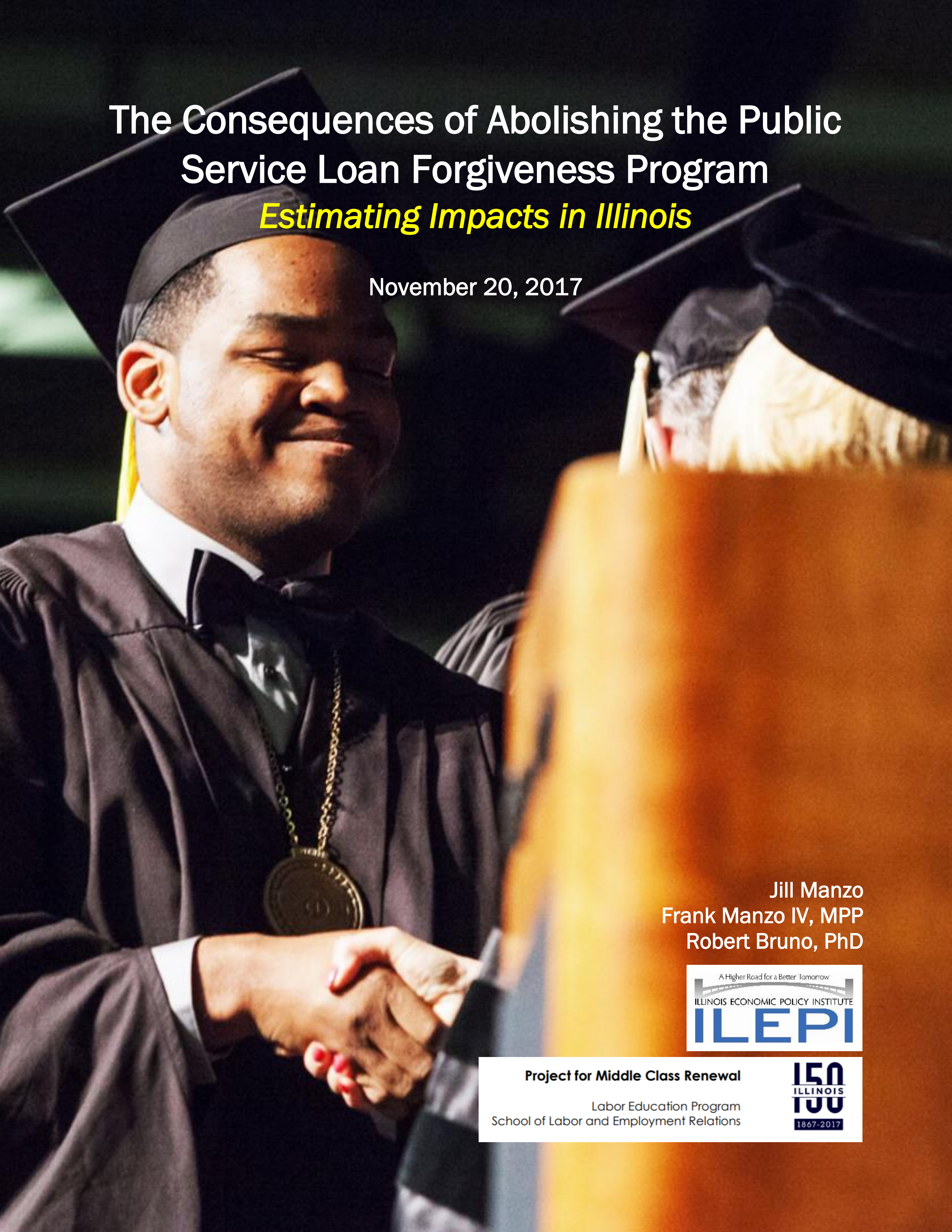
The Consequences of Abolishing the Public Service Loan Forgiveness Program

Estimating Impacts in Illinois

November 20, 2017



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Executive Summary

The future of the Public Service Loan Forgiveness (PSLF) program is uncertain under the Trump Administration. Created in 2007 during President George W. Bush's second term, the PSLF program subsidizes federal student loan repayments for workers employed by the public sector and eligible nonprofit organizations. The program is intended to encourage individuals to enter and continue to work in public service occupations, which tend to be lower paying than comparable private sector jobs.

Congressional officials have floated eliminating PSLF to cut federal spending and balance the budget in the wake of tax cuts that would increase the deficit by $1.5 trillion. Tax cut plans currently introduced in Congress would eliminate the Lifetime Learning Credit, the student-loan interest deduction, and the corporate deduction for education-assistance plans while raising new taxes on some private college endowments and taxing tuition waivers – which would impact 145,000 graduate students who receive waivers to cover tuition. These cuts are opposed by universities and higher education groups.

