underestimate how much they need to save and overestimate how much their child will receive in grants and scholarships.

The College Board's latest report on national college pricing trends, issued in September 2012 and covering the academic year of 2011-12, shows college tuition continues to grow at a significant pace that greatly outpaces overall inflation.

⁵ New York State's Underinvestment in Public Higher Education, Fiscal Policy Institute, January 2009.
http://fiscalspolicy.org/wp-content/uploads/2011/06/FPI_UnderinvestmentPublicHigherEd_20090115.pdf

Growth in College Costs⁶

Table 2A Average Tuition and Fee and Room and Board Changes in 2012 Dollars, 1972-73 to 2012-13, Selected Years

	Tuition and Fees in 2012 Dollars						Tuition, Fees, and Room and Board in 2012 Dollars			
	Private Nonprofit Four Year	5-year % change	Public Four-Year	5-year % change	Public Two-Year	5-year % change	Private Nonprofit Four Year	5-year % change	Public Four-Year	5-year % change
1972-73	\$10,378		\$2,225		\$1,274		\$16,611		\$7,972	
1977-78	\$10,141	-2%	\$2,460	11%	\$1,149	-10%	\$15,925	-4%	\$7,654	-4%
1982-83	\$10,901	7%	\$2,423	-2%	\$1,111	-3%	\$16,745	5%	\$7,510	-2%
1987-88	\$14,189	30%	\$2,990	23%	\$1,488	34%	\$21,048	26%	\$8,453	13%
1992-93	\$17,037	20%	\$3,806	27%	\$1,820	22%	\$24,504	16%	\$9,513	13%
1997-98	\$19,677	15%	\$4,441	17%	\$2,237	23%	\$27,635	13%	\$10,662	12%
2002-03	\$22,974	17%	\$5,213	17%	\$2,129	-5%	\$31,633	14%	\$12,304	15%
2007-08	\$25,759	12%	\$6,809	31%	\$2,523	18%	\$35,188	11%	\$14,912	21%
2012-13	\$29,056	13%	\$8,655	27%	\$3,131	24%	\$39,518	12%	\$17,860	20%

Table 2B Average Tuition and Fee and Room and Board Charges in 2012 Dollars, 2002-03 to 2012-13

	Tuition and Fees in 2012 Dollars						Tuition, Fees, and Room and Board in 2012 Dollars			
	Private Nonprofit Four Year	1-year % change	Public Four-Year	1-year % change	Public Two-Year	1-year % change	Private Nonprofit Four Year	1-year % change	Public Four-Year	1-year % change
2002-03	\$22,974		\$5,213		\$2,129		\$31,633		\$12,304	
2003-04	\$23,608	2.8%	\$5,787	11.0%	\$2,378	11.7%	\$32,462	2.6%	\$13,118	6.6%
2004-05	\$24,247	2.7%	\$6,201	7.2%	\$2,515	5.7%	\$33,222	2.3%	\$13,761	4.9%
2005-06	\$24,599	1.5%	\$6,439	3.9%	\$2,558	1.7%	\$33,701	1.4%	\$14,205	3.2%
2006-07	\$25,115	2.1%	\$6,534	1.5%	\$2,551	-0.3%	\$34,334	1.9%	\$14,452	1.7%
2007-08	\$25,759	2.6%	\$6,809	4.2%	\$2,523	-1.1%	\$35,188	2.5%	\$14,912	3.2%
2008-09	\$25,849	0.3%	\$6,865	0.8%	\$2,471	-2.1%	\$35,204	0.0%	\$14,961	0.3%
2009-10	\$27,383	5.9%	\$7,500	9.3%	\$2,721	10.2%	\$37,310	6.0%	\$16,183	8.2%
2010-11	\$28,128	2.7%	\$8,000	6.7%	\$2,866	5.3%	\$38,320	2.7%	\$16,984	5.0%
2011-12	\$28,276	0.5%	\$8,372	4.6%	\$3,001	4.7%	\$38,506	0.5%	\$17,377	2.3%
2012-13	\$29,056	2.8%	\$8,655	3.4%	\$3,131	4.3%	\$39,518	2.6%	\$17,860	2.8%

The chart above shows that, over the last thirty years, tuition at two- and four- year colleges have been rising, sometimes dramatically. The rise in private school tuition has been steadier than that for public institutions, yet over the last five years, tuition increases at public universities have been significantly higher than at private colleges.

