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The "Pay It Forward" College Financing Concept: A Pathway to the Privatization of Public Higher Education

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Context

College affordability has emerged as the central higher education issue today for federal and state policymakers. Decades of state budget cuts have shifted the college financing burden from the state to students through higher tuition and fee rates; this has resulted in record student debt levels and overarching concerns that a public college education is increasingly out of reach for low- and middle-income students. The urgency to find bold policy solutions to keep college affordable is only expected to intensify, as postsecondary degrees and credentials will likely play even larger roles in determining individual success in the labor market and state and national economic competitiveness in the years ahead.

One radical policy proposal—"Pay It Forward, Pay It Back," or "Pay It Forward," for short (PIF)—has captured national attention during the past year as a prospective, if not suspect, solution to maintaining college access and decreasing student debt in the nation's public higher education sector. As conceived, PIF would eliminate up-front tuition and fee payments at public colleges and universities in exchange for students agreeing to pay a pre-determined, fixed portion of their annual earnings for an extended period of time following graduation. After PIF start-up costs are covered, the program would in theory be perpetually self-funded, with payments from graduates covering tuition and fees for those in college.

The PIF concept has garnered some support from voices on both the left and right of the political spectrum. Left-leaning advocates believe PIF could further open the doors of college opportunity for low-income students by eliminating a major barrier to entry and keeping student debt manageable through wealthier graduates subsidizing those with lower post-college earnings. Right-leaning PIF supporters believe the policy change could introduce market dynamics into college financing and ultimately eliminate taxpayer subsidies to public colleges—essentially privatizing public higher education. These scenarios are not mutually exclusive, as PIF could redistribute earnings of college graduates while simultaneously diminishing the state's role in financing public higher education.

While this simplistic model of college financing may have appeal to those struggling with tuition payments and student debt, questions remain related to the proposal's long-term ramifications for students, public colleges and states. In an effort to better understand the potential consequences of PIF, this policy brief summarizes the history of PIF-like approaches to financing a college education, and explores common elements of PIF legislation recently introduced in state legislatures. Further, it provides an analysis of PIF as a state approach to financing public higher education, and offers questions for lawmakers to consider before proceeding further in exploring PIF as a solution to college affordability challenges.

History of Income-Share Agreements

While some have suggested that PIF is a new approach to higher education financing, the concept of funding college costs through assessment of post-graduation earnings, also referred to as "income-shared agreements" or a "graduate tax," was suggested over a half-century ago by influential economist Milton Friedman. Friedman envisioned a system in which the government collects a portion of a student's future earnings in exchange for financial assistance during college, a model he believed would bring market discipline into investments in education and training. He deemed the federal government to be the most appropriate administrative entity for this system in order to minimize program costs.[1]

Building off this concept, Yale University collaborated with economist James Tobin and launched the Tuition Postponement Option (TPO) in the 1970s, which allowed students to attend the university at no charge. Student borrowers were bundled into cohorts, and agreed to pay back .04 percent of future earnings for 35 years for every $1,000 borrowed, or until the cohort's total debt was repaid, whichever came first.[2] TPO included a provision to allow individual borrowers to "buy out" at 150 percent of what they originally borrowed, plus interest.[3] Yale agreed to forgo profits from the TPO, limiting its revenue intake to a level sufficient to cover the program's administrative expenses.

Yale's TPO was initially a popular financing option,[4] but its success was later hindered by inflation, tax law changes, and non-payment by some borrowers. Further, a number of wealthier alumni selected the buy-out option, leaving a smaller, less-wealthy group of students to pay off the TPO cohort's collective loan. The university closed all of the TPO accounts in 2001, years before the program's scheduled conclusion. Borrowers and university leaders alike considered the experiment a failure.[5]

International Approaches to Income-Share Agreements

Friedman's concepts have also been applied to college financing in Australia, New Zealand and the United Kingdom. The programs in these countries calibrate payment of *student loans* to post-college earnings beyond a minimum earnings threshold, resembling the income-based repayment programs offered by the U.S. Department of Education. PIF proposals, it should be noted, are based on sharing a percentage of post-college income for a *period of time* in lieu of tuition and fee payments.

