



COLLEGE OF EDUCATION AT ILLINOIS

HIGHER EDUCATION COLLABORATIVE



“Pay It Forward” and Higher Education Subsidies: A Theoretical Model

Jennifer A. Delaney
Assistant Professor
Education Policy, Organization and Leadership
College of Education
University of Illinois at Urbana-Champaign

October 16, 2014
12 – 1pm*
Education Building, Room 242

* A light lunch will be served

Since 2013, more than 20 states have considered legislation on Pay It Forward (PIF) models of higher education finance. These programs enable students to pay the price of college upon departure from an institution, as opposed to paying up-front tuition. This paper proposes a theoretical model of PIF policies within a framework in which voters belonging to different income groups vote over the level of subsidies to higher education. We analyze the impact of two facets of potential PIF policies – a deferred tuition approach and an income share approach – on college access and on voting equilibria over higher education subsidies levels. The results show that college access is enhanced by PIF policies. The equilibrium level of subsidies depends crucially on the pattern of income distribution, in particular on the relationship between mean income and the income of the median income group. We show that the equilibrium level of subsidies to higher education will not necessarily decline under PIF, and may increase in some equilibria due to changes in college access for low income groups. We also present a descriptive cross-country empirical analysis showing that there are higher levels of access to college credentials in countries with deferred tuition systems.

SPONSORED BY THE HIGHER EDUCATION COLLABORATIVE SEMINAR SERIES,
SUPPORTED BY THE TIMPONE FAMILY ENDOWMENT FUND. CO-SPONSORED BY THE
FORUM ON THE FUTURE OF PUBLIC EDUCATION.

Please direct questions about this event to Jennifer A. Delaney delaneyj@illinois.edu