A bit of good news for post-secondary consumers is that New York State's in-state tuition rate for a four-year campus was around the 14th cheapest in the nation, at an average of \$6,689 with tuition and mandatory fees. However, New York's average in-state cost of \$4,362 tuition and fees for a 2-year campus was around the 6th most expensive in the country.⁷

⁶ Data from the College Board Advocacy & Policy Center, [Trends in College Pricing 2012](http://advocacy.collegeboard.org/sites/default/files/college-pricing-2012-full-report_0.pdf) report. Report is available at: http://advocacy.collegeboard.org/sites/default/files/college-pricing-2012-full-report_0.pdf

⁷ Data from the College Board Advocacy & Policy Center, [Trends in College Pricing 2012](http://advocacy.collegeboard.org/sites/default/files/college-pricing-2012-full-report_0.pdf) report. Report is available at: http://advocacy.collegeboard.org/sites/default/files/college-pricing-2012-full-report_0.pdf

General Subsidies

New York State tries to keep college affordable through the annual state budget process, directly subsidizing the cost of higher education through funding the community and senior colleges of the State University of New York (SUNY) and the City University of New York (CUNY). In the 2013-14 enacted budget New York state spent \$5.67 billion in agency operating funds to pay for operations at SUNY and CUNY and \$1.82 billion in aid to localities funding⁸ for other SUNY and CUNY expenses. Direct state subsidies help lower tuition rates at these institutions. These subsidies benefit all students, regardless of their financial circumstances. .

According to the College Board, general direct subsidies for public university systems have been declining nationally for over two decades. In 1989-90, states spent \$9.74 on average per \$1,000 in personal income for higher education. By 2011-12, States had dropped to around \$5.63 in higher education for every \$1,000 in personal income. New York ranked 17th lowest in the country, at around \$4.80, which was a drop of about \$1.10 per \$1,000 in personal income in state support since 2006-07.

These figures show that New York State has pulled back on its relative support of its public higher education systems in the past half-decade. The State has also chosen to put more of those public monies into the 4-year institutions, which remain relatively cheap for in-state residents while allowing our public 2-year institutions to become relatively expensive.

That New York's 4-year public universities in the State have been able to keep their tuitions relatively low on a national scale given the amount we spend per \$1,000 is the result of New York being a high-income State and the fact that our State commitment to public institutions is much higher comparatively speaking than that of other states. Given the cost of living here, however, the State could and should do more.