The differences between income-share agreements based on a student loan principal and those based on repayment for a period of time are not trivial. Under PIF, high-earning graduates would likely pay *significantly* more for their undergraduate education than they would have through traditional student loans, as the individual's financial debt burden would end at the conclusion of the repayment period, not after the principal and interest are repaid. On the other hand, low-income graduates may presumably pay less in the long run, if the total income assessed through the PIF approach is lower than the repayment formula for federal student loans.

A Concept Reintroduced in 2012

Friedman's income-share concept was resurrected via a student capstone project at Portland State University (Ore.) in the fall of 2012. At the heart of it, the plan would allow students to attend the state's public community colleges and universities without paying tuition and fees. After completing their degree program, community college graduates would pay 1.5 percent of their gross earnings for 24 years after completion, with bachelor's and master's degree recipients paying back 3 and 4 percent, respectively, during this period.

The capstone project proposal was later introduced to a state lawmaker and a bill to study the concept subsequently passed the legislature and was signed into law in July 2013. The proposal garnered national attention, with lawmakers in more than 20 states introducing measures to direct state agencies to launch feasibility studies or initiate a pilot program *(See Figure 1)*. Many of the bills borrow concepts from the Oregon proposal, but leave program specifics to be determined by study committees.

Elements of the Pay It Forward College Financing Concept

While each of the PIF bills introduced in the past year and a half is unique, they often include several similar elements, such as the following:

- **Binding contract.** Most PIF agreements would be enforceable contracts between the state (or institution) and borrower. Therefore, while PIF does not include a principal to repay, it does create mandatory repayment obligations.
- **Voluntary participation.** Most PIF proposals allow for voluntary program participation, which leaves students and families to make a complex, long-term decision balancing college financing options against projected future earnings.
- **State residency requirement.** The bills usually require students to be state residents for the purposes of in-state tuition.
- **Covers tuition and fees only.** With few exceptions, the PIF bills only cover tuition and fees at public colleges and universities. Therefore, students would still need to find financing for room and board, books and supplies, transportation and other expenses.
- **Limited to undergraduate education.** While some of the PIF bills fail to explicitly limit the program to undergraduate education, it remains unlikely that PIF financing would extend beyond a bachelor's degree due to program costs and political considerations.
- **Requires degree completion.** Most PIF bills require students to complete their degree program, with some requiring on-time completion. While most bills do not include consequences for non-completers, at least one proposal calls for transitioning PIF into traditional student loans if completion provisions are not met.
- **No tuition rates and no principal to repay.** PIF bills tie payments to a share of annual earnings and do not reference tuition rates. Therefore, students would not have a principal to repay after college.

