



Oregon explores 'Social Security' for higher education

While Congress remains at an impasse over student loan rates, Oregon is exploring a solution to the college debt crisis that would allow students to pay back the cost of attending state schools interest-free.

Under the proposal, dubbed "Pay it Forward, Pay it Back," students would pay no tuition while attending state universities. Instead, a percentage of their post-graduation salaries would go into a fund that would eventually cover the tuition of future students. If the plan is adopted, students would pay roughly 3 to 4 percent of their annual salaries into the fund for a period of about 24 to 25 years, according to the Economic Opportunity Institute, the Washington-state think tank that conceived the idea.

"You could think of it as social security in reverse, because students are paying into a trust fund of a kind," said Aaron Keating, managing director of the Economic Opportunity Institute said by phone Wednesday. "The basic idea is that it's a no-debt college education plan."

The concept has bi-partisan support in Oregon, where the state senate on Monday unanimously passed a bill, already endorsed by the House, creating a study committee to develop a Pay it Forward, Pay it Back pilot program, Keating said. The legislature will vote in 2015 whether to adopt the pilot.

Mark Hass, a Democratic state senator who leads the chamber's education committee and advocated for the bill, said it is a potential solution to a problem that only continues to grow.

"I'm not saying it's the best way to fund higher education, but it's one way to do it," Hass said when reached by phone Wednesday. "Somebody has to start throwing ideas on the table. This is one of them, and if you don't like it, then show me yours."

Nationwide, the average amount of student loan debt for the class of 2011 was \$26,600, up 5 percent from the previous year, according to the California-based Institute for College Access and Success. Two-thirds of the class of 2011 graduated with loan debt.

The study committee created by the Oregon legislature would work out details for questions such as how to initially fund the program, Hass said. The Economic Opportunity Institute estimates that the initial investment to establish the fund would likely be in the billions. The program would become self-sustaining after a about 21 years, Keating said.

Aside from the benefit of not worrying about tuition while attending college, the system would help graduates because it allows flexibility in the amount one pays over the years, Keating said. Since recent college graduates usually earn less than they would later in their careers, paying a fixed percentage can be "much more affordable than a giant student loan payment," he said.

However, adopting a model that requires all post-grads to pay the same percentage of their incomes means those who earn more will also contribute a greater amount to the fund. Hass said the question of fairness is one that legislators will consider as they further study the model.

"We'll try to build in as much fairness as possible, but right now I think what we're doing is giving some alternatives to the current process, which is putting students into debt for the rest of their lives," Hass said.

Hass pointed to the gridlock on Capitol Hill as evidence that the problem of student debt is one that continues to worsen. On the same day that the Oregon legislature voted to study the Pay it Forward plan, federal lawmakers failed to reach a compromise on student loans, meaning the interest rate for federally subsidized Stafford loans doubled to 6.8 percent from 3.4 percent.

The higher interest rates would add an estimated \$4,500 to the cost of the average four-year college degree, according to a report from the Joint Economic Committee. In the past several years, student debt rose from \$550 billion in 2007 to about \$1 trillion in the first quarter of this year, according to the report.

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7/3/2013

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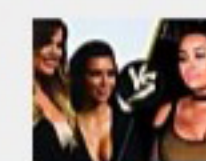


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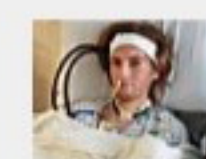


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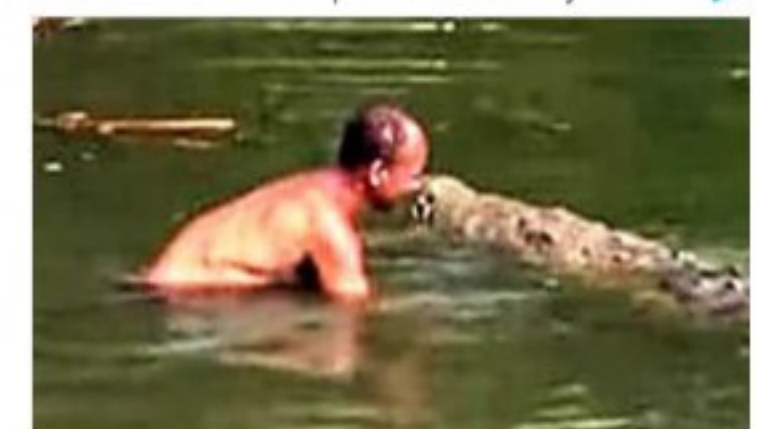
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