SHB 2720 Pay It Forward: Restoring college access

Long-term declines in state higher education funding and 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 Washington’s long-term economic productivity.

SHB 2720 creates Pay It Forward, a pragmatic and innovative new funding mechanism to increase college access, to the graduates of up to five Washington high schools.

- **Increased access to higher education.** By removing the barrier of upfront tuition, SHB 2720 incentivizes improved high school graduation rates, as well as increased enrollment, persistence, and completion of college degrees and certificates.

- **A middle-class option.** Pay It Forward combats the student loan crisis by providing an alternative to student loans, and supplements State Need Grant, College Bound Scholarship, and other college funding tools to offer college access to both unserved low-income and middle-class students.

- **An answer to 21st-century workforce needs.** Pay It Forward produces more workforce-ready college graduates that are unencumbered by student loan debt and interest payments, who have autonomy to choose their careers based on their skills, not based on the cost of their degree or the size of their paycheck.

- **A smart investment in the future of higher education.** The Pay It Forward Trust Fund becomes entirely sustained by graduates’ contributions within around 15 to 20 years, depending on the details of the particular program. A small investment now can provide college access for a steadily increasing number of students for years to come.
How does it work?

Students who choose to participate in Pay It Forward pay no upfront tuition or fees to attend college. Instead, they contribute a small, fixed percentage of their income – whatever that is – for a predetermined number of years after graduation or completion. There is no interest. Once the contribution period is over, so is their obligation to contribute – regardless of the total amount they contributed.

Figure 1 illustrates what a CTC graduate’s annual contributions would look like if she earned the average annual income for an associate degree holder over her lifetime and contributed 1.75% of her income for 15 years. At its highest in her last contribution year, the contribution is $737 per year, or $61 a month.

- Students’ tuition is paid from the Pay It Forward Trust Fund, which is initially funded by the state, then increasingly by the graduates’ contributions, starting with the contributions of the first cohort in year 5 of the program.

- After a number of years the fund becomes completely sustained by graduates’ contributions. Contribution rates and lengths are set by taking into account the tuition at participating institutions and national income data of similarly educated workers. The year of net revenue for the Trust Fund depends on the particular program’s contribution rates and lengths, but is generally around year 15 to 20.

Figure 2 illustrates an example of the state’s investment and the cash flow to the Trust Fund for a cohort of 200 CTC students on Pay It Forward, contributing 1.75% of their income for 15 years. The state’s initial investment decreases each year as the contributions increase, and the Fund becomes self-sustaining by year 17 of the program.