Figure 1. Pay It Forward Legislation in the States

State	Bill	Last Action	Status	Purpose	State Residency Required?	Graduation Required?	Tuition and Fees Only?
California	AB1456	6/5/14	Referred to Com. on RLS.	Study and recommend a PIF pilot program	Yes	Yes	No
Connecticut	HB05241	4/30/14	File Number 718	Study the feasibility of a PIF-like program	Yes	Yes	Yes
Florida	SB738	5/2/14	Died in Education Committee	Establish a pilot program	Yes	No	Yes
Hawaii	H1516	1/15/14	Referred to HED, FIN	Examine the feasiblity of PIF and propose a pilot program	Yes	Yes	Yes
Illinois	HB5323	6/20/14	Sent to Governor	Calls for a study of Pennsylvania's PIF proposal	TBD	TBD	TBD
Indiana	HB1084	1/9/14	Referred to Education	Analyze and consider a PIF Program	Yes	Yes	Yes
Louisiana	HCR 21	6/1/14	Sent to the Secretary of State	Study PIF Feasibility	TBD	TBD	TBD
Maine	SP667	5/1/14	Indefinately Postponed	Study establishment of pilot program	Yes	Yes	Yes
Maryland	HB853	3/10/14	Unfavorable Report by Appropriations	Study the creation of a potential pilot program	Yes	TBD	Yes
Massachusetts	H3631	6/2/14	Accompanied a study order	Prepare a feasibility study	TBD	TBD	TBD
Michigan	HR301	2/11/14	Referred to Committee on Education	Calls on Congress to fund PIF pilot pograms	TBD	TBD	TBD
New Jersey	S979	7/10/14	Conditional Veto, Received in Senate	College Affordability Study Commission to study PIF	TBD	TBD	TBD
New Mexico	HM44	2/18/14	Signed	Study the Oregon model	TBD	TBD	All costs included in analysis
New York	A8562/S6420	1/22/14	Referred to Higher Education	Establish a pilot program	Yes	Yes-on-time graduation required	Tuition only
Ohio	HB242	8/12/13	Assigned to Education	Consider creation of a pilot program	Yes	Yes	Yes
Oklahoma	SB001	2/14/14	Second Reading referred to Education Committee then to Appropriations Committee	Consider creation of a pilot program	Yes	Yes	Yes
Oregon	HB3472	7/29/13	Signed into law	Consider creation of a pilot program	Yes	Yes	Yes
Pennsylvania	No. 429	9/9/13	Referred to Education	Conduct an impact study	TBD	Completion of course of study	Yes
Rhode Island	H7201	2/26/14	Committee recommended measure be held for further study	Three-year pilot program	Yes	Yes-on-time graduation to qualify for all benefits	Yes
South Carolina	4414	1/14/14	Referred to Committee on Education and Public Works	Implement a pilot program	Yes	No	Yes
Vermont	S192	1/7/14	Read First Time and referred to Committee on Educaton	Creates task force to study and implement a program	Yes	No	Yes
Virginia	HJR72	2/12/14	Left in Rules	Feasibility study	TBD	TBD	TBD
Washington	HB2720	2/5/14	Referred to Appropriations	Pilot program	Yes	No-PIF provides funds for up to 5 years or 125% of program time	Yes-less financial aid

13 Realities of PIF College Financing Proposals

Advocates for PIF have offered the model as a way to address at least three interrelated higher education financing challenges: financial barriers to college entry and completion; unmanageable post-college debt; and restrictions on graduates' career choices stemming from low salaries in some occupations that leave borrowers with little opportunity to pay down their loan principal. Each of these challenges, however, is either poorly addressed by PIF or covered under existing federal or state programs. In addition, PIF financing poses an array of other problems that could lead to increased college costs, further inefficiencies in the higher education financing system, considerable long-term administrative burdens for states and institutions, and damaging long-term consequences for state economies, institutions, and the students they serve.

1. **Most students could pay more, not less, for college.** While some have argued that PIF would eliminate student debt or provide "free" tuition, students would still have legally-binding financial obligations after college. Even assuming that state lawmakers maintain investments in higher education, PIF's financial obligations could far exceed the cost of a traditional student loan simply because of the longer repayment terms. One PIF analysis revealed that graduates earning a median salary ($55,000) with annual 2 percent salary increases would pay $3,000 more than the standard 10-year loan repayment plan at 6.8 percent interest.[6] The Oregon Center on Public Policy, meanwhile, estimated that the cost per individual in the program would be $39,653, a figure $7,417 above the tuition cost incurred by each graduate.[7] However, one analyst argued that the Oregon figures could underestimate the total amount paid because of failure to adjust to net present value; if a student in the current system borrows little and has a higher salary following graduation, PIF costs could extend well beyond that amount.[8]

2. **Considerable uncertainty would be introduced into campus budgeting and planning efforts.** Under the current tuition and fee system, college and university leaders collaborate with governing boards and political leaders to craft tuition policies designed to meet institutional needs while respecting the financial realities of students and families. Under PIF, however, there are no assurances that revenues would align—or even come close to meeting—institutional expenditures. A number of variables remain difficult for institutional and state leaders to predict: PIF participation rates, PIF participant repayment rates, future earnings of PIF participants, year-to-year enrollment fluctuations, state funding levels, and costs incurred by colleges that dictate future institutional expenditures. In the short-term, an economic downturn could be much more detrimental to campus budgets under PIF, due to declines in both PIF revenues and state funding of institutions. In the long-term, PIF locks in a repayment rate that may not correspond to the needs of campuses two decades into the future. For example, if the Oregon PIF model had been implemented a generation ago, students and the state would have entered into agreements starting in 1986 that would have implications for university budgets in 2014. Undoubtedly, changes in campus needs, along with the sharp decline in state support, would have been difficult to project in 1986, similar to students signing PIF agreements as freshmen in 2015 that would affect revenue levels for college campuses in 2043. If PIF revenues do not meet campus needs, public colleges and universities would need to find other revenue sources or make sharp reductions in programming, services or quality.