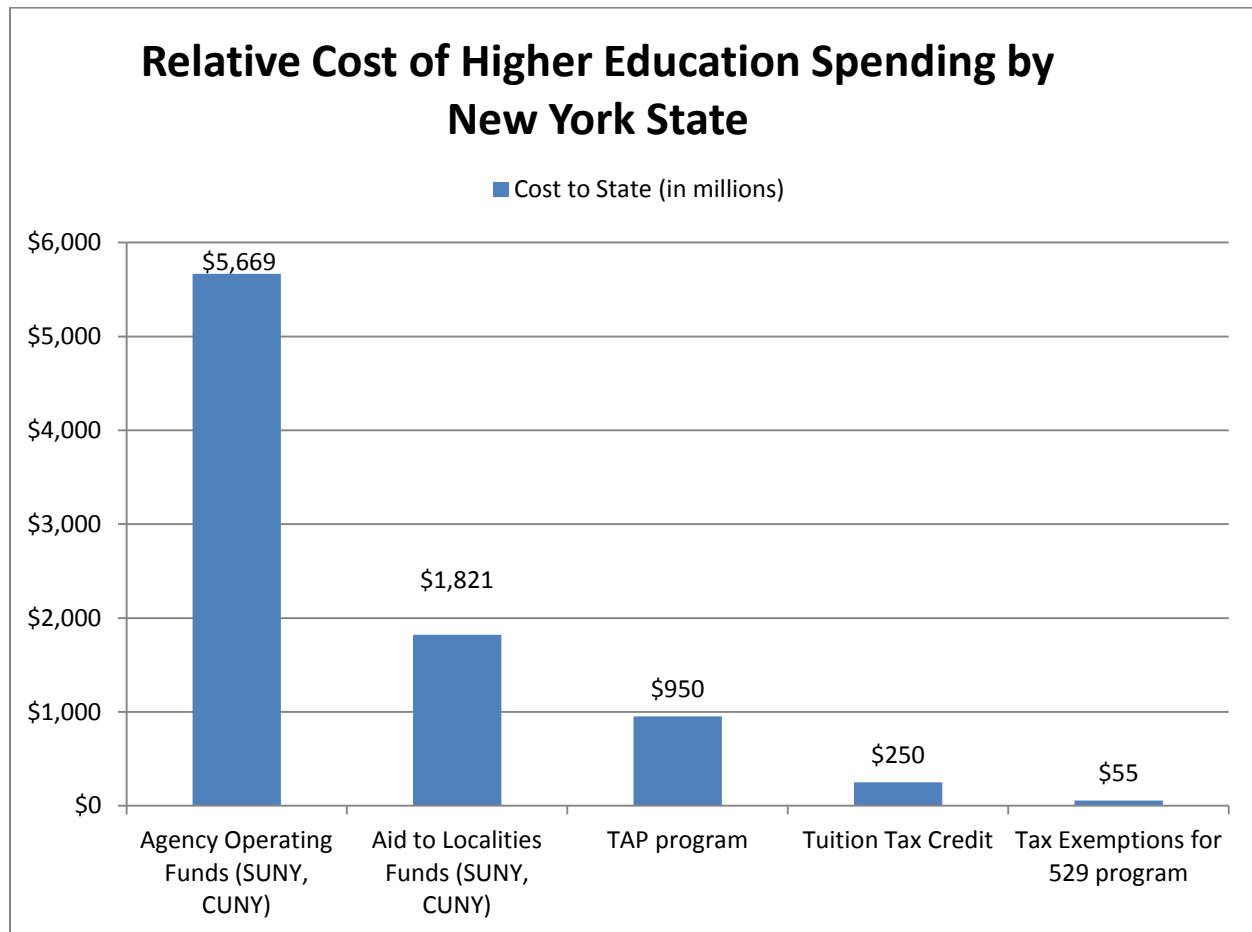
TAP

Other than direct subsidy, New York State tries to make college affordable with a number of existing programs aimed at delivering targeted financial assistance to specific students. These programs are run by the Higher Education Services Corporation (HESC) and include grants and loans for eligible students. The most significant of these programs is the NYS Tuition Assistance Program (TAP), which is targeted toward low-income students that attend universities, colleges, and community colleges in New York State. The state also has a number of smaller scholarships and awards set aside for specific populations or for students studying specific subjects. All of these programs are planned to cost the state around \$1 billion this fiscal year, of which TAP accounts for \$950 million.

Unfortunately, New York State's funding of TAP has been frozen since 2011-12 at a maximum award of \$5,000 which, at the time, paid for 94.4% of SUNY tuition. By the 2015-16 school

⁸ Division of Budget, "FY 2014 Enacted Budget Financial Plan", May 2013.
<https://www.budget.ny.gov/budgetFP/2013-14EnactedBudget.pdf>

year, it is projected to cover less than 77% of tuition.⁹ The average TAP award fell to \$2,967 in 2011, 4% less than in 2004.¹⁰



It's no wonder that families are experiencing sticker-shock between declining state support and rising tuition costs. Some states have tried to address this by offering families the opportunity to lock in tuition costs when their children are young, which would help mitigate tuition increases that occur in the years before a student attends college.

