

## **Pay It Now: Investment, Not Cost Shifting**

The undersigned organizations call upon state and federal policymakers to support policies that increase need-based student aid as well as state support for public institutions, and not proposals like Pay It Forward that shift the cost of higher education even further onto students and families by restructuring how they pay for education.

There is no disputing that public higher education is facing a crisis of affordability. In the aftermath of the financial crisis, state funding per student has dropped to its lowest level in 25 years. As more individuals enroll in public colleges than ever before, states have slashed their higher education budgets and reduced their per-pupil funding, imposing significant tuition hikes and forcing reliance on student and parental debt to fill the gap. The rapid escalation of state disinvestment from public higher education and the gradual privatization trend over the last three decades have shifted even greater shares of the collective financial responsibility for college costs to students and their families, who too often have to choose between foregoing college altogether or taking on overwhelming amounts of debt to pay for higher education.

As state policymakers search for immediate alternatives to providing additional state revenues to support public higher education, some are embracing a concept known as “Pay It Forward,” modeled after a bill in the Oregon state legislature, who passed a feasibility study to pilot the program (HB 3472). Conceptually, Pay It Forward is an income-based funding mechanism for higher education tuition and fees, often simplistically oversold as providing “debt-free” higher education for current and future students by taxing graduates and former students a percentage of their income for at least 20 to 25 years. Pay It Forward presents many practical problems, most notable its potential to accelerate college cost growth and the feasibility of creating new fee collection mechanisms to implement the programs. While these issues will likely prevent Pay It Forward from being adopted in other states absent radical changes, we have other serious concerns about the Pay It Forward concept and any legislation modeled after it – both as a way for students to afford higher education and for states to fund it.

### **1) Increases the overall cost of higher education**

One of the biggest concerns about Pay It Forward is that it might end up costing students more in the end. Initial analyses by education experts Sara Goldrick-Rab and Mark Kantrowitz, have projected Pay It Forward would cost most students thousands more over their lifetime versus other alternative payment structures. Additionally, taxpayers would face high start-up costs to cover the initial cost of the program.

### **2) Does nothing to reverse the trends of state disinvestment**

Pay It Forward does not address the long-term trend of state disinvestment from higher education, which has accelerated rapidly over the last five years. Instead, this legislation puts an additional burden on individual students, reinforcing the concept of higher education as an individual transaction separate from the community, not as a public good that develops economic and civic engagement within it. Without a real commitment from states to increase their funding of higher education, the trends we’ve seen in the past decade – especially the transfer of the burden for financing higher education to students and their families – will continue. Pay It Forward suggests erroneously that each class of students will effectively cover the cost of college for those who come after them, essentially opening the door to the even more rapid privatization of public education.

### **3) Does not address the cost of college**

The Pay It Forward structure does nothing to address tuition levels or college costs for students, nor does it adequately address funding for the instruction, research, and robust student support services that are the

hallmark of a high quality college education. Furthermore, it would diminish the power of middle- and working-class families' to put pressure on politicians and colleges to keep costs down. In the long run, this program will likely make the growing college cost problem worse for most families by making it less likely for politicians to increase their investment in quality education.

#### **4) The full scope of the cost of attending college is not addressed**

Tuition and fees make up only a portion of the cost of a college education. When looking at how to make college more affordable for middle- and working-class students and families, we must find holistic solutions that include books, transportation, room and board, and classroom supplies. Even with Pay It Forward, many students would still have to borrow heavily to finance these other costs, incurring additional debt that would not be financed through the Pay it Forward program model.

#### **5) Causes unintended consequences**

Despite assurances that Pay It Forward would not impact federal and state financial aid, evidence suggests otherwise. As a result of Pay It Forward, the poorest students who currently receive grant aid for tuition and fees would likely end up paying thousands more than they otherwise would have. Pay It Forward could also have devastating effects on student government and other student organizations because the program would replace tuition *and* student fees, which are often the sole funding stream for civic engagement organizations on campus. Additionally, Pay It Forward may incentivize colleges to recruit students and fund academic programs that are more likely to produce high earners after graduation, since its entire funding structure is based on post-graduation earnings.

We are heartened that state lawmakers are taking the student debt crisis seriously and are seeking solutions. However, these solutions need to actively attack, not obscure, the root cause of rising student costs and debt: declining state investment in high quality public higher education. Pay It Forward moves us in the wrong direction.

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American Association of University Professors  
AFL-CIO  
American Federation of Teachers  
Colorado Student Power Alliance  
Education Trust  
Jobs With Justice  
National Education Association  
Student Labor Action Project  
The Institute for College Access and Success  
United Students Against Sweatshops  
University of Oregon Student Labor Action Project  
United Faculty Miami Dade College, AFT Local 4253