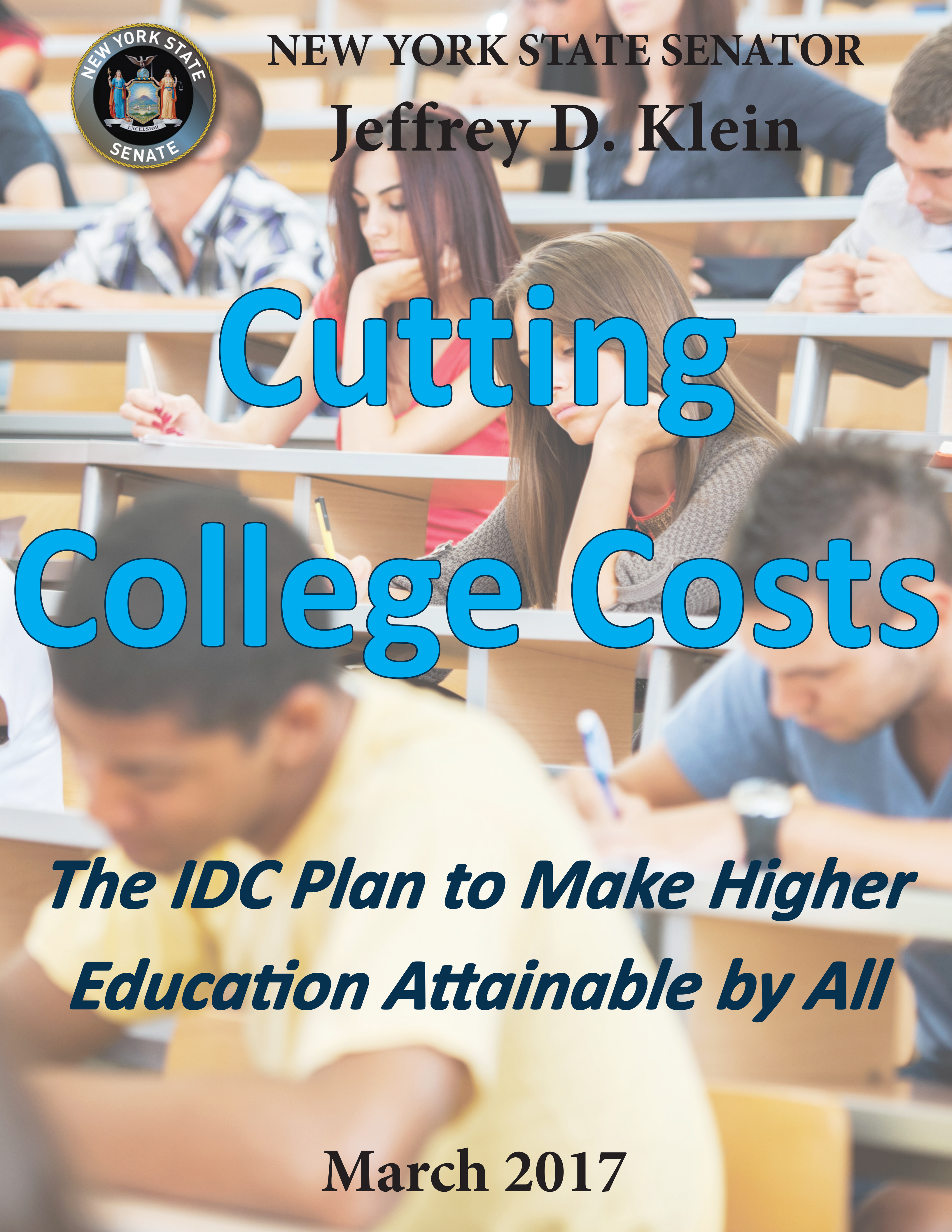

NEW YORK STATE SENATOR

Jeffrey D. Klein

Cutting College Costs

The IDC Plan to Make Higher Education Attainable by All

March 2017

INTRODUCTION

A sound college education has undeniable beneficial effects on a young person's mind and future. It introduces them to new ways of thinking and provides them with vast realms of knowledge, while at the same time elevating their job prospects and opening them to countless new opportunities. Indeed, education – particularly post-secondary education – has long been a fundamental aspect of the American Dream, which allows citizens to enrich both their own lives as well as their state and country as a whole. However, college education is growing increasingly unaffordable: costs are at an all-time high and loans are becoming more difficult to repay. As a state, New York must act to stem the tide, which is why the Independent Democratic Conference is proposing a number of policies meant to prevent increasing costs and indebtedness, as well as to lessen the burden of future and existing college debt.

New York State has a number of existing programs to aid families with the costs of college, but unfortunately, these programs have not kept up with the cost of inflation. For example, the largest aid program, the Tuition Assistance Program (TAP), which provides awards to more than 355,000 New Yorkers[1], has not progressed with the growth of tuition at colleges and universities in state. While current eligibility would allow many individuals to pay in-state tuition, unfortunately they are denied TAP assistance because income levels have not been updated since the year 2000.

New York State has a long history of providing a world-renowned education through its many outstanding institutions of higher learning, a tradition that continues to this day. The United States Census estimates that around 945,944 New Yorkers ages 18-24 (49%) are currently enrolled in a college or graduate school program.[2] Furthermore, millions of bright young high school students across the state are poised to join them in their progress toward a college degree and all of the benefits that accompany it.

Unfortunately, these benefits do not come without significant cost. Colleges nationwide are rapidly growing more expensive, and at a rate that has vastly outpaced both wage growth and inflation in the past decade.[3] According to data analyzed by The College Board, the average price, with room and board included, for one year of enrollment at a public four-year school in the 2016-17 academic year was $20,090 for in-state students. When looking at a private, non-profit four-year school, that average grows to $45,370, or a total of nearly $181,480 over all four years.[4] New York's Independent Sector provided $5.1 billion in student assistance in 2014-15, which helps many students cut down how much they have to pay out of pocket. In spite of this, the economic benefits of a college education alone continue to outweigh the costs. Thus, many students and their families wind up deep into debt in order to attend college, taking out student loans to make up what they cannot cover themselves.

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[1] 2015-2016 Annual HESC Report, Investing in the Futures of New York State Students

[2] 2015 American Community Survey 1-Year Estimates https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_13_1YR_S1401&prodType=table

[3] Center for College Affordability and Productivity, 25 Ways to Reduce the Cost of College, September 2010

[4] https://trends.collegeboard.org/college-pricing/figures-tables/average-published-undergraduate-charges-sector-2016-17

The IDC believes we must do more to help families overcome the challenges of rising college costs. 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.

