

Appendix IX: External Feedback on PIF Programs

The Illinois Student Assistance Commission would like to thank everyone that took the time to provide thoughtful observations, insights, or concerns with regard to the agency's study on the practicality and feasibility of implementing a "Pay It Forward" program in Illinois.

Received: October 31, 2014

From: Marilyn M. M. Marshall, Assistant Vice President for Academic Affairs, University of Illinois

*Please find the University of Illinois response to the Pay it Forward model of financing tuition.
Marilyn Marshall*

Marilyn M. M. Marshall
Assistant Vice President for Academic Affairs
University of Illinois
377 Henry Administration Building, MC-362
506 South Wright Street
Urbana, IL 61801

Phone: 217-333-3079

Fax: 217-244-5763

UNIVERSITY OF ILLINOIS
Urbana-Champaign • Chicago • Springfield

Office of the Vice President for Academic Affairs
377 Henry Administration Building
506 South Wright Street
Urbana, IL 61801

Christophe Pierre
Vice President

Observations regarding *Pay it Forward, Pay it Back* Tuition Repayment Concept
Submitted October 2014 to the Illinois Student Assistance Commission

Thank you for the opportunity to offer comments on the proposed model for tuition funding, commonly referred to as *Pay it Forward, Pay it Back*.

As state support has eroded and tuition and fees have necessarily filled that gap, many students at the University of Illinois, as elsewhere, are taking debt in order to fund their enrollment, some to levels that raise concerns for their future well-being. But for some potential students, incurring large debt seems a risk not worth taking, as they are unwilling to take on loan burden for the future benefit of a higher education degree. Policymakers throughout the University and the higher education community raise concerns that access to higher education is being sacrificed as affordability decreases. The leadership of the University is mindful that issues of affordability must be a factor we consider at every policy turn.

Exploring new models for financing a student's enrollment in higher education is necessary and positive, and we support the effort of the Illinois legislature in studying this issue. The Pay it Forward (PIF) concept for alternative financing of a higher education degree is one we should discuss.

On the whole, though a PIF model does hold merit, the University of Illinois doesn't view it as a desirable alternative for funding higher education tuition compared to the current plethora of grants and loans. Generally, the benefits of PIF are that students are allowed to spread debt repayment over a long period and that debt will be scaled to the salary they are earning at the time. With the burden for financing tuition in a forward-placed model, students are more likely to take the PIF-structured debt than the current model in which a set principal and interest is incurred upfront. On the other hand, the fundamental problems with PIF are that, as research shows, students will in fact pay more in the long-run for their education than they do with the current pay-as-you-go process, and that depending on the model adopted, a PIF program may not be sustainable for the entity holding the debt, presumably the institutions of higher education.

In the final analysis, if the model as commonly conceived is not sustainable for the institutions and/or the state, then it should not be implemented. Though the models of PIFs vary, in general their sustainability is undermined due to large start-up costs and the budgeting uncertainty introduced. We believe the start-up costs of a PIF in Illinois would be staggering if implemented across any breadth. An AASCU publication shows that the gap between when the cohorts of

“tuition-free” students would have enrolled and their repayments would have begun to be collected would have cost the state of Oregon \$9 billion in its proposed PIF program. AASCU then cites a National Student Clearinghouse publication to state that \$9B may actually “significantly underestimate” the true start-up costs that would have been incurred. Obviously, in the current state of Illinois’ fiscal health, for higher education to forego billions of dollars of revenue is unthinkable.

Further, though Illinois higher education institutions are faced with uncertainty in year-to-year budgeting currently, a PIF would increase that uncertainty considerably because the PIF tuition repayment would occur many years in the future and the amount that students would repay would be unknown at the time of enrollment. For example, what will be the fiscal health of the state in 25 years, the general timeframe for repayment in most PIFs? What will be the responsibility for repayment from a student who drops out before finishing his degree? From a student who moves to another state? Will a student who is unemployed after earning a degree be exempted from repayment? Good stewardship of the state’s resources requires planning but a PIF interjects only uncertainty. In order to support a PIF, the state would have to guarantee no loss to the institutions, a position it can hardly take.

Based on these comments, we ask that the PIF concept be scrutinized thoroughly. We are concerned over the problems of affordability for some of our students and agree that a PIF program might help address such problems. However, unless PIF were proven to be financially sound and contained provisions to hold higher education institutions harmless, it would be unwise for the University of Illinois to lend its support to it.

We appreciate the forum you have extended for this discussion and trust you will contact us should you have questions about these comments.

