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Jobs for the Future

How Can Innovative Finance Expand Training Opportunities and Transform the Postsecondary Education System?

New Approaches to Paying for Postsecondary Education Offer Tremendous Potential

Financing the Future Initiative

Acknowledgments

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About Financing the Future

JFF's Financing the Future is a policy initiative reimagining financing for postsecondary education and skills development. Launched in 2020, the initiative takes a big-tent approach, bringing together perspectives from across the stakeholder spectrum, with input from educators, policymakers, investors, philanthropic organizations, employers, and students themselves. By spurring conversation and action across an array of innovative financing options, Financing the Future aims to cultivate an education financing ecosystem that promotes opportunity and equity.

About Jobs for the Future

Jobs for the Future (JFF) drives transformation of the U.S. education and workforce systems to achieve equitable economic advancement for all. www.jff.org.

About JFF's Language Choices

JFF is committed to using language that promotes equity and human dignity, rooted in the strengths of the people and communities we serve. We develop our content with the awareness that language can perpetuate privilege but also can educate, empower, and drive positive change to create a more equitable society. We will continually reevaluate our efforts as language usage continues to evolve.

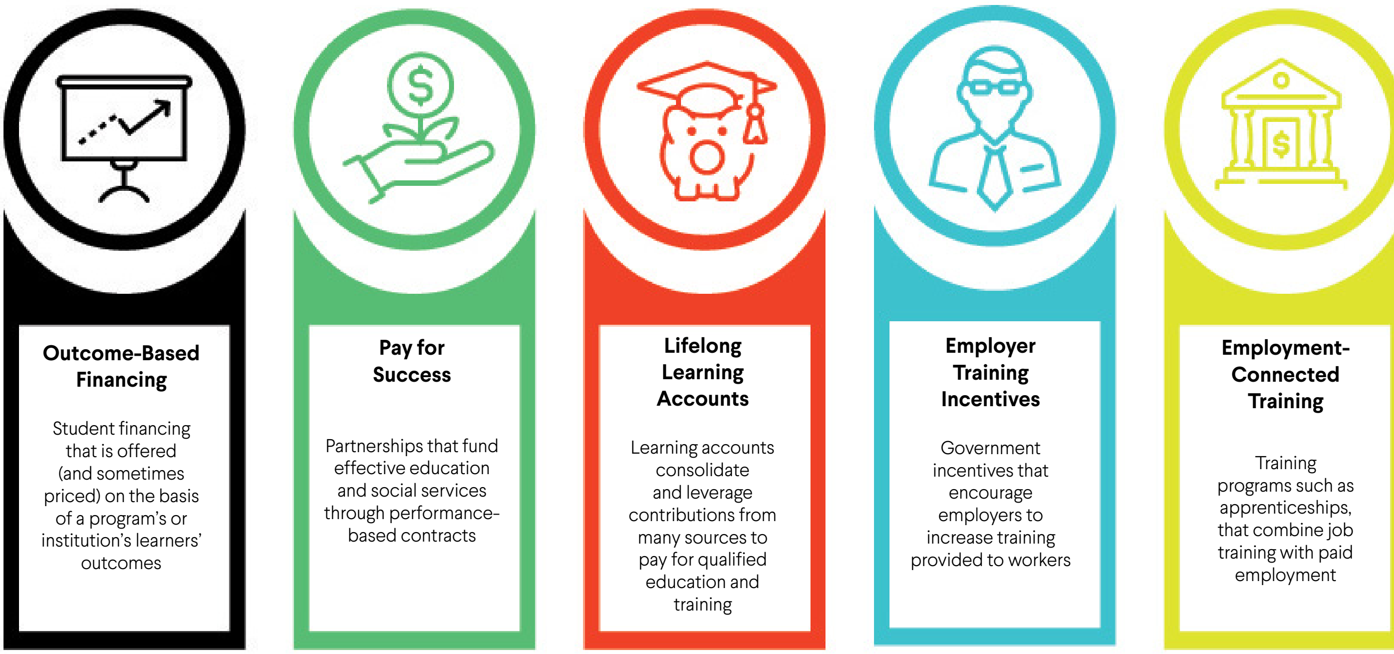
Executive Summary

In today's rapidly changing economy, workers must continually acquire new skills in the face of both gradual evolutions and sudden disruptions to the labor market. Postsecondary education plays a pivotal role in helping individuals enhance their careers and adapt to changes in the job market.