The IDC's college affordability proposals were first unveiled as part of our Changing New York Agenda on January 4 of this year[5], including proposals to assist all New York State students in paying for college. As part of this agenda, the IDC is pushing for an expansion of and greater access to TAP. Under the proposal, the minimum award would go up to $2,000 over the next three years in $500 increments. The IDC also supports increasing the income cap for TAP, realizing that many middle-class families are feeling the squeeze of college costs. Currently, only families whose income is $80,000 or less are eligible so the IDC proposes raising the cap to $125,000.

The IDC also wants to help students cover their non-tuition expenses through the re-establishment of the Liberty Scholarship. This program was originally created in 1988 to help both full-time and part-time students cover their non-tuition expenses, like room and board, books, and transportation. The IDC proposal would make individuals who are beginning their higher education in the 2017-18 school year eligible for this program.

The IDC believes in providing tuition assistance to all students, regardless of immigration status.

Students with disabilities should have the same opportunity to receive tuition assistance, as their disability may prevent them from completing their degree in the same amount of time as other students. Therefore, the IDC proposes extending awards up to six years for students with disabilities who can demonstrate need to the commissioner of education.

To help families save for college, the IDC proposes implementing a pre-paid tuition plan that would allow parents to lock in current tuition rates at participating New York State public, private, and independent institutions for their children.

The IDC also understands that graduate students face the largest debt of all students, and for this reason, the IDC wants to restore the Graduate TAP program for students in a combined undergraduate graduate program, by providing smaller awards to eligible graduate students.

The members of the IDC understand that it's not only families of students going to college that need assistance but also those families and individuals who already put someone through college that are also straining under the debt incurred while earning a college degree. That is why the IDC plan also includes proposals aimed at providing relief for the burden of student loans. One of these proposals is the College STAR program, which would increase the percentage of allowable tuition expenses for which a college tuition credit can be claimed, therefore allowing a credit up to $2,500. Another proposal is prohibiting consumer credit reporting agencies from collecting, evaluating,

[5] https://www.nysenate.gov/newsroom/press-releases/jeffrey-d-klein/idc-releases-its-changing-new-york-agenda

IDC Proposals on College Affordability

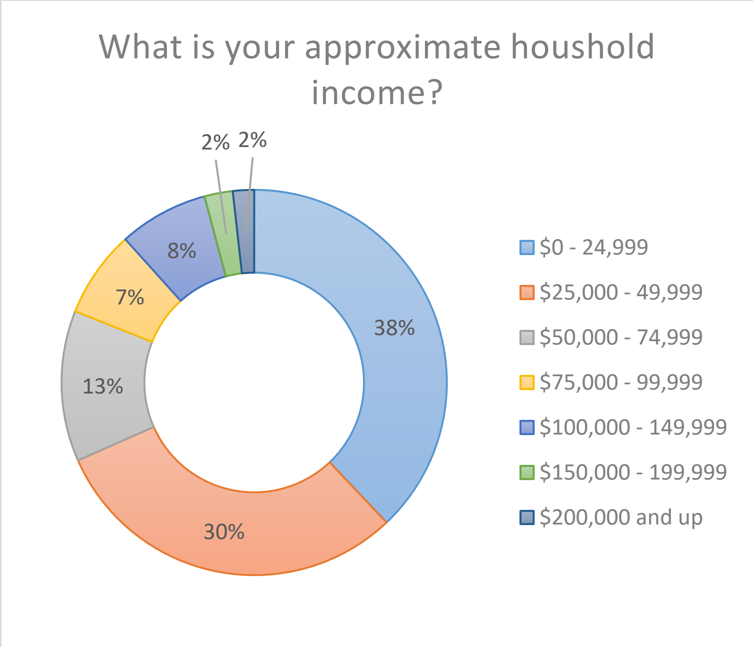
- Expand TAP by increasing minimum TAP awards to $2,000 over three years and income eligibility to $125,000;
- Restore Graduate TAP program for students in a combined undergraduate graduate program, and access to all New Yorkers who receive in-state tuition and have been in the United States since before age 16; extend TAP for six years to students with disabilities if they can show disability prevented them from completing degree in four;
- Institute the College STAR program by increasing the maximum college tuition tax credit from $400 to $2,500;
- Establish the College Debt Freedom Accounts program. This program will allow companies to set up tax-deferred accounts into which both employees and employers will contribute and which must be used to pay back outstanding student loans;
- Restore the Liberty Scholarships, which provides grants for full-time and part-time students to help them cover their non-tuition college expenses;
- Establish a Pre-paid tuition Program;
- Create a task force to examine how to increase student loan refinancing options;
- Prohibit consumer credit reports from including information relating to student loans.

reporting or maintaining in the file on a consumer, information relating to such consumer's student loans.

The IDC proposes the creation of a College Debt Freedom Accounts program. This program would allow employers to set up special tax-deferred accounts as a benefit for their employees. Employees would deposit money into this account and employers would match it. The money in the account would be used to pay outstanding student loans. Both the employer and the employee would receive a tax benefit. Employers obtain a valuable benefit to provide their employees, while employees see their debt burden cut significantly. Finally, the IDC proposes a task force to examine the availability of loan refinancing options in the private lending market.

Surveying New York Students

In 2016, the IDC administered a multiple-choice questionnaire to New York undergraduate college students to gain a deeper understanding of this specific population. The IDC wanted to know how these individuals planned to finance their college education, how they are faring with the loan debt they are incurring, and their attitudes towards being able to repay any education related loans. It is important to note the questionnaire asked close-ended questions, did not solicit any self-identifying information, nor did it require students to identify their college. In fact, the only identifying information requested with regard to college is "in which region is your school located?" This was critical to the administration of the survey because it allowed students and the institutions to maintain anonymity while empowering students to provide a critical, honest and real-time snapshot of how they planned to pay for college versus their reality as college students. Finally, the questionnaire was administered electronically to first-time baccalaureate degree seeking students that are currently enrolled full-time at participating member institutions from the following higher education councils: State University of New York, City University of New York, The Commission on Independent Colleges and Universities in New York and New York's Association of Proprietary Colleges.