Received: October 31, 2014

From: Jennifer A. Delaney, Assistant Professor, University of Illinois

Hello,

I have attached a letter that outlines some of my research related to Pay It Forward, Pay It Back programs and outlines some elements that I think would be helpful to consider in ISAC's study for Illinois. Please let me know if you have any questions.

Thanks,

Jennifer

Jennifer A. Delaney
Assistant Professor
Higher Education Program
Department of Education Policy, Organization & Leadership
College of Education
University of Illinois at Urbana-Champaign
362 Education Building, MC-708
1310 South Sixth Street
Champaign, IL 61820
(217) 333-0807
delaneyj@illinois.edu

UNIVERSITY OF ILLINOIS
AT URBANA-CHAMPAIGN

Department of Education Policy,
Organization and Leadership

College of Education
351 Education Building
1310 South Sixth Street
Champaign, IL 61820



October 31, 2014

Dear Illinois Student Assistance Commission Study on “Pay It Forward, Pay It Back”,

I am writing in response to the ISAC invitation for public comment on the “Pay It Forward, Pay It Back” (PIF) legislation that recently passed in Illinois (Illinois Public Act 98-920). I am an Assistant Professor of Higher Education at the University of Illinois at Urbana-Champaign. I am currently working on a research project related to PIF.¹ My intent in this letter is to discuss some of the preliminary findings from my scholarship on PIF and to make recommendations of important elements to consider in relation to PIF for Illinois.

My academic work considers two theoretical models of PIF on college access and the level of taxpayer subsidy provided to higher education. The first model considers a *deferred tuition* PIF such that tuition payments are delayed until after a student departs from a postsecondary institution. The second model considers an *income share* PIF plan in which there are no set tuition values and students pay a fixed percentage of their income following departure from a postsecondary institution. These two types of systems are represented in the PIF legislation that has been considered in 24 states since 2013.² Based on my research, I believe that there are a number of important factors to consider in a study of PIF for Illinois.

Distinguish between Deferred Tuition and Income Share PIF Systems. Both deferred tuition and income share PIF policies have been cited in the PIF legislation proposed in US states. However, my work highlights important differences in the impact of these types of models on college access and higher education subsidies. Important advances can be achieved in college access with deferred tuition systems (discussed in more detail below). While they would also encourage increased college access, I am considerably more wary of income share programs. I also think that there are moral and ethical concerns associated with income share programs that have been likened by some commentators to indentured servitude.³

¹ Delaney, J. A. & Dharmapala, D. (2014). “Pay It Forward” and Higher Education Subsidies: A Theoretical Model. Working paper.

² Illinois Student Assistance Commission (n. d.) “Overview of States’ “Pay It Forward” Legislation” <http://www.isac.org/dotAsset/f85b419a-26a0-4bc0-a2bb-782764bec1e7.pdf> (accessed 10/13/2014).

³ Krantowitz, M. (July 9, 2013). Comments on Oregon Plan would Shift Tuition Payment after Graduation. *Inside Higher Ed.* <http://www.insidehighered.com/news/2013/07/09/oregon-plan-would-shift-tuition-payment-after-graduation> (accessed 7/20/2014). Roose, K. (November 19, 2013). “The IPO of you and me:

Consider which Generation Pays for College. Implicit in the shift from an upfront tuition system to either a deferred tuition or an income share payment system is a change in assumptions about which generation should pay for college. Under the current US system that requires upfront tuition payment at the time of matriculation, it is assumed that parents will pay for the price of college on behalf of their children. By contrast a PIF system that delays tuition payments until students enter the workforce assumes that the primary responsibility for paying for college is now held by students. To the extent that the assumption that parents pay for college no longer holds (or no longer holds for many students), then realigning higher education finance system policies to match the reality of which generation is actually paying for college will likely increase transparency in the system. Making explicit underlying assumptions about which generation *should* pay for college is important to include in discussions of PIF.

PIF and Interstate Migration. Johnstone and Marcucci (2010) categorize Australia, England, Ethiopia, Lesotho, Namibia, New Zealand, Rwanda, Swaziland, Tanzania, and Wales as nations that use deferred tuition systems.⁴ All of these systems operate at the national level (rather than at a sub-national level of government). I think there are number of important concerns about any individual state beginning a PIF program on its own. The largest concern in this area is about a single state's ability to collect deferred tuition payments if individuals leave the state after departing college. Without a readily available mechanism to overcome the problem of interstate migration, a single-state PIF system is unlikely to be sustainable.

PIF and Increasing College Access. By removing upfront costs, both deferred tuition and income share PIF plans should increase college access for individuals across income groups. In a related analysis, I have also shown that countries with deferred tuition programs have higher rates of college completion.⁵ By removing price as a barrier to college opportunity, it appears that access to college can be greatly expanded through PIF systems.

