

ASSEMBLY, No. 1499

STATE OF NEW JERSEY

218th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2018 SESSION

Sponsored by:

Assemblyman JOHN J. BURZICHELLI

District 3 (Cumberland, Gloucester and Salem)

SYNOPSIS

Establishes Student Loan Lottery with winnings applying only to outstanding student loans.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ACT** establishing the Student Loan Lottery and supplementing
2 P.L.1970, c.13.

3

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

6

7 1. The Legislature finds and declares that:

8 Outstanding student loan balances continue to reach new highs
9 year after year. These outstanding balances have an adverse effect
10 on our economy, as high monthly payments impact the credit of
11 students and affect their ability to buy homes, cars and other
12 consumer products and services. In addition to affecting their
13 buying power, these loans affect their ability to save, their career
14 choices after graduation, and in some cases, even their decision to
15 pursue higher education at all.

16 Tuition for higher education continue to increase, and many
17 recent graduates still struggle to find adequate employment in
18 today's economy. Moreover, many student loans end up in default,
19 compounding these negative consequences, to the students, lenders,
20 tax payers and the overall economy.

21 The negative consequences of burdensome student loans are
22 particularly demonstrable in New Jersey. Higher education is an
23 integral part of New Jersey's economy, contributing today to the
24 State's recovery from extremely challenging economic times and
25 building its economic and cultural future. Its institutions of higher
26 education play a significant role in contributing to the State's
27 collective economic well-being and quality of life. Higher
28 education benefits both the individual and the greater society and
29 economy.

30 New Jersey boasts one of the highest per-capita incomes in the
31 U.S., approximately 28 percent higher than the national average of
32 per capita incomes. Attainment of higher education is a major
33 factor behind personal and family income in New Jersey.
34 According to census data, 36 percent of people in New Jersey age
35 25 and older had a bachelor's degree or higher, versus the national
36 average of 29 percent.

37 Furthermore, New Jersey is the State where the premium on
38 educational attainment is the highest. In 2007, the difference in
39 median earnings between a high school diploma and a bachelor's
40 degree was approximately \$25,000 per year, the third highest gap in
41 the nation. Median earnings for those with graduate and
42 professional degrees are almost two and one half times that of high
43 school graduates and four times that of those who do not finish high
44 school. In brief, educational attainment, especially postsecondary
45 education, matters in New Jersey.

46 The benefits of higher education go beyond the impact on
47 individual income. Research demonstrates that for each one percent
48 increase in a metropolitan area's population with a college degree

1 there is a 2.3 percent increase in the region's per capita gross
2 domestic product.

3 Unfortunately, the costs of education continue to increase.
4 While colleges are often seen as having the option of raising
5 revenue through tuition and fee increases, it is clear that future
6 tuition increases, in a State which already has among the highest
7 tuition and fees in the nation, will create insurmountable hurdles for
8 many New Jersey families.

9 In New Jersey, 70 percent of graduating students graduated with
10 student debt in 2013, the fourth highest percentage of any state in
11 the U.S. Further, a large percentage of the population of
12 approximately 8.9 million people in New Jersey has student debt
13 outstanding. Student enrollment has risen historically and is
14 expected to continue to rise.

15 Notably, students are defaulting on their student debt. Data has
16 shown that 8.6 percent of all student loans in New Jersey were 90 or
17 more days late, the highest of any other type of loan, including
18 mortgages and credit cards. Furthermore, the above delinquency
19 rate for student loans is likely to understate actual delinquency rates
20 because a large share of these loans are currently in deferment, in
21 grace periods or in forbearance and therefore temporarily not in the
22 repayment cycle. The student loan crisis is ripe for a market-based
23 solution to mitigate adverse effects.

24 Therefore, it is in the best interest of this State and the residents
25 of this State that New Jersey establish a Student Loan Lottery,
26 wherein past and present students having student loans outstanding
27 and benefactors of these students, may purchase lottery tickets for
28 which the proceeds of any winnings are applied exclusively to pay
29 off or reduce the outstanding balance of the winning student's loan
30 or loans.

31

32 2. There is established in the Division of the State Lottery in
33 the Department of the Treasury the Student Loan Lottery. The State
34 Lottery Commission shall adopt rules and regulations pursuant to
35 the "Administrative Procedure Act," P.L. 1968, c.410 (C.52:14B-1
36 et seq.), necessary to effectuate the purposes of sections _ through _
37 of P.L. , c. (C.) (pending before the Legislature as this
38 bill). Such rules and regulations shall include, but shall not be
39 limited to, the following provisions:

40 a. A ticket for the Student Loan Lottery may only be purchased
41 by a past or present student, or by a benefactor of a past or present
42 student who is purchasing a ticket for a specifically named student,
43 who has an outstanding student loan balance.