Key Survey Findings

- 68% of the respondents are from households with total incomes of less than $50,000, yet 20% of these respondents accumulated debt of more than $25,000.
- 67% of the college students shared that neither their families, nor themselves saved money to help pay for the cost of their college education.
- 57% of New York State college students surveyed did not think they would be able to pay off their loans by the established timeline while avoiding default at the time they borrowed the loans.
- Despite needing loans to finance their college education, 65% of New York State college students whoresponded were not confident they would earn enough upon graduation to be able to afford to make payments on the student loans.
- 64% of the respondents shared that friends or family have borrowed loans to help them pay for college due to the outrageous cost.

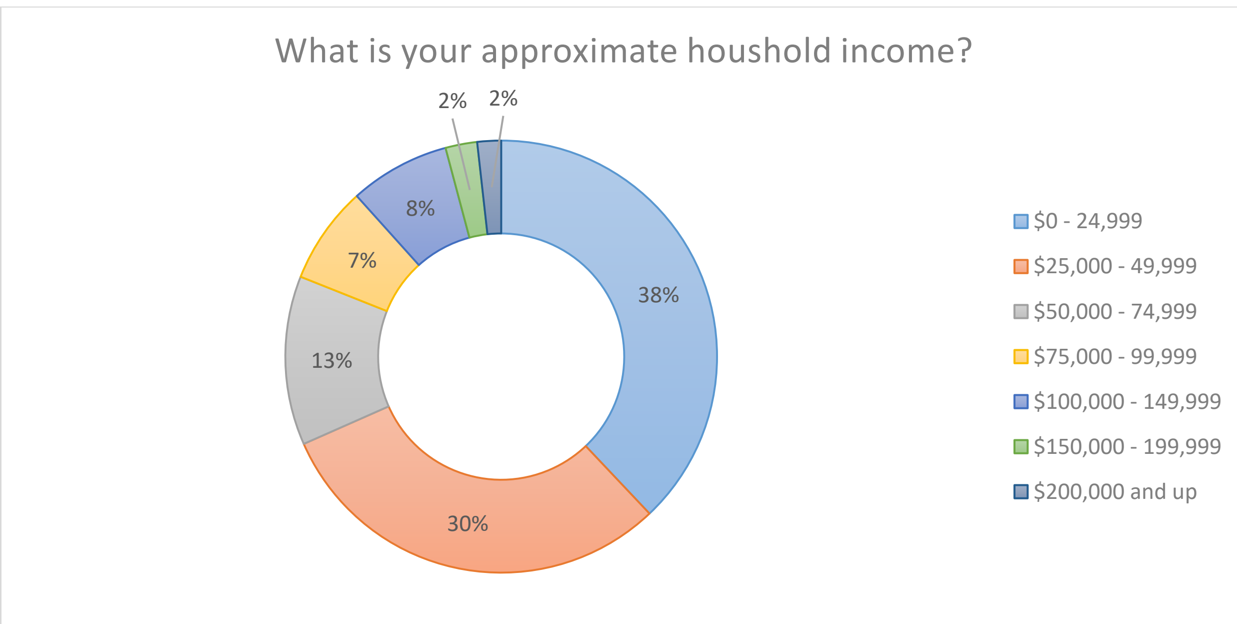
Impact of Educational Attainment on Future Earnings
The high costs of a post-secondary education are well known; as most students and their parents can relate, these costs are so high that it is often impossible for a child to attend college without taking out a student loan.

The Project on Student Debt has found that 60% of New York's graduating class of 2013 left school with an average of $26,381 in student loans. [6] This does not take into account graduate students, whose loans are significantly higher. Nationwide, over 40 million Americans have at least one student loan, up from 29 million in 2008.

The average borrower carries four separate student loans for a total of over $29,000.[7] Although having as many as four separate loans may be difficult to fathom, this is a harsh realty many New York State college students are navigating as they pursue degrees.

According to the New York State college students that completed the IDC's college financing survey, 69% of respondent's hail from homes with approximate household incomes of $49,999 or less. Twenty percent of this same group has already amassed student loan debt of more than $25,000 with another 20% having borrowed between $10,000 and $20,000.

At that level, this group likely has very limited options with regard to financing a college education aside from reliance on loans or help from extended family and friends.



Despite the fact that it is so costly, the benefits that a college education offers to graduates are tempting enough that millions of people across the country enroll in colleges each year. In New York, the United States Census estimates that in 2015 there were 1,194,483 New Yorkers attending

[6] Figures from the Project on Student Debt, http://projectonstudentdebt.org/state_by_state-view2014.php?area=NY
[7] CNN Money, 40 Million Americans Now Have Student Loan Debt, 9/10/14
http://money.cnn.com/2014/09/10/pf/college/student-loans/

undergraduate college programs, 65% of whom were at public colleges and 35% of whom were at private institutions. Additionally, 308,232 New Yorkers are attending graduate or professional schools (59% of whom attend private universities).[8]

So why do so many people borrow so much money in order to attend college? Leaving aside intangibles such as personal growth, expansion of knowledge, or peer or parental pressure, a college diploma has a drastic, measurable positive impact on an individual's career opportunities and wages throughout their lifetime. The Census data below shows that individuals with post-secondary degrees can expect to earn significantly more each year than their counterparts who have only graduated from high school.

Median Earnings by Educational Attainment[9]

Table P-20. Educational Attainment--Workers 25 Years Old and Over by Median Earnings and Sex: 2006 to 2015

Educational attainment and year	Male			Female		
	Number with earnings (Thousands)	Median earnings		Number with earnings (Thousands)	Median earnings	
		Current dollars	2015 dollars		Current dollars	2015 dollars
High School Graduate (includes equivalency)						
2015	20,951	**37,003**	37,003	15,186	**25,385**	25,385
2005	21,717	**32,085**	38,940	17,537	**21,117**	25,629
Some College, No Degree						
2015	12,228	**42,179**	42,179	11,501	**28,502**	28,502
2005	11,913	**39,150**	47,515	11,738	**25,185**	30,566
Associate Degree						
2015	7,325	**47,104**	47,104	8,397	**32,038**	32,038
2005	6,088	**42,382**	51,437	7,066	**29,510**	35,815
Bachelor's Degree						
2015	17,325	**65,190**	65,190	16,710	**44,092**	44,092
2005	14,497	**52,265**	63,432	13,336	**36,532**	44,338
Master's Degree						
2015	7,116	**78,463**	78,463	8,147	**54,801**	54,801
2005	5,172	**67,123**	81,465	5,257	**45,730**	55,501
Professional Degree						
2015	1,530	**120,247**	120,247	1,033	**75,979**	75,979
2005	1,635	**100,000+**	120,000+	923	**66,055**	80,169
Doctorate Degree						
2015	1,813	**100,569**	100,569	1,358	**71,040**	71,040
2005	1,388	**78,324**	95,059	649	**54,666**	66,346

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[8] https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk

[9] US Census Historical Income Tables http://www.census.gov/hhes/www/income/data/historical/people/

The difference in work-life earnings increases by another $1 million for employees with a high school diploma compared to employees with a bachelor's and graduate degree.[10] Therefore, many New Yorkers find themselves faced with the false and difficult choice of either entering the workforce earlier and often without a degree or incurring massive amounts of debt while earning their degree. Despite only 13% of IDC survey respondents indicating they would consider using private loans to finance their college education, the lack of savings and high cost necessitate them. New Yorkers, however, understand the importance of a post-secondary degree. Unfortunately, this leaves many New Yorkers with a significant amount of debt upon graduation and unable to save, invest, or purchase homes, furthering economic growth for the state.