PIF and Subsidies for Higher Education. Harnisch (2014) critiques PIF legislation as "a pathway to the privatization of public higher education" and argues that PIF will decrease taxpayer support (or state general appropriations) for higher education.⁶ My research suggests that the story is more complicated once the political dynamics of higher education subsidies are considered. While there are some circumstances in which deferred tuition PIF plans would result in lower subsidies for higher education, it is also

How normal people are becoming corporations" *New York Magazine*.

<http://nymag.com/daily/intelligencer/2013/11/ipo-of-you-and-me.html> (accessed 10/19/2014).

⁴ Johnston, D. B. & Marcucci, P. N. (2010). *Financing higher education worldwide: Who pays? Who should pay?* John Hopkins University Press: Baltimore, MD.

⁵ Delaney, J. A. & Yu, P. (2014). "Can the U.S. meet its college completion goals with the current tuition structure?" Wisconsin Center for the Advancement of Postsecondary Education Policy Brief. Madison, WI: WISCAPE.

⁶ Harnisch, T. L. (2014). "The "Pay It Forward" College Financing Concept: A Pathway to the Privatization of Public Higher Education" Policy Matters: A Higher Education Policy Brief. Washington, DC: American Association of State Colleges and Universities.

possible that subsidy levels could increase or be unchanged relative to those under upfront tuition. Income share PIF systems yield more complicated results. Subsidies may increase, decrease, or remain unchanged under different circumstances. One important finding from my research on PIF shows that the extent to which higher education either increases or decreases income stratification (the difference between mean and median income) matters for the level of subsidy provided to higher education.

Pay Attention to PIF Details. As with any new policy, the details of that policy matter for the impact of the policy. A number of important questions should be answered in the creation of a PIF program such as:

- What incentives would PIF provide with regard to students not subject to PIF (such as non-resident out-of-state students or non-resident international students)?
- What incentives are built into a PIF system to ensure that students receive a quality education?
- What happens to college choice under PIF plans?
- How does a PIF policy avoid the problem of creating a “moral hazard” related to individuals intentionally becoming underemployed after college to avoid large repayments into the system?
- Could PIF reduce individual choice of major or field of study?
- Could PIF change the incentives of institutions not to provide particular majors such as majors that yield high social returns, but tend to produce lower wages (like teachers and nurses)?

Given these important elements to consider in the design of a PIF system, I outline three recommendations below.

Consider Federal Initiatives Related to PIF Models. Because of concerns over interstate migration, one path forward for state-level representatives who support PIF systems is to encourage the development of a federal PIF system. Recent bills introduced by Congressmen Rubio (R-FL) and Petri (R-WI) indicate interest at the federal level in exploring PIF.⁷ Likewise, shifts at the federal level to move more students into income based repayment plans and the development of the Pay As You Earn student loan repayment option are also a shift towards payment after students depart from college. State support could be important for the careful crafting of these federal PIF-type policies.

Support Existing Illinois Policies that Increase College Access. It is important to continue supporting policies that are already in place in Illinois that enhance college access. The most significant state policy to address issues of college access is the need-based Monetary Awards Program (MAP). Because most MAP awards are distributed on a first-come first-serve basis, in recent years less than half of students who qualified for an award actually received an award. Supporting an increase in the number of MAP awards,

⁷ While there are many concerns with these companion bills, the existence of the Investing in Student Success Act 2014 (H.R. 4436 and S. 2230) shows interest at the federal level in considering PIF models.

would enable more students to gain access to college.⁸ Likewise, increasing the size of each MAP award will enable recipients to cover more of their tuition through MAP, which would increase college access for these individuals. In his 2014 State of the State address, Governor Quinn called for a doubling of MAP. An approach like this would go a long way towards increasing college access in Illinois using existing policies and programs.

Support Existing Illinois Policies that Encourage Income-Contingent Student Loans and Student Loan Forgiveness. Deferred tuition PIF models can be thought of being similar to income-contingent student loan systems since both systems enable students to delay college payments until students enter the workforce. Income-contingent loans offer an assurance that individuals will never have to worry about repayments becoming too large relative to their income. Supporting Illinois initiatives that encourage more students to opt-in to existing income-contingent student loan programs and expanding loan forgiveness options⁹ would help meet some of the same goals of PIF programs.

PIF systems are currently ill-defined in the US context and the details of different types of PIF systems matter greatly for the impact that the program would have on college access and subsidies for higher education. I hope that my above comments on important elements to consider in relation to PIF systems and recommendations are helpful to your work. Please let me know if I can be of further assistance as ISAC completes its study of PIF in Illinois.

