



# Pay It Forward: Debt-Free Access to Higher Education

## Students are losing their shot at the American Dream

Long-term declines in state higher education funding and more recent severe budget cuts are pushing college out of reach for middle class and low-income students. Facing stagnant household incomes, students and their families are forced to choose to either take on massive debt - or shelve plans to attend college. Both options limit their potential economic mobility after graduation, as well as the nation's long-term economic productivity.

Good jobs increasingly require workers with higher education, and our nation's economic growth depends on developing a workforce ready for 21st-century jobs in the global economy. But huge tuition hikes have created a high financial and psychological barrier to college. Students unable or unwilling to take out enormous loans effectively lose access to jobs requiring higher education. Those that do take on debt for college find themselves with less economic security even after earning a college degree. These graduates and would-have-been graduates are barred from the upward economic mobility that characterizes the American Dream.

## Pay It Forward: A Debt-Free Degree

-  Students attend college with no upfront tuition or fees
-  Instead, students contribute a small, fixed-percentage of their income for a predetermined number of years
-  Contributions are placed in a public higher education trust fund that funds education for the next generation of students, giving each new cohort the same opportunity to attend college



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## Rethinking How We Finance Public Higher Education

It is time to radically rethink how our nation finances its public colleges and universities. Pay It Forward is an effort to move financing of public higher education from a debt-based system toward pooled contributions that build a community of responsibility around higher education as a public good.

With Pay It Forward, students pay no upfront tuition or fees to attend college. Instead, they contribute a small percentage of their adjusted gross income after college - for example, 0.75% per year of community college, or 1% per year of university, for 20 years. Contributions go to a public higher education trust fund that gives each new cohort the same opportunity to attend college.

## Implementation Strategies

Several states are exploring pilot Pay It Forward programs. Possible implementations include:

- Statewide participation for all public higher education institutions
- Pilot campuses
- The entire graduating class of selected high schools in the state
- Medical education, from CNAs to RNs to PAs to MDs

The Pay It Forward trust fund itself can be established as a dedicated fund at the state level. The exact percentage and number of years for contribution can vary depending on specific implementation, the cost of tuition, and the type of degree.

Research and discussions with state policymakers, college administrators, students and other stakeholders are transforming Pay It Forward from a policy idea to implementation. Pay It Forward has the potential to transform financing of higher education, making the nation's public colleges and universities truly affordable and accessible to all.

## The Pay It Forward Advantage

- Pay It Forward entirely removes the largest accelerator of student debt (upfront tuition) and with it the financial and psychological barriers that keep many would-be students from pursuing higher education.
- Over time, the Pay It Forward trust fund becomes entirely self-replenishing and allows for more and more students to participate in Pay It Forward.
- By linking contributions to students' incomes, Pay It Forward allows graduates to choose work based on their interests and skills, rather than solely on the prospect of higher income.
- Pay It Forward can be implemented in addition to, and augmenting, other forms of federal, state, local, and private financial aid.