

ASSEMBLY, No. 2984

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED FEBRUARY 20, 2020

Sponsored by:

Assemblyman JAY WEBBER

District 26 (Essex, Morris and Passaic)

SYNOPSIS

“Education Investment Act”; establishes an equity financing for education program at certain public institutions of higher education.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT establishing an equity financing for education program and
2 supplementing chapter 3B of Title 18A of the New Jersey
3 Statutes.

4
5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7
8 1. This act shall be known and may be cited as the “Education
9 Investment Act.”

10
11 2. a. The Commission on Higher Education shall select one or
12 more public institutions of higher education to participate in an
13 equity financing for education program. The purpose of the
14 program shall be to provide a student enrolled in an undergraduate
15 or graduate course of study at a participating institution of higher
16 education with an income-contingent option for financing his
17 education. Under the program, a student may defer payment of all
18 or a portion of undergraduate or graduate tuition costs and other
19 expenses covered by the program until the completion of his
20 education. At some time following the completion of his education,
21 the student shall pay a fixed percentage of his income to the
22 participating institution over a fixed number of years. The full
23 payment by the student may be more, less, or the same as the
24 deferred expenses he incurred during his education.

25 b. A participating institution shall permit any student enrolled
26 in an undergraduate or graduate course of study to apply for a
27 deferment and repayment contract through the equity financing for
28 education program. The participating institution may limit
29 enrollment in the program, consistent with prudent management of
30 the program’s costs.

31 c. The participating institution shall establish the terms and
32 conditions of the deferment and repayment contract. The contents
33 of the contract may be established with any third party investors
34 and shall include, but not be limited to, the following:

35 (1) the percentage of a participating student’s future income that
36 shall be collected as repayment for his undergraduate or graduate
37 expenses covered by the program;

38 (2) the length of the repayment period;

39 (3) the terms and conditions under which the student’s payments
40 may be temporarily deferred, permanently cancelled, or repaid in a
41 lump sum;

42 (4) a description of the reporting and repayment procedure; and

43 (5) provisions for late payment charges and for default.

44 d. A participating institution shall bear the costs of the equity
45 financing for education program during the deferment period. The
46 institution may enter into an agreement or contract with one or more
47 third party investors to cover such costs in exchange for a share of
48 future repayments received through the program.

1 3. This act shall take effect immediately.

2

3

4

STATEMENT

5

6 This bill is entitled the “Education Investment Act.” The bill
7 establishes an equity financing for education program at one or
8 more public institutions of higher education, to be selected by the
9 Commission on Higher Education. The purpose of the program is
10 to provide undergraduate and graduate students at participating
11 institutions of higher education with an income-contingent option
12 for financing their education. Under the program, a student may
13 defer payment of all or a portion of undergraduate or graduate
14 tuition costs and other expenses covered by the program until the
15 completion of his education. At some time following the
16 completion of his education, the participating student must pay a
17 fixed percentage of his income to the participating institution over a
18 fixed number of years.

19 Under the bill, a participating institution must permit any student
20 enrolled in an undergraduate or graduate course of study to apply
21 for a deferment and repayment contract through the equity
22 financing for education program. The participating institution may
23 limit enrollment in the program, consistent with prudent
24 management of the program’s costs.

25 The terms and conditions of the deferment and repayment
26 contract will be set by the participating institution, but may be
27 established in consultation with third party investors, and must
28 specify, at a minimum, the following:

29 (1) the percentage of a participating student’s future income that
30 will be collected as repayment for his undergraduate or graduate
31 expenses covered by the program;

32 (2) the length of the repayment period;

33 (3) the terms and conditions under which a contract may be
34 temporarily deferred, permanently cancelled, or repaid in a lump
35 sum;

36 (4) a description of the reporting and repayment procedure; and

37 (5) provisions for late payment charges and for default.

38 The bill provides that the participating institution will bear the
39 costs of the equity financing for education program during the
40 deferment period. However, the institution may enter into an
41 agreement or contract with one or more third party investors to
42 cover such costs in exchange for a share of future repayments
43 received through the program.

44 The current system for financing higher education, which results
45 in large amounts of debt paid back at a fixed interest rate, presents a
46 significant burden to recent graduates. It is the sponsor’s belief that
47 because students face fixed debt payments after graduation, they are
48 discouraged from pursuing low-paying work in public service. An

1 alternative method of student loan financing based on equity,
2 however, would relieve the burden of debt and encourage students
3 to pursue careers that match their interests and skills without regard
4 to potential income. At the same time, such a system would also
5 present a powerful incentive to the institution of higher education to
6 provide effective career services both during and after a student's
7 course of study.