Jennifer A. Delaney

Assistant Professor
Higher Education Program
Department of Education Policy, Organization and Leadership
University of Illinois at Urbana-Champaign

⁸ Feeney, M. K. and Heroff, J. (July 13, 2010). *The Effects of Need-Based Aid on College Enrollment and Success Among Low-Income Students* Available at SSRN: <http://dx.doi.org/10.2139/ssrn.1639596> (accessed 10/26/2014).

⁹ Illinois-based student loan forgiveness programs have included the Illinois Teachers and Child Care Providers Loan Repayment Program, the John R. Justice Student Loan Repayment Program, the Nurse Educator Loan Repayment Program, Public Interest Attorney Loan Repayment Assistance Program, and the Veterans' Home Nurse Loan Repayment Program.

Received: October 30, 2014

From: Patty Williamson, Director of Financial Aid, Illinois Valley Community College

To Whom it May Concern;

After reviewing the information regarding the Pay It Forward, Pay It Back initiative, Illinois Valley Community College would like to voice our concerns. This program fundamentally changes the MAP Program from a grant to a student loan. The only difference appears to be that it would not have accumulating interest charges attached. While we agree this would be a step toward making the MAP program self-funded, we cannot support additional debt burden on our high need students. News reports constantly highlight the increasing high loan debt students are leaving college with and the growing number of students defaulting on those loans. Community colleges welcome all students and therefore have a larger number of "at risk" and financially needy students. The Pell and MAP funding allow our students to cover their expenses without incurring debt, unless otherwise needed for living expenses. Changing the MAP to a loan would definitely put our neediest students at an additional disadvantage.

In addition to this concern we also feel the program needs to be more developed prior to any roll out. Questions we have include: 1. Will this program affect all MAP eligible students or will some have the grant version and some have the loan version? 2. How long will the students have to pay back the amount originally received. 3. What are the consequences if the student fails to pay it back?

We appreciate the opportunity you have given us to provide our feedback.

Sincerely,

*Dr. Jerry Corcoran
President*

*Patty Williamson
Director of Financial Aid*

Received: October 29, 2014
From: Casey Jennings, 13th Avenue Funding

Shana Rogers

*Thanks for the opportunity to add our experience to the mix of comments you are receiving.
Our thoughts are attached as a pdf.
If you have any questions or need clarification please email us.*

Good luck.

Casey Jennings
617 901 8966

To: Illinois Student Assistance Commission (ISAC)

From: 13th Avenue Funding -13thavenuefunding.org - a 501(c)(3)

Re: Our thoughts on ISAs , PIF and similar structures

First, thanks for the opportunity to join your discussion. What follows is based on our experience thus far in our journey to remake college finance. Like most journeys, when you are in the middle of one, your view of what is most important may differ from your view once the journey is over. So ... stay tuned.

What we know (so far).

- **Students from low-income low-wealth households will voluntarily sign up for ISAs and similar structures.** They view their possible future earnings as just that – possible, not guaranteed. These students will take advantage of programs that reduce risk, even if they have the potential to cost more than traditional debt.
- **No one understands what debt costs.** We have talked with hundreds of students, parents, and financial aid advisors, and before they start repaying, almost no one understands how interest compounds. Nor do they understand the consequences of default.
- **The Federal “Income Based Repayment Program” (“IBR”) is a good idea that is very difficult for students and parents from low-income low-wealth households to transition into.** We don’t view these obstacles as accidental. We believe that the IBR program was designed to protect the student loan servicing industry as well as minimize the total outflows from the US Treasury. (We are not conspiracy theorists -- we just have long backgrounds working in financial services.
- **Our idea was based on Venture Capital finance.** We believe that the success of American technology companies is due partially to the way those companies are funded. If they succeed, then all the investors benefit; if they fail, investments are written off and we all move forward with a clean slate. It is this clean slate that allows individuals to start small companies and to take risks and invest their time, energy and effort. Why shouldn’t we offer the same opportunity to students?
- **We think any ISA program should be optional.** We believe that trying to force every student into an ISA program is counterproductive and, in the long run, will damage colleges and reduce investment in human capital.

