The UNIVERSITY of VERMONT

James M. Jeffords Center's

Vermont Legislative Research Service

Student Loan Debt and the "Brain Drain"

In 2009, the average college senior in the U.S. graduated with $24,000 in student loan debt.[1] In Vermont, college seniors graduated on average with $27,786 of debt, ranking fifth in the country for the highest amount of student loan debt. Vermont ranks 15th in the country with 67% of its college graduate population in debt.[2] Higher student debt and shrinking job opportunities are pushing more students to leave the state after graduation and migrate to larger cities, known as the "brain drain."[3]

The brain drain is defined as the "out-migration of young, college-educated workers from the nation's rural areas…to big city living and better paying jobs."[4] Some scholars have doubted the validity of a brain drain occurring in the nation, but based on studies done by Georgeanne Perez in *Choices* Magazine, rural area brain drain, especially in the Midwest, is a real trend. According to Perez' studies, "11% of counties [in the nation] lost population between 1970 and 2000; of these counties, 96% experienced brain drain and 95% were nonmetropolitan or rural."[5] According to the study, some geographical regions, including New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont)[6], are in fact experiencing a "brain ***gain***."[7] Other regions experiencing a brain gain include the Mountain, South Atlantic, Pacific, East South Central, and West South Central regions.[8] New England's brain gain during this time period was 6.8% per year (see Figure 1).[9]

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[1] Project on Student Debt, "Student Debt and the Class of 2009," accessed October 14, 2011. http://projectonstudentdebt.org/pub_home.php.
[2] Project on Student Debt, "State by State Data," http://projectonstudentdebt.org/state_by_state-data.php, accessed September 28, 2011.
[3] Erica Ho, "85% of new college grads move back in with mom and dad," May 11, 2011, accessed October 28, 2011, http://newsfeed.time.com/2011/05/10/survey-85-of-new-college-grads-moving-back-in-with-mom-and-dad/.
[4] Georgeanne Perez, "Rural Brain Drain, Is it Reality?" Choices Magazine, 2003, accessed October 14, 2011, http://www.choicesmagazine.org/2003-4/2003-4-03.htm.
[5] Georgeanne Perez, "Rural Brain Drain, Is it Reality?"
[6] Georgeanne Perez, "Rural Brain Drain, Is it Reality?"
[7] Georgeanne Perez, "Rural Brain Drain, Is it Reality?"
[8] Georgeanne Perez, "Rural Brain Drain, Is it Reality?" Figure 1, accessed October 14, 2001.
[9] Georgeanne Perez, "Rural Brain Drain, Is it Reality?" Figure 1, accessed October 14, 2011.

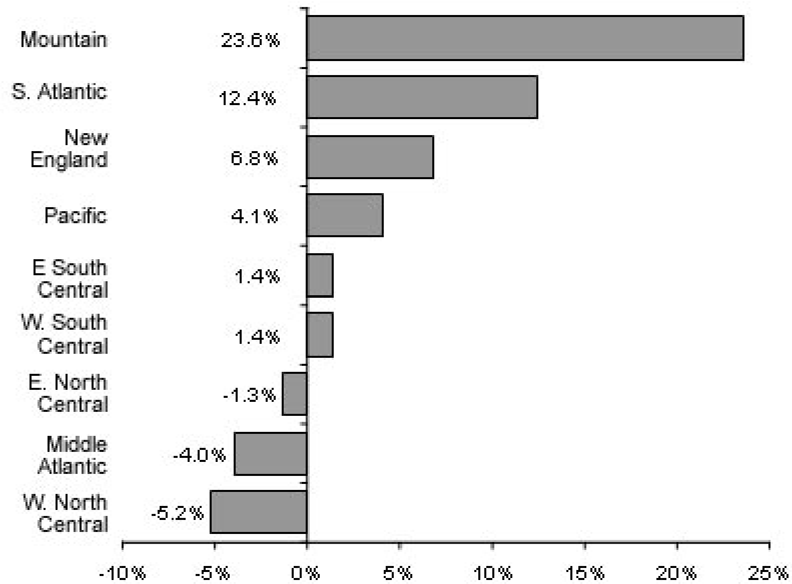

Figure 1: Changes in the location of the nation's college-educated workforce from 1970 to 2000.[10]

Source: Georgeanne Perez, 2003, "Rural Brain Drain, Is it Reality?" *Choices*, Figure 2, accessed November 14, 2011.