Rising Tuition Causes Higher Student Debt

It remains true that one of the largest barriers to obtaining a post-secondary education is the increasing cost of college tuition.[11] In the past decade, the cost of tuition has increased at a rate faster than both inflation and salaries.[12] At this rate, the burden of paying ever-increasing tuition costs coupled with a lack of financial aid grants is deterring high school graduates from enrolling in college or preventing students from graduating from college on-time.[13] Ironically, it is also still true that obtaining a post-secondary degree or not is one of the biggest factors influencing both a person's employability and work-life earnings.[14] It is especially important to note that workers with a high school diploma can earn on average $1 million less than workers with a bachelor's degree over the span of their lives.[15] The following chart, released by The College Board, details the continuing rise in college tuitions and room and board fees after adjusting for inflation.[16]

	Tuition and Fees in 2016 Dollars						Tuition and Fees and Room and Board in 2016 Dollars			
	Private Nonprofit Four-Year	Five-Year % Change	Public Four-Year	Five-Year % Change	Public Two-Year	Five-Year % Change	Private Nonprofit Four-Year	Five-Year % Change	Public Four-Year	Five-Year % Change
1976-77	$10,680		$2,600		$1,190		$16,760		$8,160	
1981-82	$10,810	1%	$2,390	−8%	$1,140	−4%	$16,630	−1%	$7,540	−8%
1986-87	$14,630	35%	$3,110	30%	$1,450	27%	$21,650	30%	$8,900	18%
1991-92	$17,340	19%	$3,720	20%	$2,070	43%	$25,070	16%	$9,630	8%
1996-97	$19,920	15%	$4,560	23%	$2,250	9%	$28,140	12%	$10,950	14%
2001-02	$23,560	18%	$5,110	12%	$2,180	−3%	$32,340	15%	$12,250	12%
2006-07	$26,380	12%	$6,860	34%	$2,680	23%	$36,060	12%	$15,180	24%
2011-12	$29,700	13%	$8,820	29%	$3,170	18%	$40,450	12%	$18,270	20%
2016-17	$33,480	13%	$9,650	9%	$3,520	11%	$45,370	12%	$20,090	10%

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[10] Julian, Tiffany (2011). Work-Life Earnings by Field of Degree and Occupation for people with a Bachelor's Degree: 2011. American Community Survey Briefs, retrieved from https://www.census.gov/prod/2012pubs/acsbr11-04.pdf.

[11] Long, B.T. (2010). "Making College Affordable by Improving Aid Policy." Issues in Science and Technology 26, no. 4.

[12] EPI Testimony of Heidi Sheirohlz Before the U.S. Senate House Committee on Banking, Housing and Urban Affairs Subcommittee on Economic Policy. Wednesday, June 25, 2014 .3:30PM

[13] EPI Testimony of Heidi Sheirohlz Before the U.S. Senate House Committee on Banking, Housing and Urban Affairs Subcommittee on Economic Policy. Wednesday, June 25, 2014 .3:30PM

[14] Ibid.

[15] http://www.politifact.com/georgia/statements/2013/aug/02/don-lemon/educational-levels-generally-make-difference-earni/

[16] https://trends.collegeboard.org/college-pricing/figures-tables/tuition-and-fees-and-room-and-board-over-time-1976-77_2016-17-selected-years; https://trends.collegeboard.org/college-pricing/figures-tables/tuition-and-fees-and-room-and-board-over-time-2006-07_2016-17

	Tuition and Fees in 2016 Dollars						Tuition and Fees and Room and Board in 2016 Dollars			
	Private Nonprofit Four-Year	One-Year % Change	Public Four-Year	One-Year % Change	Public Two-Year	One-Year % Change	Private Nonprofit Four-Year	One-Year % Change	Public Four-Year	One-Year % Change
2006-07	$26,380		$6,860		$2,680		$36,060		$15,180	
2007-08	$27,060	2.6%	$7,150	4.2%	$2,650	–1.1%	$36,960	2.5%	$15,660	3.2%
2008-09	$27,150	0.3%	$7,220	1.0%	$2,610	–1.5%	$36,980	0.1%	$15,720	0.4%
2009-10	$28,760	5.9%	$7,900	9.4%	$2,870	10.0%	$39,190	6.0%	$17,020	8.3%
2010-11	$29,550	2.7%	$8,420	6.6%	$3,030	5.6%	$40,250	2.7%	$17,860	4.9%
2011-12	$29,700	0.5%	$8,820	4.8%	$3,170	4.6%	$40,450	0.5%	$18,270	2.3%
2012-13	$30,450	2.5%	$9,080	2.9%	$3,310	4.4%	$41,430	2.4%	$18,710	2.4%
2013-14	$31,040	1.9%	$9,150	0.8%	$3,340	0.9%	$42,190	1.8%	$18,940	1.2%
2014-15	$31,600	1.8%	$9,240	1.0%	$3,370	0.9%	$42,870	1.6%	$19,120	1.0%
2015-16	$32,600	3.2%	$9,500	2.8%	$3,460	2.7%	$44,240	3.2%	$19,730	3.2%
2016-17	$33,480	2.7%	$9,650	1.6%	$3,520	1.7%	$45,370	2.5%	$20,090	1.8%

While the financial benefits that come with merely attending college might be anticipated, the costs of attending college continue to increase faster than either inflation or wage growth would justify. Tuition and fees at private nonprofit four-year institutions grew an average of 13%, while at public four-year institutions, they grew an average of 9% and at public two-year colleges, they grew an average of 11% between the 2011-2012 academic year and the 2016-2017 academic year.[17] This rate is significantly higher than that of inflation, which has been below 2% almost every month since 2009[18].

