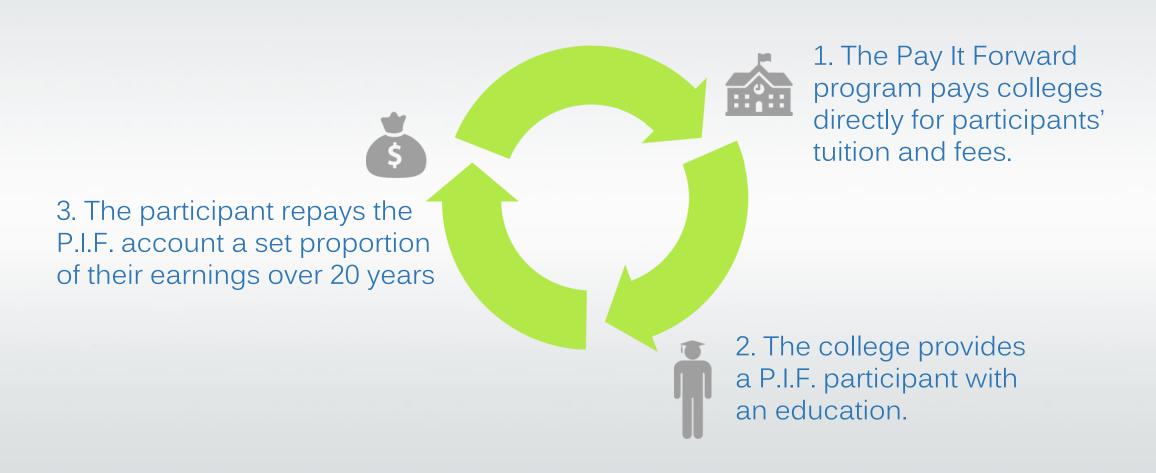


# Pay it Forward Pilot Program

**HOUSE BILL 2662** 

# Program Outline



## House Bill 2662

78th OREGON LEGISLATIVE ASSEMBLY-2015 Regular Session

#### House Bill 2662

isored by Representative SMITH WARNER, Senator DEMBROW, Representatives WILLIAMSON, BUCKLEY; Representative GORSEK (Presession filed.)

The following summury is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure as introduced.

Establishes Pay It Forward program. Requires Higher Education Coordinating Commission to establish parameters of program by rule and for Office of Student Access and Completion to ad-

minister program.
Establishee Pay It Forward Implementation Fund.
Specifies that Pay It Forward program may only proceed if office determines there are sufficient moneys in fund. Permits office to implement limited scope pilot program.

#### A BILL FOR AN ACT

Relating to Pay It Forward program.

Be It Enacted by the People of the State of Oregon:

SECTION 1. As used in sections 1 to 6 of this 2015 Act:

(1) "Applicant" means an individual who has applied to be a participant in the Pay It Forward program by submitting an application to the Office of Student Access and Com-

- (2) "Covered costs" means the costs of higher education designated by rule by the Higher Education Coordinating Commission to be paid by the Pay It Forward program.
- (3) "Institution" means an accredited institution of higher education that the Higher Education Coordinating Commission has declared eligible to receive payments from the Office of Student Access and Completion through the Pay It Forward program.
- (4) "Participant" means a successful applicant who is accepted as a student into the Pay It Forward program by the Office of Student Access and Completion.
- (5) "Payment period" means the period of time established by rule by the Higher Education Coordinating Commission relative to each participant, during which participants remit a percentage of their gross annual income to the office in order to pay for participating in
  - (6) "Program" or "Pay It Forward program" means the program described in sections 1
- SECTION 2. (1)(a) The Higher Education Coordinating Commission shall by rule establish eligibility requirements for applicants and institutions to participate in the Pay It Forward
- (b) As part of the Pay It Forward program eligibility requirements, the commission may by rule require applicants to agree to release information relating to income, educational attainment and other demographic information to the Office of Student Access and Com-
  - (2) The commission shall by rule establish a process for selecting applicants for partic-

NOTE: Matter in beddfaced type in an amended section is new; matter [studic used bruckeled] is existing law to be omitted. New sections are in boldfaced type.