- **Don't focus on the averages.** When you are looking at the issues surrounding PIF and ISAs, don't look at the average income or median student loan. Look instead at the left side of the distribution. The students you need to focus on borrow less than the median, but they also earn less and their income is more volatile. The cautionary statement of drowning in a river that averages 3 feet deep is particularly applicable here.
- **Don't try to do it all in the first round -- you don't know enough (neither did we)** . We thought, for example, that the largest financial issue for our students would be tuition and books. It turned out to be making first and last months' rental deposits, and car repairs, and having to drop out because of medical issues of a family member. We highly recommend starting with small test programs, managed locally (at the college) and creating a platform for sharing knowledge between the different administrators.
- **Decide how you are going to finance the losses.** If you go with a pure ISA idea you need to determine (guess) whether the winners (high income graduates) will cover the losses (those students whose income is similar to high school graduates). We assume 1/3 of our students will be in the loss category. Alternatively, you may decide to run a program like Australia, where each student's obligation is capped at the funded amount (adjusted for inflation), in which case you are really signing up the Illinois taxpayers to cover the shortfall. You should probably let them know ahead of time.
- **Put a legal framework in place.** One of the biggest obstacles to implementing a PIF or ISA program is the lack of statutory or case law framework. Since the Federal law to clarify ISAs never made it out of committee Illinois should pass one.

We could go on, and would be pleased to speak with you in more detail if you wish.

Best of luck as you pursue this.

Received: October 8, 2014

From: Chad Flannery, Dean for Student Services and Enrollment, Southeastern Illinois College

Concerns from Southeastern Illinois College in Harrisburg, IL.

- *We fear this is another unfunded mandate and that the college will foot the bill on behalf of the state much like the IVG.*
- *We already receive late payments from the state, so this would only further complicate funding and cash flow issues at colleges. We depend on student tuition to keep the doors open.*
- *Student default rate is high in our area and why we do not offer federal loans anymore. If students default at loan repayment, they will default on repayment to colleges, which essentially means not paying for services they've already received. We have to write off a significant amount of bad debt to begin with.*
- *As a community college, many of our students transfer to 4 year institutions. If those students do not have to repay until the complete a bachelor degree, it could be 4-5 years before we see payment from that particular student.*

Thanks,

*Chad Flannery
Dean for Student Services and Enrollment
Southeastern Illinois College
3575 College Rd.
Harrisburg, IL 62946
(618) 252-5400 ext. 2400*

Received: September 12, 2014
From: Adam Howell, Illinois Department of Revenue

Morning Katherine,

Thanks for reaching out on this. The original position of IDOR on the bill was opposed - one of the main reasons for that was due to the legislation creating an enormous administrative burden for the department and that the mandate created is far beyond our normal area of expertise and/or beyond our regular mission i.e. "Provides that the Department of Revenue shall administer the program and by rule develop the loan application process."

As far as a collections function, my initial comments (absent more internal review) are that the Department of Revenue initiates collections actions for overdue taxes and offsets tax refunds for outstanding governmental debts outside of regular tax debt through authority granted under specific intergovernmental agreements with outside governmental bodies. That being said, actually utilizing our other collections tools to enforce payment of a state backed loan is likely to be outside of our regular administrative mission and create additional costs for the department at a time when our budget is already heavily stressed.

These are of course just my first thoughts and we would be happy to give more in-depth analysis on any proposal after we see language and/or a request for comments on a study.

Below is a link to the comptroller's expenditure report that gives good EDGE credit data. Please feel free to reach out to me any time if you have further questions on our perspective. Have a great weekend!

<http://www.ioc.state.il.us/index.cfm/resources/reports/tax-expenditure/fy-2013/>

Received: October 3, 2014

From: Adam Howell, Jonah Rice, President, Southeastern Illinois College

To Whom It May Concern:

This is a response to the request for feedback regarding ISAC's "Pay it Forward, Pay it Back" research project.

While the idea does sound attractive on the surface, my campus experts on the matter have provided me with some real concerns about how this idea would become operational. For the sake of brevity, I have listed them below:

- *The student default rate is high in many regions, including my own service area, which is why we do not offer federal loans anymore. The parallel concern noted by my staff is that if students default at loan repayment, they will default on repayment to colleges, which essentially means not paying for services they've already received. We would most likely have to write off a significant amount of bad debt which would erode services and opportunities to students.*
- *The length of those who do pay back could be quite troublesome due to transfer students who move on from an AA/AS to Bachelors, Masters, and beyond. The ability to float these loans for long time periods is not feasible for many colleges.*
- *Higher education already receives late payments from the state, so this would only further complicate funding and cash flow issues.*

While I am sure there will be more feedback I will receive from my staff, I wanted to pass along this feedback for your study.

Please contact me with any questions or concerns.

Jonah Rice, PhD
President
Southeastern Illinois College

Received: October 2, 2014

From: Beth McClain, Dean of Enrollment Management, Illinois Central College

Concerns regarding the program:

How are institutions expected to pay for the student while the student is attending school? With state funding dwindling, the primary source of funding for many schools has become tuition. If this cash flow does not exist with this model, that could create severe financial hardship for many schools in an already challenging environment with regards to cash flow and revenue streams.