44 b. Before a student or his benefactor may purchase a ticket, the
45 student must register and supply details of his loan to the lottery,
46 which will seek and receive authentication of the student's loan
47 balances from the loan provider or lender service provider. Only

- 1 after the loan balance is authenticated is the student or the
2 benefactor eligible to purchase a ticket.
- 3 c. There is no limitation to the quantity of tickets purchased by
4 a student, except that the total amount of all tickets purchased by
5 the student cannot exceed 15 percent of his outstanding loan
6 balances. There is no limitation to the quantity of tickets a
7 benefactor may purchase.
- 8 d. Notwithstanding any law to the contrary, the Student Loan
9 Lottery tickets may be sold online, on the Internet.
- 10 e. Costs for each ticket shall not exceed \$3 per ticket.
- 11 f. The Student Loan Lottery may create pools with various
12 pay-out amounts for the Student Loan Lottery, which will close
13 when a pre-determined amount of money for that pool has been
14 raised or when a designated period of time has elapsed.
15 Alternatively, the Student Loan Lottery may open a pool without a
16 designated payout amount that closes after a designated period of
17 time. Upon the closure of each pool, a winner is selected by a
18 random- based selection system determined by the State Lottery
19 Commission which will be secured so that no person or entity can
20 control the selection of the winning ticket or has knowledge of the
21 winner beforehand. When each pool is closed, an identical pool can
22 be automatically opened for future ticket purchases.
- 23 g. There shall be at least one winner upon closure of every
24 game. If the outstanding loan balance of the winner is less than the
25 amount of the payout, a second winner is chosen to receive the
26 balance of the payout amount, and in similar manner a third or
27 subsequent winner until the entire payout of the pool is made.
- 28 h. All of the payouts of all of the pools are required to be paid
29 directly to the lenders or the lender service providers to pay off or
30 reduce the winning student's outstanding loan balances. The
31 winning students or their benefactors receive no portion of the
32 payouts.
- 33 i. The payoff to the winner of each pool shall be the total
34 amount in each pool when it closes less an amount equal to 25
35 percent of the pool total when it closes, for expenses and profit of
36 the Student Loan Lottery developer and its
37 administrators/managers.
- 38 j. Before dispensing the payoff, the Student Loan Lottery will
39 request and receive verification from the lender or lender service
40 provider of the exact amount of the outstanding loan balance then
41 due.
- 42 k. Upon final determination of the winner and the payout, the
43 winner will be notified and the result posted on the Student Loan
44 Lottery's website and on other public media.
- 45 The Student Loan Lottery shall report monthly to the Governor
46 and the Legislature the pools setup and their balances, the pools
47 closed and their respective payouts, and the total amount of student
48 loans paid off with pool payouts, and shall make an annual report,

1 which shall include a full and complete statement of lottery
2 revenues, prize disbursements and other expenses, to the Governor
3 and the Legislature, and including such recommendations for
4 changes in this act as it deems necessary or desirable, pursuant to
5 section 2 of P.L.1991, c.164 (C.52:14-19.1).

6 For purposes of P.L. , c. (C.) (pending before the
7 Legislature as this bill, “Benefactor” means any person or entity
8 who wishes to purchase a lottery ticket for a past or present student
9 having an outstanding student loan balance, and is not restricted to a
10 spouse or family member, and may include corporations, profit and
11 non-profit, trusts and any other legal entities.

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13 3. The State Lottery Commission is hereby directed, to
14 establish and put into operation the Student Loan Lottery as soon as
15 is reasonably possible, such Student Loan Lottery to be operated
16 pursuant to and having the features and provisions as set forth in
17 section 2 of P.L. , c. (C.) (pending before the Legislature
18 as this bill). In determining how to establish this Student Loan
19 Lottery, the Commission shall give priority of consideration to any
20 provider or developer who may have already designed a system
21 which contains, among other provisions, the features and provisions
22 as set forth in section 2 of P.L. , c. (C.) (pending before the
23 Legislature as this bill) and who has a Patent or Patent Pending on
24 such a system.

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26 4. Any developer or provider and administrator or manager
27 who contracts with the State of New Jersey or any of its agencies to
28 provide and manage the Student Loan Lottery shall not be required
29 to pay the State or any of its agencies any license or other fees for
30 the right to provide this system and its services to the State.

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32 5. There is hereby created and established in the Department of
33 the Treasury a separate fund, to be known as the “Student Loan
34 Lottery Fund,” to be deposited in such depositories as the State
35 Treasurer may select. Such fund shall consist of all revenues
36 received from the sale of Student Loan Lottery tickets or shares,
37 and all other moneys credited or transferred thereto from any other
38 fund or source pursuant to law.

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40 6. This act shall take effect on the first day of the ninth month
41 next following enactment, except the State Lottery Commission
42 may take any anticipatory administrative action in advance as shall
43 be necessary for the implementation of this act.

STATEMENT

This bill would establish the Student Loan Lottery, a lottery system that would exclusively provide winnings for the payment of outstanding student loans. The Student Loan Lottery would be operated and overseen by the State Lottery Commission within the Division of the State Lottery in the Department of the Treasury, but may include contracting with private developers for operation of the system.

The Student Loan Lottery would provide a market-based solution for rising college expenses and burdensome student loans.