- Establishes OSAC rulemaking authority regarding application. (Sections 1-2)
- Procedures and rulemaking authority for making and accepting payment. (Sections 3-4)
- Establishes Pay It Forward Implementation Fund, with broad receipts authority. (Section 5)
- Provides that Sections 1-4 only take effect once the implementation fund is sufficient to support a pilot program. (Section 6)

## HECC Report Adopted September 2014

- Pilot description
- Voluntary and variable participation
- Program cost estimates
- Participation and payment parameters

2014

House Bill 3472: Pay It Forward



A report to the Oregon Higher Education Coordinating Commission From the Pay It Forward Workgroup

# Economic Opportunity Institute / ECONorthwest

- PIF Interactive Calculator
- **ECONorthwest Review**

#### **ECONorthwest Suggestions:**

- Improve characterization of adverse selection (Awaiting practical data)
- Hone certain variables (Some changes made)
- Hone discretionary assumptions (Existing flexibility is sufficient)



#### Review of PIF Model

The PIF Interactive Calculator is a spreadsheet model designed to facilitate the wward" pilot project designs in response to HB 3472, which in 2013. The "pay it forward" concept is an ated tuition forgiveness in evaluation of

was passed by alternative to exchange for The Oregon

assumption is an inde the PIF o our own

> We foun model 1 discour

"We found the model to be mathematically accurate. ... We also found the structure of the model to be reasonable and useful."

- ECONW Review of PIF Model

We also found the structure of the mo starts with estimates of future incomes for college with a series of multiplicative factors, multiplies them by the number participants, and then subtracts estimated administrative costs. It combines these forecasted cash inflows with the value of forecasted tuition waivers (the equivalent of cash outflows) and discounts the results to present value from the institution's perspective. This structure makes the operations of the model simple and transparent. There are few assumptions hidden in the structure of the model and almost all of the policy variables, factual data, and forecasts of future conditions are explicit and easily adjusted by the user. Changes to input values and assumptions have their expected effects on results.

there for making the structure of the model a little more complex incommetances that may prove to be

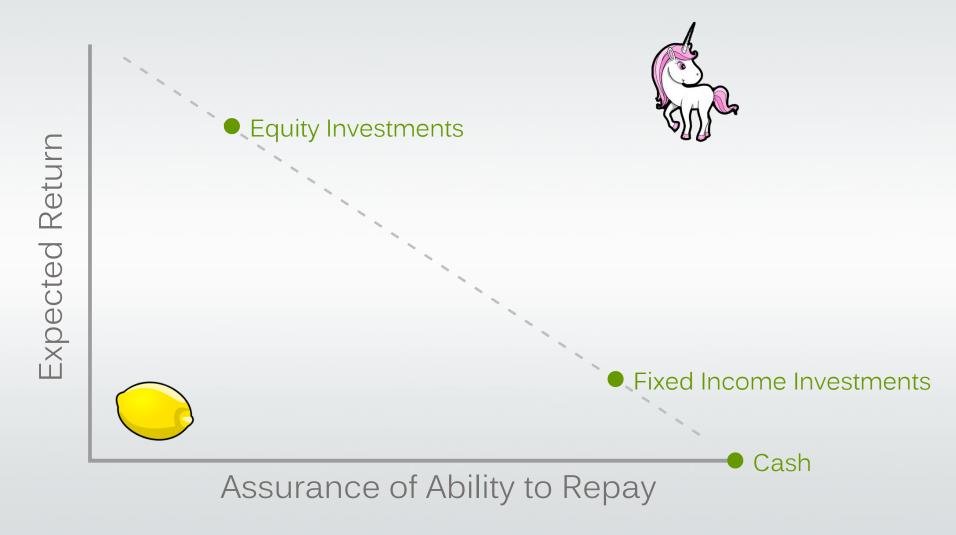
# Additional Options for Students



Traditional Loans

Pay It Forward

# Economic Value of Risk Mitigation



### Flexibility Examples

#### Student 1

Year 1:

**CC**; Family Contribution

Year 2:

CC; Pay It Forward

Year 3:

**University; Pay It Forward** 

Year 4:

**University**; Pay It Forward



#### **Student 2**

Year 1:

CC; Pay It Forward

Year 2:

CC; Pay It Forward



#### **Student 3**

Year 1:

**University**; Pay It Forward

Year 2:

**University**; Pay It Forward

Year 3:

**University**; Pay It Forward

Year 4:

**University**; Pay It Forward

PIF Obligation (% income / 20 yrs)

**Higher Ed** 

**Financing Path** 

2.75%

1.50%

4.00%

### Payout Comparison



#### **Traditional Loans**

**\$24,591** @ 4.66% (10 yr)

Total payout: **\$30,500** 



#### "Pay It Forward"

**180 credits** @ 4% income (20 yr) Salary: \$38,000/year

Total payout: **\$30,400** 

Adjusted for Personal Contribution

**OSU** model

(Submitted 3/6)

of 33%

OSU 4 yr tuition/fees: \$36,492

Loan: \$24,591 (67%)

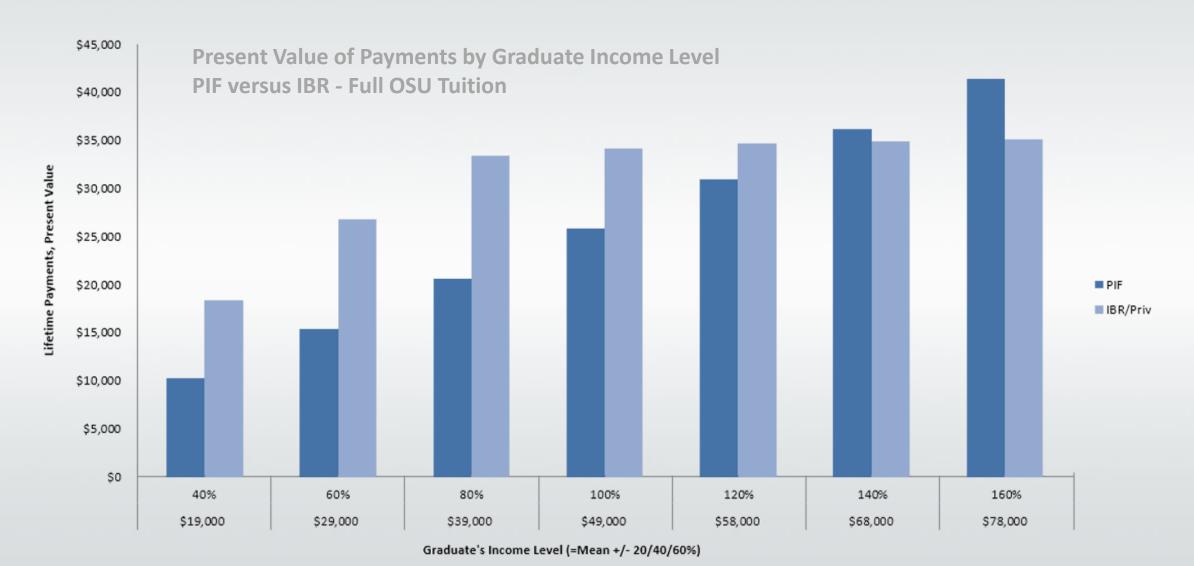
Personal Cont.: \$12,001 (33%)

Personal Cont.: \$12,001 (33%)

PIF: 120 credits @ 2.66% income

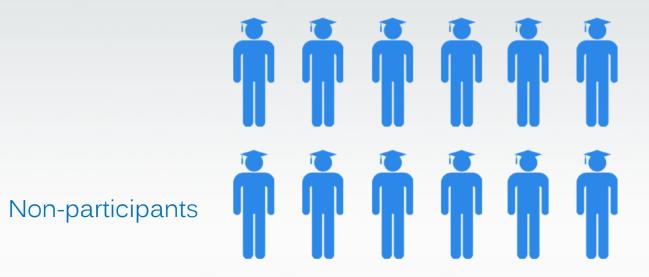
Total payout: **\$20,216** 

## Payout Comparison



#### Data Collection

**Applicant Pool** 



**Participants** 

### Initial Financing

#### Program costs in millions per biennium

Participants/yr:	1000	600	400
Years 1-2	\$ 19.2	\$ 11.7	\$ 7.8
Years 3-4	\$ 36.8	\$ 22.2	\$ 14.9

(Based on a weighted average tuition among OUS campuses and community college campuses.)

Source: HECC Report from Pay It Forward Workgroup

There is no obligation to the Legislature to continue or to increase funding.



# Pay it Forward Pilot Program

**HOUSE BILL 2662**