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We all know that education is important. A college education can mean greater earnings over a lifetime and greater economic opportunity.

Unfortunately, the cost of higher education is out of reach for many. Over the past couple of decades, the cost of attending college has risen sharply, while family income has stagnated. This is true throughout the country, as it is here in Oregon. In 1990, a year's worth of tuition and fees at the University of Oregon accounted for 10 percent of the typical Oregon taxpayer's income. By 2010, that had jumped to 25 percent.

As a result, students have been piling on debt in order to pay for college.

"Pay It Forward" attempts to increase access to higher education by eliminating student debt. It would do so by transforming the funding mechanism for higher education.

The way it works is that the student receives the benefit of higher education at the beginning of her adult life and pays a small fixed portion of her income into a system that will fund the education of future students for a fixed number of years. OCPP's analysis shows that Pay It Forward can pay for itself in the long run.

Our analysis builds on the work of John Burbank and the Economic Opportunity Institute in Washington state. OCPP crunched some numbers for how the program could work here in Oregon. For our analysis we relied on current enrollment levels, the value of a college degree over the last generation and the share of total education expenses per student covered by the state in 2009-10.

If after completing her education, each student were to pay 3 percent of her annual income into the Pay It Forward fund for 24 years, it would, on average, be more than enough to cover the cost of her education. It would also contribute an additional \$7,400 into the fund to help pay for the cost of educating subsequent students.

Some may question that our analysis assumes that education expenses rise roughly in step with inflation. This question is understandable, given the skyrocketing tuition costs in recent years. It is true that tuition and fees have been rising rapidly, but the total revenue expended per student has been remarkably flat after adjusting for inflation. It has been the state shifting this cost to the student that has accounted for the rise in tuition.

According to the most recent Oregon University System Fact Book, after adjusting for inflation, total revenue per OUS student increased only about 12 percent from 1989-90 through 2011-12, By contrast, tuition and fees have nearly tripled in inflation-adjusted terms over the same time period.

Pay It Forward may not completely alleviate the problems of educational inequality (we still need to increase public investment in higher education), but it does eliminate a daunting barrier of eye-popping up-front cost. Each student would simply pay in proportion to what they actually gain from their education in terms of income. And it turns out, the program can be self-sustaining, and actually generate revenue, in the long run.

Analysis of Long Term Self-Sufficiency of Pay It Forward Concept in Oregon

Key Assumptions:

- Total transition of entire Oregon University System
- Average tuition and fees of Oregon University System schools
- Based on 2009-10 student share of total education costs and state appropriation per full-time equivalent student
- Based on national census data for earnings by education and age in 2010
- Repayment: 3% of Adjusted Gross Income for 24 years after graduation

Program Year	Repayment Year	annual payback at 3% per graduate	cumulative deficit/surplus per individual	annual payback at 3%	total net annual cost
1			\$8,059		\$171,167,116
2			\$16,118		\$342,334,232
3			\$24,177		\$513,501,347
4			\$32,236		\$684,668,463
5	1	\$818	\$31,418	\$17,379,016	\$667,289,447
6	2	\$908	\$30,509	\$36,669,724	\$647,998,739
7	3	\$1,008	\$29,501	\$58,082,410	\$626,586,053
8	4	\$1,119	\$28,382	\$81,850,492	\$602,817,971
9	5	\$1,252	\$27,130	\$108,439,272	\$576,229,191
10	6	\$1,314	\$25,816	\$136,357,491	\$548,310,972
11	7	\$1,380	\$24,436	\$165,671,621	\$518,996,842
12	8	\$1,449	\$22,987	\$196,451,457	\$488,217,006
13	9	\$1,522	\$21,465	\$228,770,285	\$455,898,178
14	10	\$1,593	\$19,872	\$262,606,322	\$422,062,141
15	11	\$1,673	\$18,199	\$298,134,160	\$386,534,303
16	12	\$1,756	\$16,443	\$335,438,391	\$349,230,072
17	13	\$1,844	\$14,598	\$374,607,833	\$310,060,630
18	14	\$1,936	\$12,662	\$415,735,747	\$268,932,716
19	15	\$1,993	\$10,669	\$458,065,360	\$226,603,103
20	16	\$1,995	\$8,674	\$500,437,303	\$184,231,160
21	17	\$1,997	\$6,677	\$542,851,617	\$141,816,846
22	18	\$1,999	\$4,678	\$585,308,346	\$99,360,117
23	19	\$2,001	\$2,677	\$627,807,531	\$56,860,932
24	20	\$1,979	\$698	\$669,838,945	\$14,829,518
25	21	\$1,999	-\$1,301	\$712,290,673	-\$27,622,210
26	22	\$2,019	-\$3,319	\$755,166,918	-\$70,498,455
27	23	\$2,039	-\$5,358	\$798,471,926	-\$113,803,463
28	24	\$2,059	-\$7,417	\$842,209,983	-\$157,541,520
Total (Gross) Cost per Individual:					\$39,653
Total PayForward:					\$7,417
(Amount Added to Higher Ed Fund by Each Person Over and Above Costs Incurred for them)					