According to an article in the New York Times, the trend of high school graduates choosing to enter college after high school is declining and at risk of reversing completely.[19]

This alarming statement is supported by the **67% of IDC survey respondents that did not save any money to help pay for their college education. Moreover, of the remaining 33% that did save money to contribute to the cost of college, the majority of those students saved $5,000 or less.** This phenomenon is largely attributed to the growing cost of a college degree coupled with the high levels of debt in the form of private loans that are being borrowed to pay for college.

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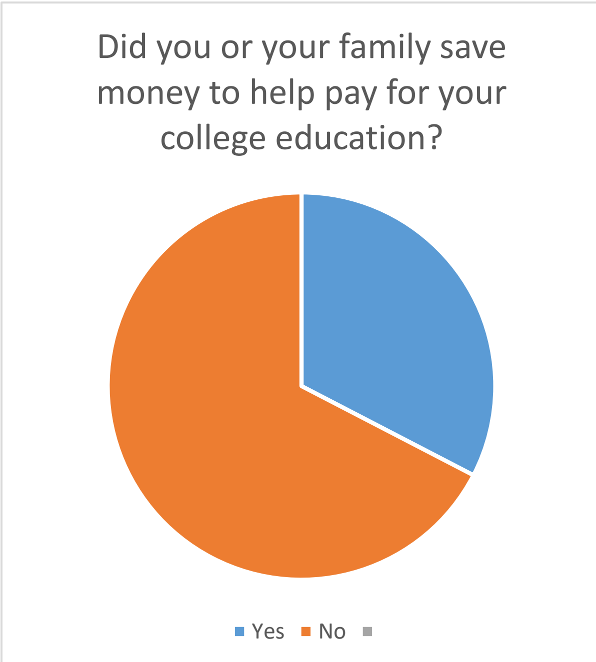
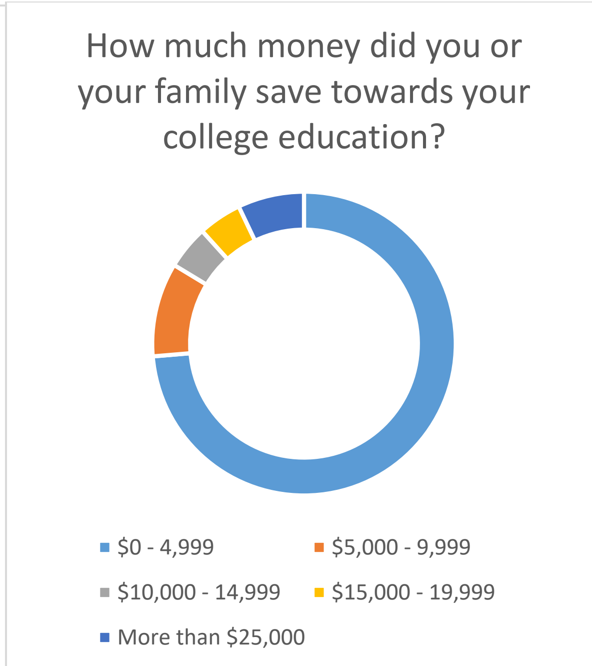
17 https://trends.collegeboard.org/sites/default/files/2016-trends-college-pricing-web_1.pdf

18 http://www.usinflationcalculator.com/inflation/current-inflation-rates/

19 Norris, F. (2014). Fewer High School Graduates Opt for College After High School. The New York Times. Retrieved from http://www.nytimes.com/2014/04/26/business/fewer-us-high-school-graduates-opt-for-college.html?_r=0





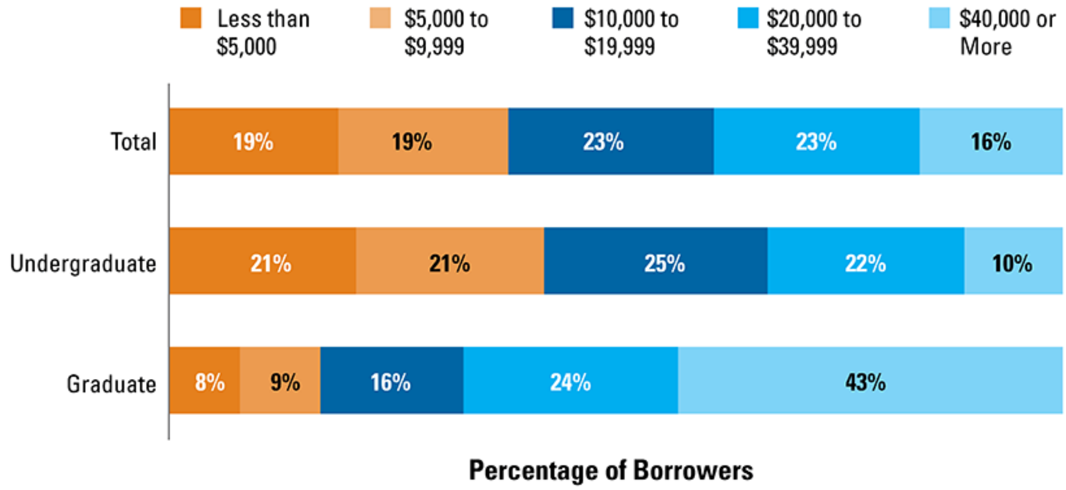
Effects of Tuition Rates Outpacing Inflation and Wage Growth

As recently as 2011-2012, the debt level of borrowers was 20 times higher than it was in the previous ten years.[20] Moreover, 14% of college graduates default on their loans three years after they graduate because they are not making enough money to keep up with their massive amounts of debt.[21] As a result, New Yorkers that enroll into post-secondary institutions are taking out loans and accumulating an average load of $30,000 in debt by the time they graduate. The chart below refers to data analyzed by The College Board on the distribution of borrowers by average