IDC Proposal #1: Create New York's First Pre-Paid College Tuition Plan

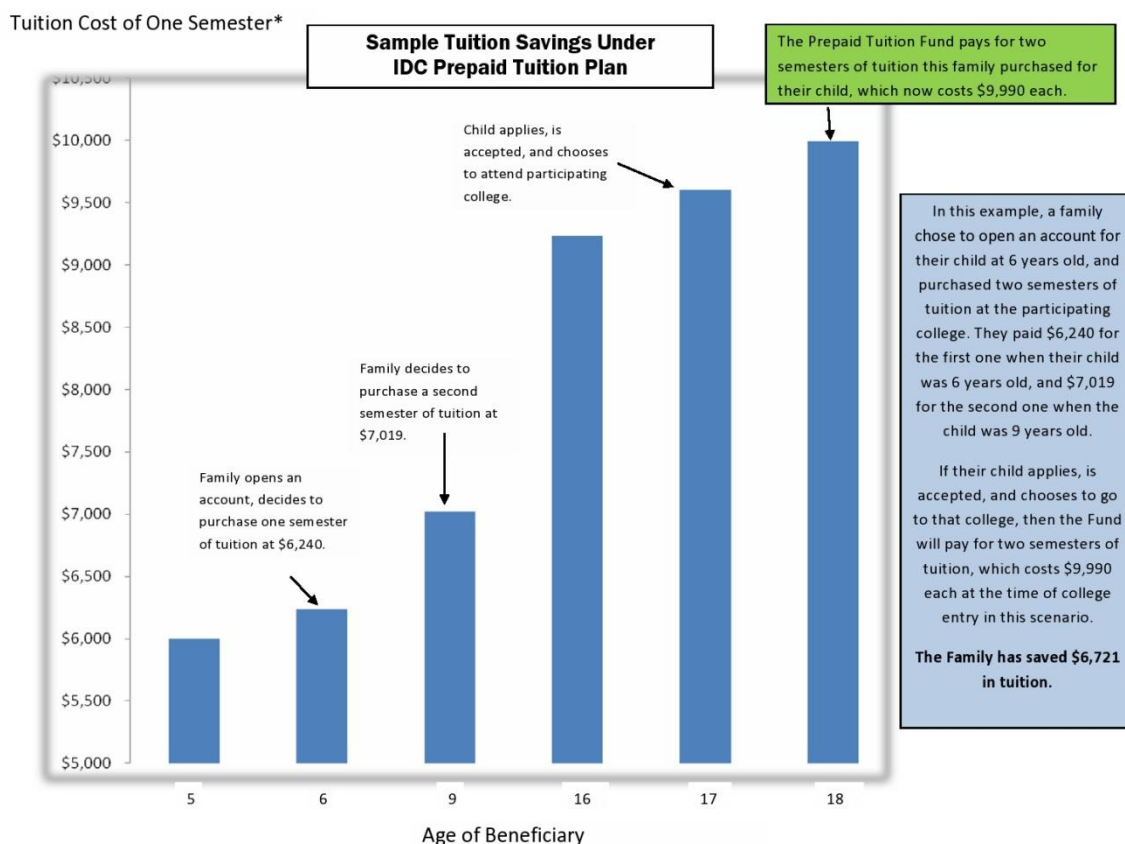
In order to help families meet the challenges of rising tuition costs, many states are allowing parents to lock-in current tuition rates at public and private colleges nationwide. To date, eighteen states have adopted pre-paid tuition plans, including Texas, Florida, Maryland, Virginia, Ohio, and Massachusetts.

⁹ An Analysis of the Tuition Assistance Program, The State University of New York, 2012

¹⁰ National Association of State Student Grant and Aid Programs, 43rd Annual Survey Report on State-Sponsored Student Financial Aid, 2013. <http://www.nassgap.org/viewrepository.aspx?categoryID=3#>

The IDC proposes implementing a Pre-paid College Tuition Plan that would allow parents to lock in current tuition rates at New York State public and participating private and independent institutions for their children. The fund into which the money is deposited is then invested, and the returns will allow the fund to pay the participating institutions the tuition rate at the time the beneficiary actually goes to college.