3. **The majority of college costs are not covered.** In the short term, PIF would eliminate in-state tuition and fees as a barrier to college entry, but it would not address other college costs that also act as an impediment to college access and success, and contribute to rising student debt levels. According to the College Board, tuition and fees represent on average less than one-half the cost of college attendance for in-state students attending public four-year universities; students spend more on non-tuition related expenses, such as room and board and transportation.[9] Further, some PIF proposals would inherently limit students' ability to work to meet non-tuition costs, as on-time graduation is required. Therefore, some, if not most, students participating in PIF would still have student loans in addition to PIF payments after completing college.

4. **Students from sectors with the heaviest student debt burdens would be ineligible to participate.** While six-figure student debt stories dominate the headlines, it is unlikely that PIF would address the most challenging student debt situations. The heaviest student debt burdens are not found among in-state, undergraduate completers at public colleges and universities, but rather those attending for-profit colleges and private, not-for-profit colleges and universities *(See Figure 2)*. PIF would not be available to these students. It is also unlikely that PIF would address financing related to graduate or professional education.

5. **The class divides in public higher education, and more broadly, in American society, could intensify.** A number of PIF bills under consideration allow students to "opt-in" to the program, which could lead to students from wealthier backgrounds and those pursuing lucrative careers to not participate in the program. One leading scholar referred to this as a "classic case of adverse selection—borrowers who would be subsidized participate while those who would subsidize stay away."[10] Likewise, low- and middle-income students could also over-estimate future earnings and ignore the program, leaving the program populated chiefly by those certain of low post-college earnings. Similar to the Yale experiment discussed earlier, this could cluster low-earning graduates in the program and threaten its long-term financial solvency.

Figure 2. Average Student Debt for Associate and Bachelor's Degree Graduates, 2011–2012

Bachelor's Degree Student Debt, by Sector, 2011–2012	Percent of Completers Borrowing	Average Borrowing Amounts by Completers with Debt	Monthly Payment (in 2012 dollars)
Public	64.1%	$25,640	$ 272
Private Not-for-profit	73.5%	$32,308	$ 343
Private For-Profit	87.2%	$40,038	$ 425
Associate Degree Student Debt, by Sector, 2011–2012	**Percent of Completers Borrowing**	**Average Borrowing Amounts by Completers with Debt**	**Monthly Payment (in 2012 dollars)**
Public	42.1%	$13,970	$ 148
Private Not-for-profit	N/A	N/A	N/A
Private For-Profit	88.3%	$24,684	$ 262

Source: The New America Foundation, 2014

6. **Costs borne by students pursuing privately-financed degrees and higher-paying careers would increase dramatically.** Students pursuing higher-paying careers that require graduate or professional education would likely end up paying substantially more for their undergraduate education, adding to the already enormous debt burdens for aspiring physicians, attorneys and other professionals. For example, two students who attended the same college and completed the same undergraduate major could pay vastly different sums for their undergraduate education because one of them decided to pursue a career as a physician, albeit taking out $125,000 in loans to finance the medical degree. In this instance, the source of the higher earnings is primarily derived from the medical degree, not the undergraduate credential. As a result, the borrower who completed the graduate/professional credential would end up paying a substantially higher amount to the PIF program, even though he or she privately financed the degree that primarily led to higher earnings.

7. **PIF is duplicative—there are existing public and private programs that calibrate student debt to earnings.** A version of PIF already exists through federal student financial aid programs, as students are able to borrow money for college and pay it back based on income, with forgiveness available after a certain period *(See Figure 3)*. Outside of income-based repayment, other federal student assistance programs include loan deferment, forbearance and forgiveness. Some states also have loan forgiveness programs, particularly for college graduates pursuing high-demand careers in underserved communities. The private sector also offers PIF-like solutions, such as Upstart. These programs have the benefit of giving students the flexibility to take out only the loans that are needed, without signing an agreement that commands payments for nearly a quarter-century.

