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THE FINAL WORD

THINK

'Pay it forward' student aid plan would cost Mich.

By Audrey Spalding and Jarrett Skorup

If financial aid for college seems dysfunctional now, imagine the state of Michigan trying to collect a college tuition bill from someone who graduated 10 years ago, and has since moved elsewhere.

Further, envision that the bill is based on that person's adjusted gross income — an amount he or she can manipulate with deductions and loopholes — and has nothing to do with the true cost of his or her education.

Such a program seems doomed from the start. And yet, Michigan legislators are proposing it. Under what some are calling a "Pay-it-Forward" bill, the state would give interest-free loans to college students in exchange for those students promising to pay back a percentage of their salary for up to 25 years.

Identical bills were introduced as House Bill 5315, sponsored by Rep. David Knezek, D-Dearborn Heights, and Senate Bill 784, sponsored by Sen. Jim Ananich, D-Flint.

These bills would sponsor a \$2 million pilot program for 200 students.

This program is not only fiscally unsustainable, but it also threatens to increase college costs further and burden recipients with a financial obligation they cannot pay off.

A "Pay it Forward" program would eliminate any incentives universities have to control costs.

The amount students will have to eventually pay — a percentage of their future salaries — is predetermined, regardless of the actual cost of their degree.

This will likely encourage more students to enroll in the most expensive institutions they can access, since they will not have to consider whether a more expensive university is worth the cost.

Even more perversely, this will encourage all universities to increase tuition. Students in the program will no longer have to grapple with the sticker shock of a four-year degree — but taxpayers will. In fact, the state of Oregon is proposing a statewide "Pay it Forward" program, which comes at a cost of \$9 billion. If repayment is less than expected, universities will not be able to charge graduates further. They will turn to



taxpayers for the difference.

The program theoretically relies on higher-earning graduates to subsidize the cost of lower-earners. But it is more likely that graduates going into majors that lead to higher pay will be less likely to take part.

The program has other negative features. It requires recipients to be indebted to the state for decades — no matter how much they pay back.

And students would be paying money to the state whether or not they actually received a degree.

This is one of the largest problems in the higher education system right now — nearly half of the students who entered college in 2006 did not graduate within six years — and the "Pay it Forward" bill is unlikely to help solve it.

And then there's the matter of repayment.

There does not appear to be much holding students to their pledge of paying back a percentage of their income for decades.

The bill requires a "written agreement" and has students "agree to pay [the state] a percentage of his or her future earnings."

Students would have every incentive to creatively exploit this program in order to pay as little as possible.

The bill would not require payment until a person began earning a salary above the federal poverty line.

In addition to encouraging students to major in easier, and less lucrative, fields, it also rewards them for earning a low income.

That's not good for students or the state.

The real problem with our higher education system is that costs are increasing exponentially.

Unfortunately, taxpayer subsidies have exacerbated this trend: As public money for higher education has increased, so have administrative costs.

There is nothing stopping a university or finan-

cial system from introducing a program like this on its own; the fact that they have not put up their own capital to do so is telling.

The bottom line is that this proposal will not reduce college tuition costs, and in fact threatens to increase them. It serves only to provide another way students can rack up more debt.

If legislators want to help students, they should instead consider proposals that would help reduce costs.

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