Families would be able to choose from a number of plans depending on what their child's educational plans might be. Parents will be able to purchase smaller amounts of tuition or entire semesters and years of tuition. Deposits in the fund will get the same beneficial tax treatment we give deposits into the 529 College Savings Program.



* Percent-of-cost goals reported total parents: 32%; low income 22%; middle-income 31%; high income 44%

The New York Pre-paid Tuition Plan would be managed by an independent board, comprised of members representing the State Comptroller's Office, the Higher Education Services Corporation, SUNY, CUNY, and their affiliated community colleges, and others with experience in finance and higher education. This board is made independent so that it can manage the finances of the pre-paid plan free of political influences that might destabilize the finances of the fund in the future.

Public institutions of higher education would be included in the pre-paid plan from the start. Independent colleges would have the opportunity to choose whether they want to participate in

the fund or not. In order to ensure the fund, the Executive would have to include into their initial executive budget any amount necessary to cover a shortfall if in any one year the Fund found itself unable to meet all its liabilities with the monies available. This allocation would have to get legislative approval.

The rules governing qualified withdrawals, changes in the beneficiary of the account, or what happens to the money put into an account if a beneficiary is unable to attend the college for which tuition was purchased would all be made by the board, and would conform to federal laws on how monies placed into this kind of pre-paid tuition system are to be treated.

The IDC Pre-paid College Tuition plan would cost the State \$2 million and save families upwards of thousands of dollars in tuition rates, while at the same time making sure that our institutions of higher learning receive the funds they need to continue educating our children.

IDC Proposal #2: Double the Size of NY's Existing 529 College Savings Program

In the late 1990's, the Federal government amended federal tax law to allow individuals to have special types of savings accounts designed specifically for paying future higher education costs. These accounts came to be known as 529 accounts after the section of the Internal Revenue code that established them. While the general enacting legislation was Federal, each State was left to set up the specifics of these plans in their own jurisdictions. New York State established its own 529 college savings loan program in 1998, and substantially altered it in 2003.

New York's 529 program is managed by the Office of the State Comptroller (OSC), which has contracted out to private funds and money managers to directly manage the accounts. Individuals who put their own money into these programs can choose from a variety of different investment portfolios, each investing in a different asset mix with differing levels of potential risk.

The primary benefit to families of choosing to open a 529 is the tax relief incurred from directing money into these accounts. Individuals receive both federal and New York State income tax exemptions for moneys placed into these accounts. In New York State, a single filer can deduct up to \$5,000, and those filing jointly can deduct up to \$10,000. According to the latest annual report on tax expenditures by New York State, this tax benefit cost New York State approximately \$55 million in income tax receipts.

According to Morningstar Fund Research,¹¹ which does an annual review of 529 college savings accounts, New York State has the second largest total fund balance in the nation, with \$14.23 billion invested in this program. (The largest fund balance of any state by far is Virginia, with \$37.52 billion invested into its program.) Further, New York's Direct-sold plan has had the third best annualized returns over the past five years and some of the lowest management fees and asset-based expense ratios nationally.

¹¹ Morningstar Fund Research, 2013 529 College-Savings Plans Industry Survey, updates April 25, 2013

It makes sense to build upon the success of New York's 529 College Savings Fund. New York State has one of the best performing and largest Direct-sold 529 College Savings programs in the country. Trying to expand the number of people who participate in a 529 program would be a relatively low cost way for New York State to make it easier for families to pay higher education costs.

Given New York State's successful 529 plan with low fees and very good balance performance, it's surprising that these kinds of savings programs are severely underutilized, and that in general it is richer families that end up creating such accounts, according to a report by the Government Accountability Office (GAO) late last year.¹² The GAO report found that certain features allowed by different States made these accounts more attractive to families, including setting up low initial contribution amounts, giving preferential State tax treatment to funds in such accounts, providing a number of choices in the investment vehicles available, and having some form of match system under which the State would kick in a certain amount of money to match individual contributions. The GAO report also found out that many parents are simply unaware of the options available to them to save for college.