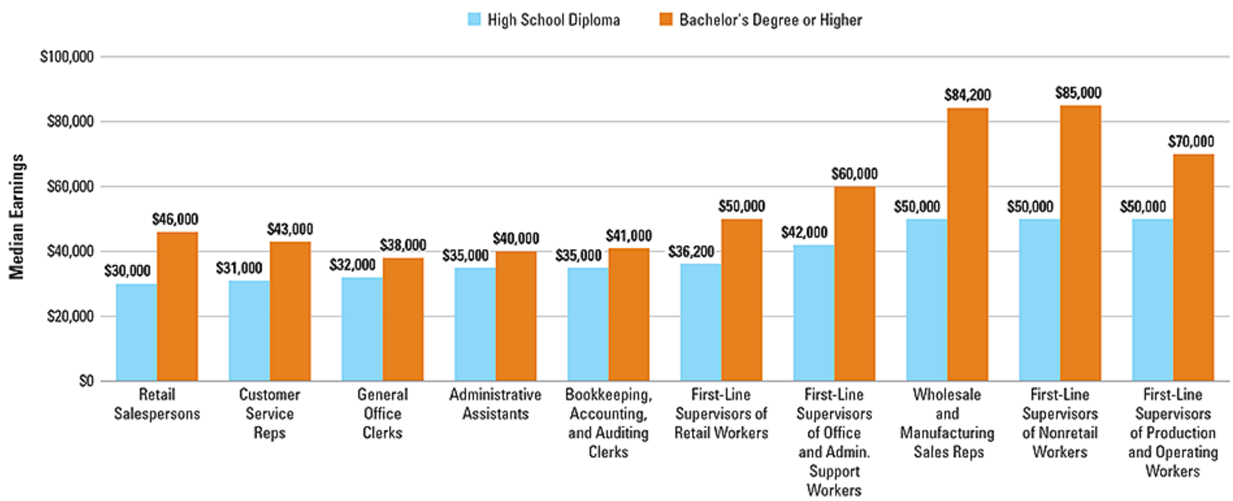
[20] Akers, B. and Chingos, M. (2014). Is a Student Loan Crisis on the Horizon? Brown Center on Education Policy at Brookings. Retrieved from http://www.brookings.edu/~/media/research/files/reports/2014/06/24-student-loan-crisis-akers-chingos/is-a-student-loan-crisis-on-the-horizon.pdf

[21] See supra note 10.

balance by outstanding education debt as of June 2015.[22]



These significant cost increases have been a primary factor in why students are taking on so much debt. The advantages of a degree are still worth it, but they are becoming less and less accessible, especially to children from low- and middle-income family backgrounds, who must increasingly turn to loans to pay for college. In 2014 alone, the federal government issued 19.8 million new student loans for a total of over $100.6 billion, according to figures from the United States Department of Education.[23] The chart below from The College Board's report titled *Education Pays* from 2016 shows the median earnings of full-time workers with a high school diploma and those with at least a bachelor's degree by occupation from 2015. It shows the value of a post-secondary education.[24]



[22] https://trends.collegeboard.org/student-aid/figures-tables/distribution-borrowers-average-balance-2015

[23] New America Foundation, Federal Education Budget Project, available at: http://febp.newamerica.net/background-analysis/federal-student-loan-programs-overview

[24] https://trends.collegeboard.org/sites/default/files/education-pays-2016-full-report.pdf

According to the Project on Student Debt, in 2015 68% of college seniors who graduated from public and private nonprofit colleges had student loan debt, averaging $30,100, and New York's average debt per student was $29,320[25]. It is clear that more must be done, both to make college more accessible to New Yorkers and to assist those recent graduates who labor under the heavy burden of outstanding student loan debt. The federal government offers loan forgiveness programs which have been increasingly utilized as graduates seek any way they can find to help alleviate their loan payments. By forgiving outstanding loan debt after borrowers pay a certain percentage of their income for a set number of years, the federal programs seek to ensure that people are not prohibited from working in the public sector. According to the Department of Education, at least 1.4 million Americans have enrolled in forgiveness programs, with a collective $72 billion in debt – and enrollment is rising. Between November 2013 and April 2014, enrollment in these programs skyrocketed nearly 40%.[26]

Even these loan forgiveness programs, however, are not enough for many graduates. With the job market forcing many to take employment that does not utilize or need an education, millions of Americans are forced to default on their student loans each year.

In 2014, 7 million federal loan borrowers defaulted on a total of $98.1 billion in outstanding student loans – an average of over $14,000 per defaulter.[27] Many of them were recent graduates who were unable to pay back their loans after being thrust into a stagnant job market. In fact, more than 650,000 people who entered loan repayment in 2011 had defaulted within just two years, according to the Project on Student Debt.[28]

Defaulted student loan debt can have dire consequences that will follow borrowers for the rest of their lives- ruining credit, making it nearly impossible to buy a car or rent an apartment, limiting job prospects and even leading to wage or social security garnishment.

Even those who do not default on their loans face significant financial limitations as well. The average New Yorker graduating from college is faced with a payment of $303.59 each month for ten years, for a total cumulative payment of $36,431.39 (based on the average New York student loan amount of $26,381 and the federal Stafford loan interest rate of 6.80%).[29] This means that the average New York college graduate pays over $10,000 in interest on their student loans. The data referenced above is even more salient when compared to the trends among current college students in New York State. Despite needing loans to finance their college education, **65% of the New York State college students who responded were not confident they would earn enough to be able to afford the loans they borrowed.**

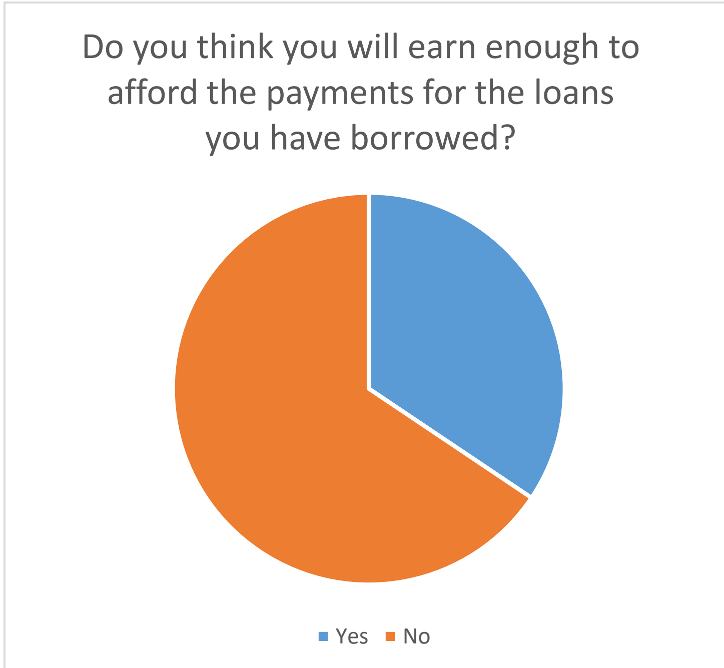
[25] http://ticas.org/sites/default/files/pub_files/classof2015.pdf

[26] Timm, Jane C., Students Seek Loan Forgiveness in Overwhelming Numbers, MSNBC, 4/22/14 http://www.msnbc.com/morning-joe/students-seek-debt-forgiveness-costs-surge

[27] New America Foundation, Federal Education Budget Project, available at: http://febp.newamerica.net/background-analysis/federal-student-loan-programs-overview

[28] Figures from the Project on Student Debt, http://projectonstudentdebt.org/files/pub/CDR_2014_NR.pdf

[29] FinAid.org student loan calculator: http://www.finaid.org/calculators/scripts/loanpayments.cgi; Note: the final monthly payment would be $304.18; these results also assume that the student pays the interest on their loans while they are in school rather than capitalizing it. If such interest is capitalized, monthly payments will be higher.



