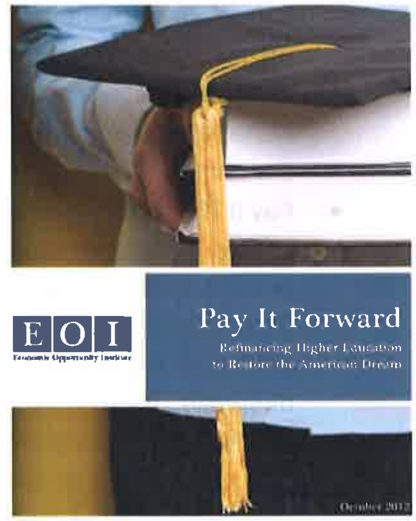
Economic Opportunity Institute

Pay It Forward: Refinancing Higher Education To Restore the American Dream



What is Pay It Forward?

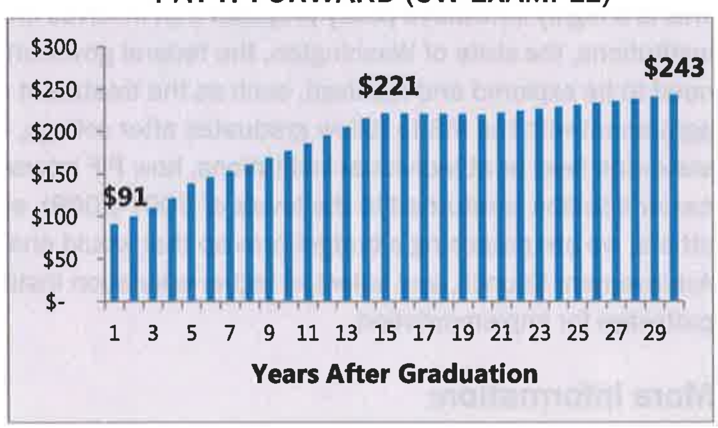
Under Pay It Forward, students do not pay upfront costs to attend two- or four- year colleges. Upon graduation, students pay a percentage of adjusted gross income (AGI) for a fixed number of years.

- Community college graduates (2 years) contribute 1.5% of AGI for 25 years.
- University of Washington graduates (4 years) contribute 4% of AGI for 25 years.
- Pay It Forward proportionally connects the cost of higher education to income after graduation. By linking payments to graduates' ability to pay, Pay It Forward allows graduates to chose work based on their interests and skills, rather than solely on financial conditions.
- Graduates' payments are placed in a fund that covers the cost for future students. This fund could either be established at each institution or as a dedicated fund at the state level.
- Federal loans and grants do not change under Pay It Forward, ensuring students would still have access to financial aid to cover their cost of living expenses.

MEDIAN INCOME AND PROJECTED PAY IT FORWARD CONTRIBUTIONS FOR BA GRADUATE

	1 year post-graduation	10 years post-graduation	20 years post-graduation
Median income for graduate with BA	$27,275	$53,103	$65,965
Yearly PIF contribution (4%)	$1,091	$2,124	$2,639

INDIVIDUAL MONTHLY CONTRIBUTIONS UNDER PAY IT FORWARD (UW EXAMPLE)



Source: Based on LEAP Budget Office data, 2012[i]

How can we make this happen?

There are multiple ways to implement Pay It Forward.

- Certain institutions, such as community colleges, universities, or programs within these institutions, could pilot Pay It Forward among their students. A small cohort of students minimizes the initial transitional costs and could be funded through a state appropriation. For example, South Seattle Community College has a free 13th year program for students coming from Cleveland and Chief Sealth High School. A PIF pilot could enable a