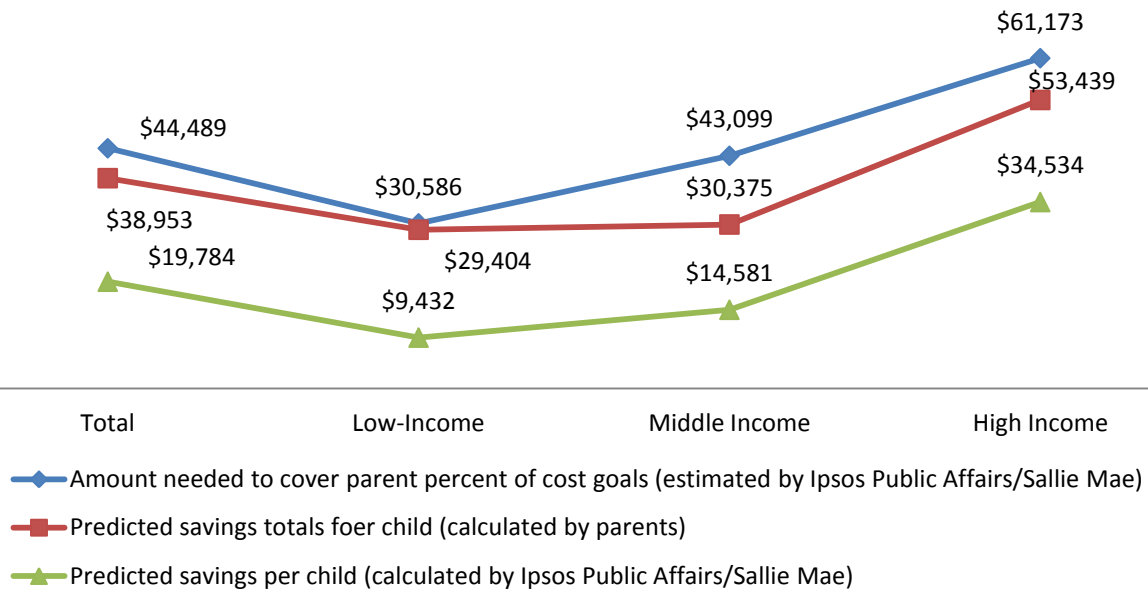
There's no question the 529 College Savings program has become a proven savings vehicle for families with college goals for their children. There are over 764,000 such accounts currently open here in New York State. Unfortunately, only 21% have a balance above \$30,000 and over a third of them don't even have \$5,000 saved.¹³ This IDC report has shown that four years of tuition, fees, room and board will be far greater than what these savings can cover. The Great Recession has made it virtually impossible for families to keep up, but with the economy improving, it becomes imperative that the State do a better job of helping families save more for college.

New York State has not changed the maximum possible exclusion from New York State income taxes allowed for deposits made into a 529 College Savings Account since the program was instituted in the late 90's. **The IDC proposes that the maximum possible exclusion for funds deposited into a 529 College Savings account be doubled to \$10,000 for a single or head of household filer and \$20,000 for a married couple filing jointly.**

¹² *A Small Percentage of Families Save in 529 Plans*, Government Accountability Office Report, December 2012

¹³ Needs citation

Gap Between Parent's Savings Goals and Projected Savings



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Table 1a - Percent of Families Savings for College through Vehicle and Average Amount Saved*

N	Total		
	876		
	% Using	Avg amount saved last year	Avg amount saved total
General savings/CDs	42%	\$562	\$2,145
529 plan	27%	\$453	\$2,331
Checking account	27%	\$260	\$632
Investments	23%	\$280	\$1,514
Rewards program	21%	\$306	\$1,222
Retirement account	17%	\$224	\$1,279
Coverdell/Education IRA	15%	\$131	\$382
Prepaid state plan	13%	\$121	\$388
UGMA/UTMA	13%	\$50	\$380
Trust	13%	\$93	\$829
Some other way	18%	\$163	\$679
Total average savings		\$2,643	\$11,781