What happens if the student is underemployed upon graduation or underpaid upon graduation? This model parallels the student loan program to an extent, and we already know graduates are strapped with loans upon graduation and are having an extremely difficult time paying back the loans. What is going to be in place to ensure students do not default on these obligations as so many of them do on their student loans? Does this mean the institution will not receive the tuition funds if the student does not pay it back?

*Beth McClain
Dean of Enrollment Management
Illinois Central College
1 College Drive
East Peoria, IL 61635-0001
309.694.5323 (phone)
309.694.5160 (fax)
bmclain@icc.edu*

Received: October 1, 2014

From: Edward D. Maloney (ed@edmaloney.com)

I guess this is what it comes down to. Given the fact that the state in its budget, cannot or is unwilling to make higher education opportunities a priority for its students, it's asking through this plan, for individuals, especially those that don't have the financial resources, to make paying for college a lifetime proposition. While some may view this, given the current financial reality, as the only chance for some to afford higher ed opportunity, the flip side is are we creating new debt for a group of people who may not be successful in achieving their degree? Graduation rates, even among those who are affluent or otherwise have the financial resources, leave a lot to be desired. I understand ISAC's role and motivation in exploring this idea. However, again because of the state's inaction on prioritizing higher education, it smacks of desperation and does need a thorough examination of its implications if enacted.

Received: September 26, 2014

From: Mawi Asgedom (mawi@mawilearning.com)

Hi Eric,

Please pass my thoughts on to the team:

- *I feel that the root problem is that college is too expensive, and I fear that a pay it forward policy is just another way to get families to pay more, instead of forcing colleges to charge less.*
- *Pay it Forward could also reduce the urgency for colleges and our country at large to innovate with new models for higher education.*

So I'm generally opposed to the idea. I don't think it will help families or students in the long run. It might work in other countries, but I'd like to see the price of college in those countries first for a real apples-to-apples comparison.

Mawi

Received: September 30, 2014

From: Paul A. Welsh, Counselor, Fenton High School

Abel,

Reaching out to you and the email address you listed in your post to the listserve as one of the co-chairs of IACAC's Government Relations Committee. We discussed Pay it Fwd and Public Act 98-920 at our September committee meeting.

NACAC does not have a position on this, but put together a great list of questions to consider, attached. (Also great resources on the website: <http://www.nacacnet.org/issues-action/LegislativeNews/Pages/Pay-It-Forward.aspx>)

NACAC and IACAC welcome the opportunity to discuss this further or serve as a resource as ISAC researches this issue.

*Sincerely,
Paul*

*Paul A. Welsh, LPC
Counselor
Fenton High School
1000 W. Green Street
Bensenville, IL 60106*

*Welsh@Fenton100.org
Phone:630-860-4920*



'PAY IT FORWARD' PROPOSALS: QUESTIONS TO CONSIDER

College access and affordability are both critical issues within NACAC's legislative priorities and we continue to advocate for programs and policies that support both. Over the last few decades, as the value of a college degree has continued to rise, the U.S. has seen unprecedented increases in postsecondary enrollment. At the same time, however, state funding per student has failed to keep up as competing budget priorities during tough fiscal times have led states to shift more and more of the cost burden to students and families. While this trend towards further state disinvestment is only expected to continue, it is clear that higher education finance in the U.S. is moving into new territory and we will need to consider new approaches to address college affordability. With this said, NACAC also believes state investment in higher education remains a critical necessity to ensure college remains affordable for all students. Investing in higher education for our students is an investment in our country's future that pays off many times over in the long run.

One innovative idea for financing postsecondary education, known as 'Pay It Forward', has received growing attention in recent months. As this idea is studied as a new approach in state and federal legislatures, NACAC would like to contribute the following questions that we hope would be resolved in the process of determining whether a system under a 'Pay It Forward' model would work on the large scale:

- **How would 'Pay It Forward' proposals overlap with federal loan programs?**
Depending on how 'Pay It Forward' proposals are structured, the program may cover tuition and fees, but what about other student costs such as books and supplies and room and board? Would students still have the option of taking out federal loans while attending an institution and would these loans be integrated into the payment rate under 'Pay It Forward' or structured in a different way?
- **How would 'Pay It Forward' proposals overlap with grant programs?**
Would students still be eligible for institutional, state, and federal grants? If so, how would these be integrated into a student's payment contract after graduating, especially if the rate is dependent on a graduate's income and not a fixed amount? In addition, if students are no longer eligible for grants, those most in need may end up paying a lot more to attend college under a 'Pay It Forward' system compared to the current system.
- **How would 'Pay It Forward' proposals alter states' approach to investing in higher education?**
As mentioned above, state funding for higher education has been declining- in the current year 2013, states are spending 28 percent less per student on higher education, nationwide than they did in 2008, when the recession hit (CBPP, 2013). Some states have even cut their higher education funding in half. A major concern with 'Pay It Forward' proposals is how to ensure state investment will not decrease even more under this approach, especially during tough financial times.
- **How would 'Pay It Forward' proposals be funded? Would they combine public investment with payments by users? Would users-only bear the burden?**
As a new system for financing higher education, 'Pay It Forward' proposals would have to adopt a funding model- Will the public bear some of the costs or will the users bear all the costs? PIF proposals, depending on how they're structured, have the potential to change whether higher