8. **PIF's start-up costs would be enormous.** Start-up costs—the gap in funding for multiple cohorts of students who would receive a tuition-free education before enough money can be collected from program graduates to replace foregone tuition revenues—would theoretically represent the single greatest financial challenge in launching PIF programs. Initial estimates for the Oregon model peg startup costs at $9 billion, a figure considered to be a "significant underestimate" by a leading higher education analyst.[11] This financing would ideally be obtained through state bonds or philanthropy.

9. **Payment collection would be costly and challenging.** PIF payment collection would be difficult, as states or institutions would need the technology and resources to collect accurate income statements from graduates across employers, jobs, states and even countries. If PIF had been implemented a generation ago, program administrators would still today need to have updated information and accurate income statements from college graduates from the early 1990s. Further, it would arguably be much easier under PIF to avoid payment than the existing federal system of student loans, as the repayment system would not have the reach of the federal government. Participants would also have an incentive to under-report income, as PIF financing is a function of annual earnings, not of a loan principal. If a given state's PIF program fails to develop an effective, efficient approach to repayment, it could quickly lose support and become financially inoperable.

10. **Campus and state leaders would have strong incentives to promote programs leading to high-paying occupations, to the possible detriment of the liberal and applied arts, humanities, and public service careers**. Under the PIF model, campus or state leaders would have an incentive to favor lucrative degree

Figure 3. Federal Student Loan Repayment Management

- **Deferment and Forbearance.** The U.S. Department of Education allows students to defer their student loan payments while they pursue further studies, are unemployed or unable to find full-time work, have a period of economic hardship, or while they are engaged in active-duty military service. Interest will not capitalize for subsidized loans and Perkins loans, while interest will capitalize for unsubsidized and PLUS loans.

  For those that do not qualify for deferment, borrowers may apply for forbearance, in which borrowers work with lenders to reduce or temporarily stop making payments. Forbearance is generally reserved for borrowers in financial distress, illness, or for a number of specific reasons which mandate loan forbearance. Interest capitalizes on loans in forbearance.

- **Student Loan Forgiveness.** The federal government and state governments have a number of programs that will forgive students loans, subject to restrictions.
  - **Public Service Loan Forgiveness (PSLF)**. PSLF offers loan forgiveness for borrowers in public service careers after 120 full, on-time monthly payments made after October 1, 2007 on certain repayment plans.
  - **Teacher Loan Forgiveness.** Teachers may be eligible for loan forgiveness after five years, subject to a number of terms and conditions.
  - **State Loan Forgiveness Programs**. States loan forgiveness programs are usually reserved for individuals in high-need occupations (teachers, nurses, physicians) working in underserved communities.

- **Repayment Plans**. The U.S. Department of Education has an array of student loan repayment plans that provide flexibility for borrowers based on their financial circumstances. These plans, which include a number of terms and conditions, include the following:

  Repayment Plans not based on Income
  - **Standard**: A fixed-amount repayment schedule of up to 10 years. This plan allows students to pay the least interest on their loans but requires higher monthly amounts.
  - **Graduated**: A repayment schedule that starts with lower amounts that generally increase every two years, with a total repayment period of up to 10 years. Borrowers pay more for their loans in this plan than the Standard plan.
  - **Extended Repayment**: A fixed or gradually-increasing repayment schedule of up to 25 years that usually requires the borrower to have $30,000 or more in outstanding loans. Borrowers will pay more for their loans in this plan than the Standard plan.