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Perez' results were further confirmed in a study published by the New England Public Policy Center (NEPPC). The NEPPC results show how a refined analysis that focuses on the highly educated segment of the younger population (as opposed to the total in that age group) leads to the conclusion that New England is not suffering from a brain drain. The NEPPC study goes a step further and cites three reasons as to why it seems like there is a brain drain in the New England region in their report.[11] These three factors are the migration in regional population growth, slow overall population growth, and the aging of the Baby Boom cohorts out of "young professional" status to "middle-aged professional" status.[12] However, the region still maintains a larger percentage of young professionals relative to the size of its population compared to other regions in the country.[13] The shortcoming of these studies is that they analyze trends at the regional level; we were unable to find state level analyses that would give the specific story of Vermont's young professional population.

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[10] Perez uses US Census data, shift-share analysis, and the concept of a "competitive share" to describe the brain drain/gain for each region.

[11] Heather Brome, "Is New England experiencing a 'brain drain'?," The New England Public Policy Center, 2007, accessed October 17, 2011, http://www.bos.frb.org/economic/neppc/dp/2007/neppcdp0703.pdf, page 10.

[12] Ibid.

[13] Heather Brome, "Is New England experiencing a 'brain drain'?," Page 8.

To reduce the emigration of their recent college graduates, some states have enacted policies that encourage staying in state to pursue a career for their new members of the labor force. Several states have initiated programs that provide partial debt relief for college graduates who remain in state after graduation. These programs include loan "buy-backs," tax credits, and homeownership assistance grants.

Vermont

Vermont currently has loan forgiveness programs for college graduates who take a job in a high need profession, such as teachers, health professionals, and legal professionals.[14] Similar programs exist in most states in the country as well. [15] Based on our research, Vermont does not have any lower interest rates or tax credits incentives for college graduates who stay in state.

State Buy-Backs

New Hampshire

In 2009, the average debt of New Hampshire college graduates was $29,443.[16] In April of the same year, the Stay, Work, Play New Hampshire program (SWP NH) was launched to inform college graduates about the advantages of staying in-state. The official mission statement of the program is "to work collaboratively across New Hampshire to support ongoing economic, workforce, and community development by promoting the state as a favorable place for young workers and recent college graduates to stay, work and play, when considering employment and lifestyle opportunities."[17] SWP NH encourages businesses to hire recent college graduates from New Hampshire accredited higher education institutions. Through this program, employers agree to contribute $8,000 towards the federal college loans of newly hired New Hampshire graduates over the first four years of their employment. The employers pay the money directly to the federal student loan providers: $1,600 each year for the first two years of employment and $2,400 for the next two years of employment.[18]

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[14] VSAC, "Loan Forgiveness Programs," accessed September 30, 2011. http://services.vsac.org/wps/wcm/connect/VSAC/vsac/library/pathfinders/vsac+-+library+-+pathfinders+-+loan+forgiveness+programs.

[15] C. Eugene Emery Jr., "Board proposes tax credit for nursing-school teachers," accessed October 3, 2011, http://www.projo.com/education/content/NURSING_TAX_CREDIT_04-13-09_KIE0JCE_v14.34f2403.html; Vincent L. Liebell, "Making College Education More Affordable," accessed October 3, 2011, http://www.nysenate.gov/blogs/2009/may/06/making-college-education-more-affordable.

[16] Project on Student Debt, "State by State Data."

[17] Stay, Work, Play New Hampshire, "What SWP is all about," accessed September 21, 2011, http://www.stayworkplay.org/about-us/what-swp-all-about.

[18] Stay, Work, Play New Hampshire, "What SWP is all about," accessed September 21, 2011, http://www.stayworkplay.org/about-us/what-swp-all-about.

New Jersey

New Jersey's proposed bill, the "Retaining Our Best and Brightest Loan Redemption Program," seeks to encourage high achieving graduates of New Jersey colleges and New Jersey residents who left for college to live in the state after graduation. In the bill, "high achieving" students are classified as students who received an overall 3.0 GPA on a 4.0 scale during their undergraduate education.[19] In order to increase the competitiveness of New Jersey, they are encouraging more educated individuals to stay with economic incentives. The bill promises to forgive up to 20 percent of the minimum monthly payment on all eligible NJCLASS loans.[20] Graduates must remain in-state for the allotted amount of time as well as meet certain work and salary criteria as discussed in the bill. This bill was introduced to the New Jersey Senate and House of Representatives but has not been voted on yet.[21]

Tax Incentives

Maine

In 2007, the governor of Maine, John Baldacci, signed into law a piece of legislation that gives tax credits to college students who live and stay in-state after graduation. The law went into effect January 1, 2008 and any students who received an associate's or a bachelor's degree from an accredited Maine college after 2010 are eligible. According to the law, businesses are able to assume the cost of an employee's loans to get the credit.[22] Students sign the Opportunity Maine contract to start receiving the tax credits; the contract details all of the prerequisites to claim the tax credits and the rules that need to be followed to retain it. The contract can be accessed here: http://www.opportunitymaine.org/wp-content/uploads/2010/01/EOTC-Opportunity-Contract.pdf.

