



One in a series for Helping All People Rebound and Advance

## ▶ Innovative Financing

### Why it Matters

In our ever-evolving economy, people need to gain new skills and knowledge throughout their careers, but millions of Americans are unable to pursue the training and education they need because they either cannot afford it or would have to incur insurmountable debt to do so. The problem is especially acute now, when workers displaced by the COVID-19 pandemic are unsure if their jobs will return, and many don't have the skills or credentials they need to find new careers or advance economically.

In a fall 2020 U.S. Census Bureau Household Pulse Survey, respondents cited cost as one of the top reasons for changing their college plans. Decades of cuts in public spending on postsecondary education and training and increases in tuition, fees, and associated expenses have led to skyrocketing debt burdens for students who pursue traditional college paths. Moreover, existing financial aid options are not accessible to some people in need of reskilling and upskilling, and they don't cover the short-term training that helps people get back to work quickly. Without innovative financing options, an increasing number of people will struggle—with individuals experiencing poverty and people of color most at risk.

### Current Challenges

- The student loan **debt crisis is marked by racial disparities**. Compared with their white peers, Black students are more likely to need loans to pay for school and they're nearly five times as likely to default on their loans.
- While employers provide training, they **underinvest in Black, Latinx, and Asian workers**, and in employees with low levels of educational attainment.
- **Federal financial aid is inaccessible to 23 million individuals ages 25 and older without a high school diploma**, 454,000 undocumented students, as well as a growing number of people who want to pursue nondegree training options or accelerated programs.
- Funding for training offered under the Workforce Innovation Opportunity Act (WIOA), which has **fallen by more than 40 percent since 2001, is narrowly targeted and fails to fill these gaps**.

#### DEFINITION

### Innovative Financing

Innovative financing includes a range of emerging and promising approaches to paying for postsecondary education and training.

## What's Needed

Innovative financing options that enable workers and learners facing economic insecurities to pay for high-quality education and training, and thereby open new opportunities for reemployment and strengthen their financial stability.

## What State Policymakers Can Do



### **Foundational Steps**

- ▶ Expand the accessibility of innovative new financing models, such as income share agreements (ISA), and ensure that these offerings are subject to at least the same level of protection as traditional loan programs and are aligned with federal guidance as it becomes available. Counseling and other financial literacy services should also be provided to help consumers understand and make informed decisions about new financing options.



### **Advanced Steps**

- ▶ Implement state-funded pay-for-success financing models to cover the cost of short-term training programs that are typically ineligible for traditional financial aid options like Pell Grants and federal student loans. Individuals who take advantage of these financing options should receive culturally responsive career navigation services and enroll in programs offered by qualified education and training providers.
- ▶ Encourage employers to invest in skills training for all workers by expanding on-the-job instruction and apprenticeship programs, and create tax incentives for employers that sponsor worker training or offer tuition assistance programs.



### **Transformational Steps**

- ▶ Create lifelong learning and training accounts that workers could use to pay for education and training programs offered by qualified providers. States would contribute a set amount to the accounts and match worker and employer contributions. States that offer these accounts should also offer enhanced, culturally responsive career navigation services to help workers make informed decisions about the way they utilize their accounts.

## State and Local Spotlights

### **San Diego Workforce Partnership**

A regional workforce development board with limited funding, the San Diego Workforce Partnership has created an ISA program to increase its capacity to provide training to workers. Participants enroll in short-term UC San Diego Extension technology certification programs that include career readiness, mentoring, and job placement supports. Rather than paying the \$6,500 cost of the program up front, they pay 6 to 8 percent of their future incomes over the course of 36 to 60 months. Those who make less than \$40,000 pay nothing.



### **Virginia**

Virginia's FastForward program provides scholarships for students to take short-term training courses at community colleges.

Students only pay one-third of the cost if they complete the program, and the state reimburses the institution for the remainder if the student receives a credential. FastForward has yielded strong results, including wage gains of 25 to 50 percent for graduates who earn a credential. The state emphasizes employer engagement—employer partners identify skill and credential gaps and help to design curricula, for example—and that has had a significant impact: 98 percent of the credentials awarded in Virginia can be applied to the state's top 12 occupations.



### **Washington**

In 2009, Washington became the second state (after Maine, in 2005) to establish a Lifelong Learning Accounts (LiLA) program. Offered through employer benefits plans, LiLAs are savings accounts that workers can draw on to pay for education and training programs, as well as related expenses, such as books, test fees, and child care. Employers match employees' contributions to the accounts.



## Featured JFF Resources

### **Financing the Future**

JFF's Financing the Future initiative is an effort to reimagine the way education and training are financed. We are taking a big-tent approach that involves gathering perspectives from a range of stakeholders, including educators, policymakers, private-sector financiers, and learners themselves.

[Read More Here](#) ▶

### **What States Can Learn From Virginia's FastForward Into the Future of Work.**

This blog describes how Virginia's FastForward initiative uses a pay-for-success model to fund participation in short-term credential programs.

[Read More Here](#) ▶

### **State Policy Road Map for an Equitable Economic Recovery**

*This resource is a part of a series that provides state policy solutions focused on people, places, and systems – with the goal of closing equity gaps and driving economic advancement for all.*

[Read Full Series](#) ▶