  Income-Repayment Plans
  - **Income-based Repayment (IBR) (new borrowers on or after July 1, 2014)**. Repayment level is generally 10 percent of discretionary income, but not more than the Standard plan. Payments change based on annual financial circumstances and repayment schedules can last up to 20 years, with the amount remaining after 20 years of payments forgiven. Not all loan types are eligible to be repaid under this plan. Borrowers will pay more for their loans in this plan than the Standard plan.
  - **Income-based Repayment (IBR) (not new borrowers on or after July 1, 2014)**. Repayment level is generally 15 percent of discretionary income, but not more than the Standard plan. Payments change based on annual financial circumstances and repayment schedules can last up to 25 years, with the amount remaining after 25 years of payments forgiven. Not all loan types are eligible to be repaid under this plan. Borrowers will pay more for their loans in this plan than the Standard plan.
  - **Pay as You Earn (PAYE)**. Repayment level is generally 10 percent of discretionary income, but not more than the Standard plan. After 20 years of payments, the remaining amount is forgiven. The difference between PAYE and IBR is the eligibility of loans to be repaid under the plan; non-Parent PLUS loans from the FFEL program must be consolidated into Direct Consolidation Loans in order to be eligible under PAYE. Not all loan types are eligible to be repaid under this plan. Borrowers will pay more for their loans in this plan than the Standard plan.
  - **Income-Contingent Repayment (ICR)**. Repayment level is the lesser of 20 percent of discretionary income or what would be paid with a fixed payment over the course of 12 years (after adjusting for income). Repayment schedules can last up to 25 years, with the amount remaining after 25 years of payments forgiven. ICR extends to more loan types the IBR or PAYE, including parent PLUS loans. Borrowers will pay more for their loans in this plan than the Standard plan.
  - **Income-Sensitive Repayment**. Repayment level is determined by the lender based on annual income with a 10-year maximum repayment schedule. The program is open to students with loans in the Federal Family Education Loan Program (FFEL).

Source: Federal Student Aid, U.S. Department of Education programs in campus budgets or strategic plans, as graduates from these programs could better serve the financial interests of the institution or state. This could marginalize the liberal arts and public service careers such as teaching, social work and law enforcement, as well as jeopardize the historical missions of state colleges and universities in serving the public good.

11. **Underlying college cost drivers would not be addressed.** While PIF changes the student payment model, it does not address underlying dynamics that have led to rising college prices, primarily state withdrawal of operating support for public colleges and universities. Therefore, while PIF may conceptually make payments more manageable for some borrowers, it is not expected to change the cost structure of U.S. public higher education; an issue that remains at the heart of the college financing challenge.

12. **Support for state and institutional student financial aid could dissipate.** A number of states have well-funded, popular state financial aid programs that help students pay for college based on financial need or academic merit. With the elimination of tuition and fees, support for these programs could erode, as state lawmakers weighing competing state priorities may have little interest in subsidizing college costs outside of tuition and fees. Likewise, institutional funds normally directed to financial aid may also be redirected to other campus priorities.

13. **Support for maintaining existing state investment in public higher education would erode, creating a pathway to privatization.** Rising tuition costs have mobilized student groups, college leaders, business leaders and other stakeholders concerned about college affordability to petition state lawmakers to invest more state money in higher education in order to mitigate tuition price escalation. If PIF were to be implemented, the urgency of maintaining state investments in public higher education would likely subside because students (or parents) would not have a tuition payment, only a prediction of payments based on future earnings. Due to the source of the revenue stream, the focus of public higher education finance would likely shift from the public to the private benefits of earning a college degree and create a path of least resistance for states to further withdraw support for public institutions of higher education.

The Unknowns of "Pay It Forward"

PIF represents a radical departure from the current higher education finance system, with many unanswered questions that are worthy of consideration before any pilot programs commence.

1. **How will institutional financing gaps be addressed?** In the short-term, the most pressing issue for policymakers implementing PIF financing will be filling in former tuition revenues needed until PIF has enough graduates paying back into the program. While some have called for state bonds, the details and assumptions of startup costs and the short-term ramifications for the PIF transition for campus budgeting and planning have not been clearly articulated.

2. **How would payments be collected?** Operational and compliance complexities of income-based repayment programs should not be under-estimated. PIF would be more difficult than traditional income-based loan repayment because payment amounts are a sole function of income, not the amortization of a loan principal. Further, state agencies may not be able to effectively enforce collections for graduates who move out of the state or country.

3. **Who would control PIF funds?** It remains unclear whether the state would receive PIF funds and distribute revenue across campuses, or if campuses would receive funds exclusively from their graduates. Further, it is not known if these funds would be segregated from the state budget, as to prevent repurposing from state lawmakers. Furthermore, while tuition dollars in most states are currently controlled by campuses, PIF's presumed statewide administration could lead to state control of revenue, thus significantly expanding state control of campuses beyond the current level of influence.