*Average amounts saved among savers in each goal category; mean includes zero amounts saved in last year

Base: Parents saving for college

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¹⁴ Image taken from *How America Pays for College 2013 Report*, Sallie Mae and Ipsos Public Affairs

IDC Proposal #3: Double the NYS Tuition Tax Credit

New York State recognizes the effort it takes for families to meet various college expenses and created this tax credit to help soften the blow. Unfortunately, the impact of the tax credit has never been revisited until now, and the IDC recognizes that it no longer provides the help it used to. Costs have risen while New York has not changed the maximum amount that can be claimed as part of the tax credit or deduction for tuition expenses since 2001.

The current maximum amount a filer can claim is \$10,000 a year for college costs. Some of the most prestigious colleges and universities in New York, such as New York University or Columbia University, can cost more than **\$45,000** a year just in tuition. Clearly, this tax credit is a drop in the bucket.

In order to keep up with the rising cost of tuition and to spur more parents to save for future college expenses, it is time to update the State's tax incentives, so they are more in line with the reality of today's college costs.

The current tax incentive offers filers the option of a credit or deduction for college tuition expenses they incur during a tax year. A credit can result in a refund after their tax liability is calculated, and a deduction lowers taxable income. The filer can choose which solution they find most helpful.

A participating New York taxpayer can claim this credit or deduction on tuition expenses they paid for themselves, a spouse or a dependent. The credit or deduction can be claimed on expenses paid to any accredited college or university, whether it is in New York or outside of New York, and regardless of whether it is public or private.

The credit is equal to 4% of tuition expenses, up to a maximum credit of \$10,000 per student. Alternatively, an individual may choose to turn this into an itemized deduction of up to \$10,000 in costs per student. Either way, according to the latest tax expenditures report, this tax credit cost New York State about \$250 million in income tax revenue in 2013.

It's time we help stretch the family tax dollar by doubling the maximum amount allowed for the Tuition Tax Credit.

In the 2010 tax year, 767,000 New York taxpayers claimed either the deduction or the tax credit.¹⁶ This included New Yorkers in all income tax brackets. The IDC proposal would expand the maximum size of this deduction or credit in order to keep with rising tuition costs, and would cost the State about \$250 million.

¹⁵ Image taken from *How America Pays for College 2013 Report*, Sallie Mae and Ipsos Public Affairs

¹⁶ New York State Department of Taxation and Finance Tax Expenditure Report 2013-14

Under the IDC plan, the maximum deduction or credit per student would increase to \$20,000 in tuition expenses. Keeping the maximum credit or deduction per student at \$10,000 at a time when the cost of the average tuition at a private nonprofit four-year institution is \$29,056 hinders a New Yorkers ability to realize the good of the program.

IDC Proposal #4: Implement the Study and Stay Tax Credit

We have a “brain drain” in NYS, right when the promise of new technologies and innovative advances in science and medicine require a highly educated workforce. Unfortunately, the State’s high cost of living and rising college expenses make it difficult for college graduates to make their home in NYS.

In the 2012-13 academic year, New York was the 10th most expensive state for a student to attend a private, four-year college.¹⁷ Since the 2004-05 year, private college costs increased 52%, while public costs significantly grew by 33%.

To pay for this education, students are taking on greater and greater amounts of student loans. Unfortunately, doing so can greatly impact an individual’s financial wellbeing. The debt associated with student loans is now the second largest in U.S. households following mortgages, and is quickly gaining ground.¹⁸

In New York, 60% of the class of 2011 graduated with student loan debt. The average amount held by these individuals upon graduation was \$26,388, or 55% of the average annual earnings of graduates under 30.¹⁹ The impact of such costs make it increasingly difficult for college graduates to make big purchases, which causes a drag on lifetime wealth accumulation.