education financing includes any public investment on the state or federal level. In addition, many of these plans may take 25 to 30 years to become self-sufficient- with the federal government and states both facing difficult financial outlooks, where would the initial funding come from to implement PIF?

- **Would 'Pay It Forward' proposals be driven by public or private capital, or a combination of both?**
Whether or not income share agreements under 'Pay It Forward' proposals leverage public, private capital or a combination of the two, may significantly alter the system's design, sustainability, and other factors.
- **Would 'Pay It Forward' proposals include books and supplies, or only tuition?**
At present, many "Pay It Forward" proposals mention that the plan would cover student's tuition/fees. However, tuition and fees account for only about 39% percent the total cost for in-state students living on campus at public four-year schools (College Board, 2012). Other costs include books and supplies, room and board, meals, transportation and other expenses. Any consideration of such proposals would need to account for how students would be expected to pay for expenses beyond tuition and fees.
- **Would 'Pay It Forward' proposals be 100% participation or voluntary opt-in?**
"Pay It Forward" proposals could be shaped in many different ways, with benefits and drawbacks resulting from each potential model. For example, if a state adopted a system in which all students who attend public institutions are treated the same (100% participation), it's possible that students with the best payback potential may elect to go to institutions other than in-state public, in effect undermining the ability for the system to sustain itself. If a state instead adopted an individual model- with a different rate for each student and school or with an "opt out" clause for students who do not want to finance their education using PIF- there is potential for de facto sorting based on income, resulting in a shortage of students to bring the system to scale, and issues of access.
- **How would 'Pay It Forward' proposals alter transparency for students and families about financing higher education?**
Many experts and policymakers agree that more transparency in higher education in the form of better information for students is critical. 'Pay It Forward' proposals have the potential to be very transparent for students, in the sense that students know they will be able to pay no matter how much they earn after college. However, if students also have to take out additional loans under different terms to cover nontuition expenses while in college, a system under PIF may become more confusing.
- **How would 'Pay It Forward' proposals take into account further increases in the cost of college? Inflation? Demographic shifts?**
Published college prices are rising more rapidly than prices of other goods and services. Although this trend has persisted over decades, it has worsened as public investment in higher education continues to decline on the state level. In addition, as nontuition expenses have also continued to rise, starting wages have not kept up. A significant challenge to 'Pay It Forward' proposals is that there are no mechanisms to ensure cost and spending will not continue to go up. Without accountability to cost, there is uncertainty in whether 'Pay It Forward' proposals could be brought to scale or sustained over the long run.
- **How would 'Pay It Forward' proposals take into account students who transfer to different colleges, states, drop out altogether, or leave the workforce?**
If the rate students pay through 'Pay It Forward' is different depending on which institution or state they attend, the system would have to be designed to account for students who transfer between institutions or states. On a different note, the system would also have to include options in case a student does not complete their program, drops out of the workforce at a later time.

- **Would 'Pay It Forward' proposals have consumer protections built in?**
Federal student loans currently have protections built in for student borrowers- for example, a student's debt does not pass to another person if they die. In addition, federal student loans can be discharged in most instances if the student borrower becomes permanently disabled. Would these types of protections be built in to 'Pay It Forward' models?
- **What potential behavioral effects would 'Pay It Forward' proposals result in?**
The way in which 'Pay It Forward' proposals are designed could lead to different behavioral effects in terms of labor market outcomes, consumer behavior, decisions on which careers to pursue, etc. Would PIF systems be designed to study these and other effects, and in turn, have the ability to adjust as appropriate?
- **Would all students have the same agreement under 'Pay It Forward' proposals or could some students have different agreements?**
Currently, the federal student loan program includes loan forgiveness options under certain circumstances (i.e. for those employed in a public service position, for teachers, etc.). How would these be integrated into a 'Pay It Forward' system?