However, the rising costs of postsecondary education and doubts about its value have led to declining enrollment and a need for reform. Limited federal, state, and employer investment in education has caused more of the burden to fall on learners to upskill and reskill themselves, leading to heavy reliance on student loans. Educational institutions lack sufficient incentives to ensure their learners are prepared for the labor market, so while the value of the education justifies those costs on average, for too many learners an education does not lead to a well-paying career. This leaves them—and often their parents—saddled with debt burdens they cannot pay off.

The system is also inflexible, largely centered on traditional two- and four-year degrees pursued in classroom settings. Career and technical training may offer cheaper and faster routes to postsecondary credentials, but federal financial options are limited and quality is variable and opaque.

New and innovative approaches to paying for education can be an important part of the solution. This report identifies five broad categories of innovative financing solutions:

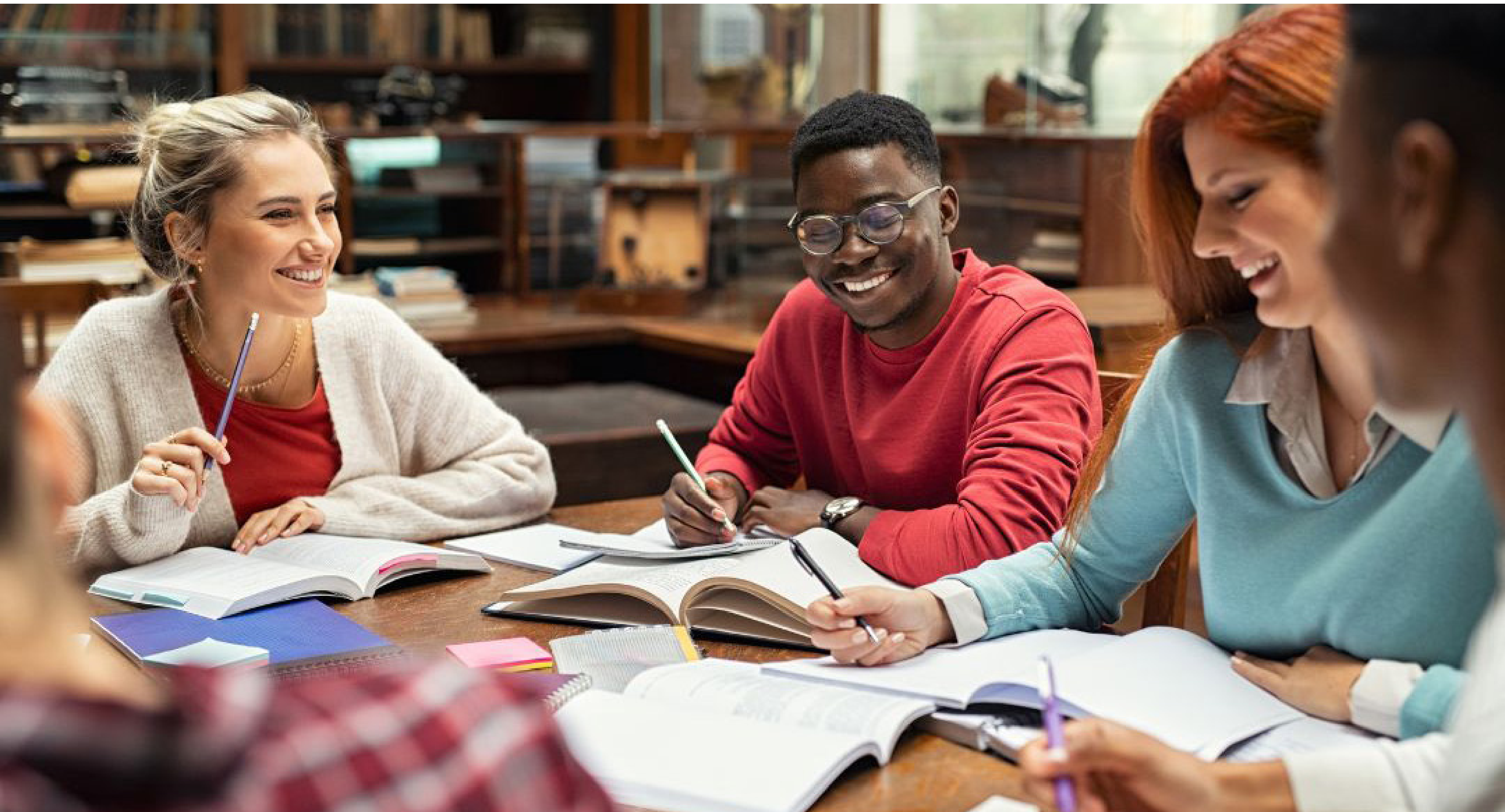


These approaches have the potential to improve the postsecondary education system in four ways. First, they can expand access to education by lowering the cost to the learner and by incentivizing employers, government, philanthropy, and funders to invest more (thereby increasing the supply of education). Second, they can improve education quality by aligning schools' financial incentives with learners' economic outcomes. Third, they can ensure that education is affordable by either making it free to the learner or scaling the learner's payments to their earnings. And finally, they can promote racial and gender equity because each of the aforementioned problems with the existing system—lack of access, quality, and affordability—disproportionately harm Black and Latine learners, so addressing these problems will improve racial equity.

Stakeholders should take steps toward realizing the transformative potential of these new models by establishing bold and responsible innovative finance programs that are coupled with rigorous research to build the evidence for what works and what doesn't. Each set of stakeholders can play a role:

- **Government** can leverage public funds to establish and expand innovative finance programs; clarify and strengthen the regulatory guardrails for outcome-based financing, especially ISAs; and invest in career navigation services, wraparound services, and data systems.
- **Philanthropies and impact investors** can provide affordable capital to innovative finance programs to ensure contract terms are favorable to learners and de-risk market-rate investments, as well as fund research into the upsides, risks, and best practices of these programs.
- **Employers** can play an important role in testing and funding innovative finance approaches, targeting frontline workers and those with little postsecondary education, and seeking to involve local workforce development boards where practical.
- **Education and finance providers** can remain leaders in innovative finance through continued implementation and evaluation of new models and interventions, and ensuring they are designed and operated in a learner- and equity-centered way.
- **Researchers** can improve our understanding and evaluation of the various innovative financing models by exploring outstanding research questions.

To be sure, innovative financing models are relatively new, and thus their track records are limited. Models that require learners to sign financial or tenure contracts must ensure that those terms are transparent and understandable, and do not take advantage of learners. These models are neutral tools, and both practitioners and proponents must be clear-eyed that while these tools have the potential to significantly improve learners' lives, they can also harm them if they are not designed and operated in a way that is learner- and equity-centered. Rigorous data collection and evaluation, diffusion of best practices, and strong and clear regulatory guardrails are vital. JFF aims to promote new solutions that have an established evidence base and the potential to scale to system transformation. By planting enough seeds, guiding their growth, cultivating a favorable climate, and evaluating the outcomes they yield, we can identify solutions that are ripe for adoption, with the ability to transform the system and expand economic opportunity for all.



Building a Future
That Works
For Everyone