One of the most important purchases is a home. However, New York has the third highest down payment rates in the nation with an average of \$50,127.²⁰ Saving such an amount while facing college loan repayment is virtually impossible for many hardworking graduates. It’s imperative that New York face the fact that the State must do a better job of incentivizing college graduates to make their home in New York State.

The IDC’s new **Study and Stay Tax Credit** would apply to anyone graduating from a four-year New York college or university after January 1, 2015. It would allow a credit up to \$5,000 against a graduate’s state income tax liability, depending on how much the graduate deposits into a *Study and Stay* account to save for a down payment on a home. Eligible graduates could

¹⁷ College Board, “Average Published Tuition and Fees by State, 2004-2005 Through 2012-2013,” *Trends in Higher Education*, 2013, <http://trends.collegeboard.org/college-pricing/figures-tables/state-tuition-and-fees-state-and-sector-over-time>.

¹⁸ Meta Brown and Sydnee Caldwell, “Young Student Loan Borrowers Retreat from Housing and Auto Markets,” *Federal Reserve Bank of New York*, April 17, 2013, <http://libertystreeteconomics.newyorkfed.org/2013/04/young-student-loan-borrowers-retreat-from-housing-and-auto-markets.html>.

¹⁹ “The Causes and Consequences of Increasing Student Debt,” *Joint Economic Committee U.S. Congress*, June 2013, http://www.jec.senate.gov/public/?a=Files.Serve&File_id=d7937b2f-e01c-4721-8b8b-09f5776725a1.

²⁰ “Average Down Payments as a Percentage of Loan Amount,” *Lending Tree*, May 31, 2013, <http://marketing.lendingtree.com/pr/Average%20Down%20Payment%20May%20Data%202013.pdf>.

receive this credit for up to 10 years, giving them time to save up for a home. The funds would be deposited into a *Study and Stay* account where they will accrue, and at the end of this period, individuals would have a maximum of \$50,000 to be used exclusively toward the down payment of a home.

The program will allow a maximum of \$10 million in tax credits annually. If each participant receives the maximum credit for 10 years, this program would help **2,000 graduates get on the path of homeownership while simultaneously reducing the ‘brain drain’ of our workforce.**

Conclusion

The era of building a sustainable living for a family and home with a high school diploma is long since gone. College is no longer a dream – it has become a necessity.

New Yorkers know this, and enrollment is up. According to the New York State Education Department, there were 1,273,594 students enrolled in New York State's colleges and universities in fall 2012. This enrollment is spread across public and private sectors of higher education with SUNY and CUNY, serving 462,563 and 267,369 students, respectively. In addition the private sector which includes not-for-profit (independent) institutions, enroll 491,293 students; and for-profit (proprietary) institutions, enroll 52,369 students. These students all could benefit one way or another from the IDC's Affordable College Plan.

While the most direct way for NYS to make college affordable would be to end its decline in relative support of public higher education, it would require a Herculean investment in State funds, which is something New York cannot afford. . Unless a large new source of revenue were to be found, any shift to significantly increase the direct subsidy of higher education would require trade-offs with other public goods such as primary education, healthcare, or transportation. An increase in direct subsidies would also not provide any assistance to the 36% of New Yorkers enrolled in undergraduate classes that have chosen to attend a private institution of higher learning, or additionally those New Yorkers that chose to enroll in a public university outside of New York State.

At just \$367 million, the **IDC College Affordability Proposal** reaches the most students while still being within the State's financial capacity. Strengthening the State's 529 College Savings program, giving families the ability to lock in tuition prices, stretching the family tax dollar, and helping keep our graduates in New York with a way to save for a home are all investments in the future of families and the future of New York State.

The IDC's plan to create a Pre-paid College Tuition program, double the 529 College Savings program, double the NYS Tuition Tax Credit, and create the NYS Study and Stay program will go a long way toward making it affordable to get a college education in New York State.