Founded in 1937, NACAC is an organization of more than 13,000 professionals from around the world dedicated to serving students as they make choices about pursuing postsecondary education. NACAC is committed to maintaining high standards that foster ethical and social responsibility among those involved in the transition process, as outlined in the NACAC Statement of Principles of Good Practices, which can be found on our website (www.nacacnet.org). Our members include school counselors, independent educational consultants, community-based organizations and counselor educators and college admission officers, among others. For more information please contact legislative@nacacnet.org.

Received: September 30, 2014

From: Carrie Warick, Director of Partnerships and Policy, NCAN

Jacqui and Eddie – So great to see you both in Phoenix two weeks ago! I wanted to pass along this report, but wasn't sure if it was the type of thing you'd want in the official response box. It's by far the most comprehensive research on the topic I've seen, though it was done by the group representing state regionals, who may have the most to lose in this type of model.

<http://www.aascu.org/policy/publications/policy-matters/PayItForward.pdf>

Carrie Warick
Director of Partnerships and Policy, NCAN
202-347-4848x203

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From: Lissa Small, Streator High School

This seems similar in principle to some of the state teacher education programs. Those have been quite effective in attracting some people to the profession and keeping them in the state for a while as wage earners, correct? I would think that in terms of long term investment in the state, anything that would keep our best and brightest here would be a plus. I have found myself advising students to consider out of state schools more often in the last few years because the tuition, even at out of state levels, is better than our in state rates. That is just a shame.

Received: November 30, 2014

From: Sean Anderson, Board Member, Illinois Board of Higher Education

Katharine,

Let me begin by first stating why I think the concept might be attractive to students who are struggling financially.

The burden of college tuition and student debt has become so great that many students are enrolled in classes, taking exams, but haven't paid for those classes yet. I had this experience personally, but as I meet more students through IBHE and IBHE-SAC it is clear that many others suffer from this too.

The chair of the IBHE Student Advisory Council (SAC) is going through the same issue.

What this causes is a significant decrease in attention to academics and professional development. Students are more worried about paying their next bill (tuition, housing, food, etc.) than they are about their next exam. Students take the first job they can get instead of looking for the jobs or internships that actually relate to their major and intended career choice.

If there were some way for students to postpone the burden of drastically increasing tuition costs until after graduation, they would be able to focus on the things that will actually contribute to their success. The current state of things is suppressing their ability to even earn the degree they're going through all this struggle for. This may seem like a circular argument, and that's what is most dangerous. It creates a downward spiral.

I do not have a degree in economics or finance, but I have studied the causes to the Great Recession. Student debt may trigger another. In 10 years or so, we might see significant increases in student debt defaults, and grants (like MAP) going to waste, because too many students end up not graduating. If they don't graduate, they will not have the income to afford paying back the debt they already have.

Aggregate student debt has surpassed credit card debt, so you can imagine what these defaults might do to the economy and the financial stability of higher education institutions.

Now, what could a Pay It Forward program look like? There are many options as I'm sure everyone is aware. What would be the biggest game-changer and have the most significant and immediate impact is a contract-type arrangement with repayment based on x% of your income for z years. This would allow students to completely or significantly reduce their financial worries and allow them to focus on school and career readiness. Once they earn the degree, and perhaps have better career experience (they were able to intern at a company or shadow at a hospital), their postgraduate income would be enough to pay back the tuition.

Another alternative might be an IL equivalent of Stafford loans - but repayment tied to tax filings. This allows students to temporarily relax on the financial sustainability of college, but it does not solve the student debt problem - it actually worsens it. There may be ways to alleviate this, following federal standards and limiting the maximum repayment requirements to x% of monthly income.

New Haven, CT, started a very similar initiative. It was not "pay it forward", but it was a tax fund to drastically lower incoming students' tuition burden so they can focus on school instead. What is attractive about their work is that they were able to fund the program through donations from higher education institutions, corporations, and individual donations (perhaps solicited through tax filings or high school registration, I am not sure). They also staggered out the program.

"It will pay up to 25 percent of the tuition for qualifying seniors who go on to public colleges or universities in Connecticut next year; up to 50 percent for the class after that, up to 75 percent for the following class; and up to 100 percent for the Class of 2014. Then funders will decide whether to continue the program."

The full story is here. Disclosure: I am not certain this program still exists in the same fashion as described here

http://www.newhavenindependent.org/index.php/archives/entry/city_yale_make_a_promise_to_public_school_kids/

The bottom line: high-achieving, low-income students are having to divert so much time, attention, and energy to paying for their classes that they are not able to fully leverage their skills and passion to actually succeed. If the State wants to achieve our goal of "60 by 2025" then we need to significantly increase our investment into high education. We have great financial considerations, pension and tax reform, but perhaps we can begin by starting a pilot program to invest in our most struggling, but promising, students. If the State pays it forward, students will be in a much better position to pay it back.