For a new graduate just beginning his or her first job, this is a significant payment, especially when coupled with other large expenses such as housing costs, car payments, health care and insurance, in addition to the daily cost of living.

Together these costs add up, and can present a barrier to recent graduates participating fully in the state's economy. Fifty-seven percent of the New York State college students surveyed did not think they would be able to pay off their loans by the established timeline while avoiding default at the time they borrowed the loans. As a result, most New York college graduates find themselves struggling to pay off their student loans while simultaneously trying to save for their future.

In fact, while college degrees and home ownership were once synonymous, home ownership rates are actually declining among college graduates while average loan amounts are growing.

However, the student debt crisis is solvable; New York has an opportunity to be at the forefront of ensuring financial barriers are not preventing its high achieving high school graduates from obtaining post-secondary degrees and realizing the American Dream.

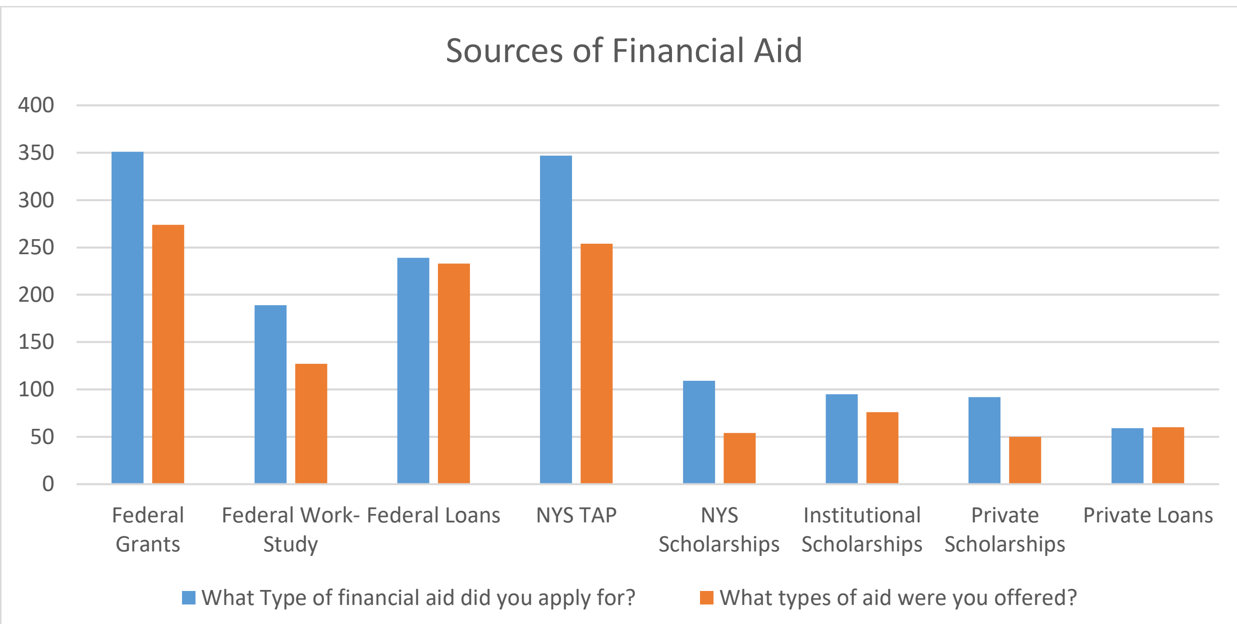
Legislative Solutions

The IDC proposes a whole host of programs aimed at lowering the burden of college debt, both by lowering the interest rates that students and graduates will have to pay, and also by allowing companies and their employees to share the burden of paying back student loans while receiving additional tax benefits.

1. **Reform and expand the TAP program by raising the income eligibility of the program, giving undocumented youth access to TAP and increasing TAP award amounts to keep up with growing tuition costs.**

As the chart below shows, TAP was the second most utilized aid program according to the students we surveyed. In order to make this vital program better, the IDC proposes that New York State expand and reform access to TAP. The IDC proposes expanding the income eligibility threshold for the program to $125,000, in order to give more middle-class families assistance. The IDC proposes raising the minimum TAP award by $500 for three years resulting in a total of $2,000 in aid.

New York must also make TAP accessible to New York high school graduates regardless of immigration status, which would remove a significant affordability barrier for undocumented immigrant students and complete the reform process to complement their in-state tuition rates. The IDC also understands that graduate students face the largest debt of all students, and for this reason, the IDC wants to restore the Graduate TAP program for students in a combined undergraduate graduate program, by providing smaller awards to eligible graduate students.



Additionally, current TAP aid is only awarded for a maximum of four years without exception. Unfortunately, many students with diagnosed disabilities are unable to graduate within four years and this forces them to pay for additional years without any assistance. The IDC proposes creating a process in which financial aid could be extended for up to six years if a disabled student can demonstrate need. Therefore, we can encourage students with disabilities to complete their education in a timely manner and with assistance.

2. **Establish the College STAR Program**

Resident taxpayers in New York can currently claim a refundable tax credit for allowable tuition expenses on their New York income tax returns. This credit is currently capped at 4% of the per student allowable expenses, which are set by law at $10,000. This means that a parent with $10,000 in tuition expenses for a child in college could only claim a $400 credit. The IDC believes that this is not nearly enough. We propose increasing the size of the credit by increasing the percentage of allowable expenses that can be claimed from 4% to 25%. This means that the same family with $10,000 in tuition expenses would now be able to claim a credit of $2,500. This delivers real relief for families facing high tuition costs.

3. **Establish the College Debt Freedom Accounts program, allowing employers to match their employees' pre-tax income contribution into an account solely for student loan payments**

The IDC proposes creating a program to allow employed residents to set aside part of their pre-tax income into an account solely intended for student undergraduate loan payments. Employers who match employee contributions are eligible for a state tax deduction on each contribution. Employee accounts would be managed by the New York State Higher Education Services Corporation and require that enrollees provide HESC all information on student loan accounts.