New York

In 2007, Senator Charles J. Fuschillo Jr. proposed a piece of legislation called the New York State Loan Debt Relief Program to make college more affordable for New York students. One provision proposed giving tax credits to graduates staying in state after earning their degree. The New York State Loan Debt Relief Program would be established to "provide a tax credit of up to 50 percent for college graduates (maximum of $1,000) toward student loan payments per year for those earning $50,000 or less."[23] In order to be eligible for these tax credits, graduates must have graduated from an accredited New York higher education institution and remain an

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[19] S. 4095 214th (2011). Accessed September 27, 2011, http://www.njleg.state.nj.us/2010/Bills/A4500/4095_I1.HTM.
[20] An NJCLASS loan is a private, supplemental loan offered through HESAA and funded through tax-exempt bond proceeds. http://www.hesaa.org/Pages/NJCLASSLoan.aspx.
[21] S. 4095 214th (2011). Accessed September 27, 2011, http://www.njleg.state.nj.us/2010/Bills/A4500/4095_I1.HTM.
[22] Dave Choate, "Tax credit law aims to retain college students," Opportunity Maine, accessed September 21, 2011, http://www.opportunitymaine.org/education/tax-credit-law-aims-to-retain-college-students/.
[23] Charles J. Fuschillo Jr., "Senate passes plan to make college more affordable," New York Senate, accessed September 21, 2011, http://www.nysenate.gov/report/senate-passes-plan-make-college-more-affordable.

employed resident of New York. The bill was passed by the New York State Senate, but was not passed by the New York State Assembly.[24] Based upon our review, it has not been re-submitted.

West Virginia

In 2010, West Virginia proposed a similar program to provide college graduates "an incentive to live, work, and play in West Virginia" in order to "increase the intellectual capital of the state."[25] The bill proposed a $500 tax credit for interest paid on student loans as well as a state tax exemption on the first $25,000 of their earnings for two years. The bill was passed by the Senate but not the House. It was re-proposed in 2011 but has not been voted on.[26]

Alternatives

Ohio

Ohio is encouraging college graduates to remain in-state through its "Grants for Grads" program. The "Grants for Grads" program is run through the Ohio Housing Finance Agency and contributes 2.5% of a home's purchase price to be used "for the down payment, closing costs, or other prepaid expenses incurred prior to closing."[27] Individuals must have graduated with at least an associate's degree and be willing to remain in Ohio for the next five years to receive the full benefits of this program. The grant is issued as a second mortgage with no interest rate and is completely forgiven after the fifth year of residency.[28]

Conclusion

Student loan debt is becoming a troublesome problem for states as increasing numbers of students are struggling to find jobs and are forced to leave the state. In order to diminish this "brain drain," states are proposing and implementing a number of opportunities for debt relief. States like New Hampshire and New Jersey buy loans from the students that stay and work in state. States like Maine, New York, and West Virginia have suggested tax incentives to keep students in-state. Alternative models, like Ohio, provide money for homeownership. Vermont currently only provides loan forgiveness programs targeted towards specific careers and

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[24] Charles J. Fuschillo Jr., "Senate passes plan to make college more affordable," New York Senate, accessed September 21, 2011, http://www.nysenate.gov/report/senate-passes-plan-make-college-more-affordable.
[25] S. 324 West Virginia (2010). http://www.legis.state.wv.us/Bill_Text_HTML/2010_SESSIONS/RS/Bills/SB324%20intr.htm, 1.
[26] Eric Eyer, "'Brains for business' bill back on front burner," *Charleston Gazette*, February 2, 2011, accessed September 30, 2011, http://wvgazette.com/News/201102021157.
[27] Ohio Housing Finance Agency, "Grants for Grads," accessed September 26, 2011, http://www.ohiohome.org/homebuyer/grantsforgrads.aspx.
[28] Ohio Housing Finance Agency, "Grants for Grads," accessed September 26, 2011, http://www.ohiohome.org/homebuyer/grantsforgrads.aspx.

specialties. For some states, this leads to an overall "brain gain." No states currently offer programs that provide lower interest rates on loans.

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Prepared by Michael Lawliss and Monica Johnson in response to a request from Representative Sarah Buxton, under the supervision of graduate student Kate Fournier and Professor Anthony Gierzynski on November 14, 2011.

Contact: Professor Anthony Gierzynski, 513 Old Mill, The University of Vermont, Burlington, VT 05405, phone 802-656-7973, email agierzyn@uvm.edu.