4. **How would PIF's structure and revenue generation differ from campus to campus?** A number of PIF bills allow study committees to change the repayment terms based on the type of institution. For instance, a state college could have a repayment rate of 3 percent of annual gross earnings, while a research university could command 4 percent. However, it is not yet known how PIF revenues would vary from campus to campus, including for institutions of similar size but dissimilar missions (such as a liberal arts university vs. a polytechnic university). Depending on the structure, PIF could exacerbate longstanding tensions between campuses on matters related to state funding and other revenue sources, and widen revenue disparities between campuses.

5. **How would PIF complement or conflict with federal higher education programs?** A key set of unanswered questions pertain to how the program would interact with federal financial aid programs (such as the Pell Grant) and benefits earned from military service.

6. **How would transfer students be integrated into PIF?** It remains unclear from initial PIF models how transfer students would be integrated into and out of the program. This is a key concern, as one in three students transfer at least once before completing their degree.[12]

7. **What would be the consequences for non-completers?** The PIF structure eliminates tuition and fees, but it is not yet known how non-completers would be treated in the program structure. There are numerous avenues that states or institutions could pursue, such as credit-based tuition bills, extracting a smaller portion of earnings following discontinuation, or issuing a student loan.

8. **How would college savings change under PIF?** PIF could change individuals' perceptions on saving for college. Under the current system, many students and parents save for years to help defray some of the cost of college, such as utilizing a state-sponsored 529 college savings plan. Without tuition and fee payments, parents may have less motivation to save and invest in their children's college education.[13]

9. **How would PIF affect campus philanthropic campaigns?** The long repayment schedule associated with PIF could threaten philanthropic efforts, as graduates would pay for college decades beyond graduation. For example, if PIF had been implemented a generation ago, students from the Class of 1990 would still be paying for college today. This could dampen enthusiasm for campus giving, as more alumni could argue that they are already giving back to their alma mater every year. High-wealth donors may also see little need to endow need-based grants and scholarships under PIF, given that students will not have to pay tuition during college.

Conclusion—Creating a Lifelong Tax and Privatizing Public Higher Education through *Pay It Forward* is Not the Solution to Addressing College Affordability

PIF is a sweeping policy concept that would address none of the underlying factors associated with leaving students with deep debt burdens. It would create considerable financial uncertainty for public colleges, and may spiral into an administrative nightmare that would leave graduates, campuses and states worse off over the long term. In sum, it would create an extraordinarily long tax on a public college undergraduate education that would make college much more expensive for most graduates.

A more troubling aspect of PIF, however, is the enthusiasm from state policymakers throughout the country to restructure students' payment obligations without examining the state's longstanding responsibility for maintaining investments in public higher education. Indeed, many of the PIF resolutions introduced over the past year articulate the problem of rising tuition and fees and student debt, but make no mention of the state disinvestment that has been the underlying reason for tuition price escalation. Instead, these resolutions propose exploring a proposal that would have some students pay for their undergraduate education until they are approaching 50 years of age. Under the veneer of student debt management, the PIF concept has provided a vehicle for state lawmakers to abdicate their responsibility for funding public higher education and thus to keep a public college education affordable for state residents. The fact that more than 20 states have introduced PIF legislation in less than 18 months is alarming in its shortsightedness in providing a legitimate solution to addressing college affordability at America's public colleges and universities.

Alternatives exist to keep college affordable without requiring that graduates spend more than half of their working years paying for their undergraduate education. A number of states have worked with college and university leaders to achieve cost savings and sufficiently reinvest in public higher education to freeze tuition or limit tuition increases. Governors and state lawmakers this year outlined a number of policies to reduce college costs, such as improving dual enrollment policies and providing generous subsidies for education and training in high-need jobs. States can also work with the federal government to identify ways to harness the vast sums of federal support for higher education and to better align the U.S. higher education financing system (such as the proposed federal matching grant program to states proffered by the American Association of State Colleges and Universities). State-level conversations should continue on the best routes to keep college opportunities affordable and facilitate economic growth. Pay It Forward, however, is not a feasible model and should not be part of the conversation.

Endnotes

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