Total monthly contributions for each enrollee must amount, at minimum, to the total student loan monthly payment due. Employers and employees are free to determine contribution levels, with employers contributing at minimum 50% of the total monthly student loan payment due with a cap of $2,500 annually. This program will incentivize both New York State employment, career stability and decrease student loan default rates. New York State employers receive a tax deduction for each contribution while simultaneously helping their employees decrease debt, decrease stress and increase work productivity.

4. **Reinstate the Liberty Scholarship**

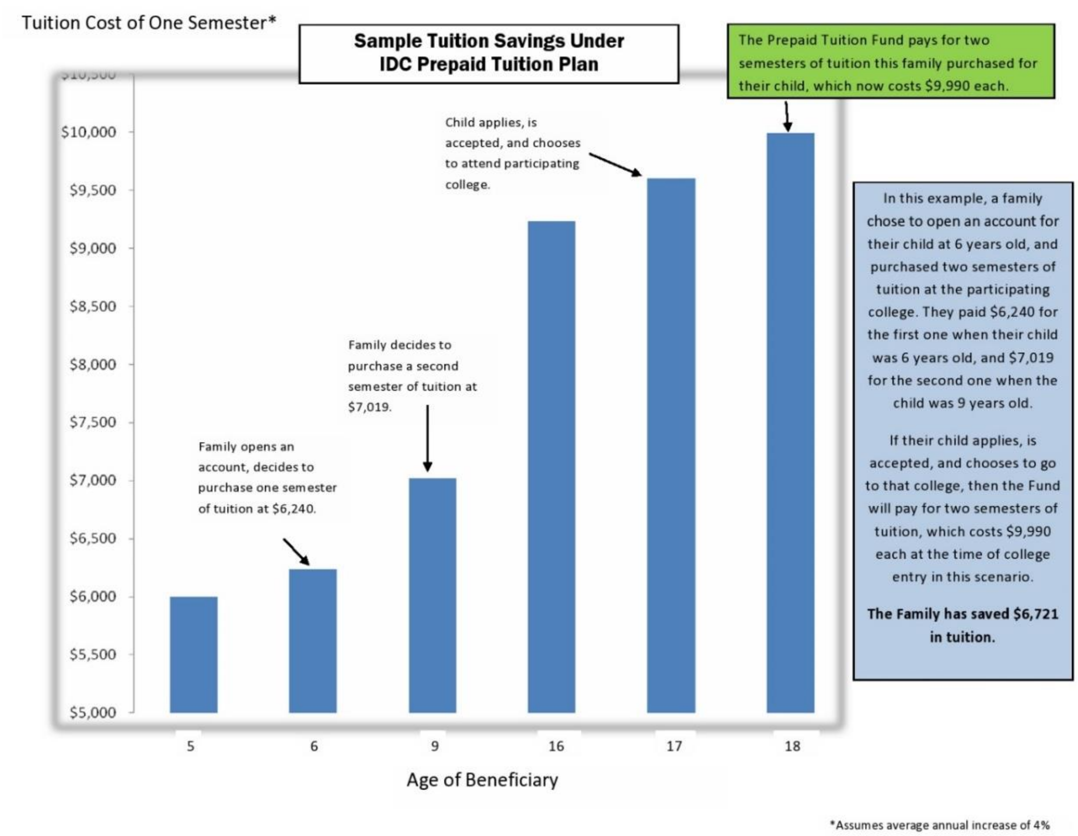
This scholarship, originally created in 1988 but never funded, is a "last dollar" award which covers non-tuition expenses for full time and part time students. These include room and board, transportation, and books. Awards take into account non-tuition specific financial aid received by a student, like federal Pell grants, but not aid that is tuition specific, like TAP. Once this aid is accounted for, the program will pay for eligible non-tuition expenses for CUNY and SUNY., For students going to private institutions, awards would be in the same amount as those attending SUNY. The program does not have an income cut off but awards decrease in value as the families' income increases. Students starting on or after the 2017-18 academic year would be eligible for this proposal.

5. **Prohibit consumer credit reports from including information regarding student loans**

By prohibiting student debt information on consumer credit reports, students will have better chances of purchasing vehicles and homes post college-life. The fact that college is not affordable should not hinder the rest of their lives.

6. **Establish a Pre-Paid College Tuition Program**

The IDC proposes implementing a pre-paid tuition plan that would allow parents to lock in current tuition rates at participating New York State public, private, and independent institutions for their children. The fund into which 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. This will save families potentially thousands of dollars in lowered 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.



7. **Call on a state task force to recommend ways lending institutions can offer college graduates the opportunity to refinance their student loans to provide borrowers with more flexibility and reduce their monthly payments**

The IDC will establish a task force bringing together the Office of the State Comptroller, the Higher Education Services Corporation, the Department of Financial Services, the chairs and ranking members of the Senate and Assembly committees on Higher Education and lending institutions in New York State that offer private student loans. The task force will be responsible for analyzing ways lending institutions can be incentivized to create student loan refinance programs. The task force must submit a report to the Senate, Assembly and Governor with a set of policy recommendations by December 31, 2017.

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. Families and individual students understand that they must make the investment necessary to obtain such a degree. For many of our families, making this necessary investment creates a significant long running debt burden. The IDC believes that New York State must do all it can to relieve this burden. This is why the IDC has released a comprehensive set of innovative proposals aimed at making college affordable and relieving the college debt burden. By increasing access to TAP, we will help relieve the burden that many middle-class families face in paying for college. By expanding the tuition tax credit through the College STAR program, we will deliver significantly greater tax relief to families and students that face high tuition expenses. We also gives families a new saving option with a Pre-paid college tuition plan. Through the Liberty Scholarship we will provide students and their families relief from non-tuition expenses.

The IDC is also taking steps to help alleviate the burden of debt accumulated by graduates. By changing the debt reporting rules to treat college debt differently, we give students a better opportunity to establish themselves economically by improving their access to credit. The innovative College Debt Freedom Accounts program gives employers a tool to help recruit workers by providing them with a sought after benefit, and gives employees an opportunity to cut their student loan debt burden significantly. Finally, we establish a task force that will examine ways to expand student debt refinancing options.

The State of New York would be taking a significant positive step forward by implementing these proposals, and the IDC looks forward to working with our partners in government and all the relevant stakeholders to make this possible.