In addition to cuts introduced in Congress, one of President Trump's proposed education budget cuts pertains to the PSLF program, which would be eliminated for individuals who take out student loans on or after July 1, 2018 and would reduce federal spending by $27 billion over ten years. Trump's budget proposal to eliminate PSLF would have a negative impact on workers and businesses in the Illinois economy. There are approximately 21,000 workers aged 25 to 34 in Illinois who benefit from the PSLF program– including teachers, librarians, social workers, psychologists, detectives, fire marshals, scientists, public works engineers, researchers, and religious workers, among many others. These workers earn an average income of $50,468 annually but face an average student loan debt burden of about $80,000.

Public service workers who benefit from PSLF have higher levels of educational attainment compared to their private sector counterparts, yet tend to earn a lower annual salary. In Illinois, the share of PSLF-eligible young workers with a master's degree is 36 percent; nearly double the amount of university-educated young workers in the private sector (19 percent). The median salary of PSLF-eligible workers aged 25 to 34 is $48,000, with the top 10 percent of earners taking home $77,000 or more. By contrast, full-time individuals ages 25 to 34 with bachelor's degrees or more in the private sector (excluding nonprofit organizations) earn a median salary of $55,000, with the top 10 percent of earners making $110,000 or more.

The PSLF program puts more money into the pockets of Illinois workers. A public service worker earning the average salary of PSFL-eligible workers and facing the average PSLF student loan debt of $80,000 pays $618.34 less *per* month in student loan debt than he or should would without the PSLF program. The annual benefit to the average PSLF borrower is over $7,420, or more than $74,000 over ten years.

The PSLF program stimulates the Illinois economy. PSLF borrowers currently have more than $125 million more in their pockets due to lower monthly student loan payments – money that can be spent at local retail stores, at restaurants, paying medical bills on automobiles and better apartments, or on health insurance in the marketplace. Furthermore, the PSLF program saves or creates nearly 1,300 jobs annually, boosts home sales by $15 million every year, and enables over 1,500 young workers the ability to rent in the Illinois economy, rather than living at home with their parents. Cutting the PSLF program would eliminate these positive benefits, shrinking the Illinois economy and resulting in job losses in the state.

The Trump Administration and Illinois' congressional delegation must consider the negative economic impacts of abolishing the Public Service Loan Forgiveness program. In fact, the state and federal government must implement policies to make college affordable for *all* workers– regardless of sector of employment– as a comprehensive solution to address increasingly burdensome student loan debt. Eliminating the program would be bad for workers and businesses across Illinois' economy.

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Introduction

President George W. Bush signed the Public Service Loan Forgiveness (PSLF) program into law in 2007. The program is intended to encourage individuals to enter and continue to work in public service occupations. Since 2007, about 553,000 people have signed up for the program (Student Debt Relief, 2017; Douglas-Gabriel, 2017). In general, PSLF program costs are high because individuals with master's and doctorate degrees who work for government or public service nonprofits qualify for the program in addition to those with bachelor's degrees.

The Public Service Loan Forgiveness is uncertain. Congressional officials have floated eliminating PSLF to cut federal spending and balance the budget in the wake of tax cuts that would increase the deficit by $1.5 trillion. Tax cut plans currently introduced in Congress would eliminate the Lifetime Learning Credit, the student-loan interest deduction, and the corporate deduction for education-assistance plans while raising new taxes on some private college endowments and taxing tuition waivers (Kelderman, 2017). The tax on tuition waivers would impact 145,000 graduate students who receive waivers to cover tuition costs (Becker, 2017). These cuts are opposed by universities and higher education groups.

Additionally, the Trump Administration has suggested massive cuts to education and other public programs, such as Medicaid and Food Stamps, to balance federal spending. One of the proposed cuts is to the PSLF program that subsidizes federal loan repayments for those who take jobs in government or nonprofit organizations. Although the budget changes with congressional input, Trump's cuts to education would eliminate the PSLF program for people taking out loans on or after July 1, 2018. Eliminating the PSLF would reduce federal spending by $27 billion over ten years, covering just 2 percent of the cost of the $1.5 trillion tax cut (Anderson, 2017). Those already enrolled in the program are still eligible for forgiveness and the first borrowers will have their loans forgiven in October 2017 (Federal Student Aid, 2015).

Americans owe more than $1.4 trillion in student loans. Programs like PSLF that help highly educated public service workers pay off their student loan debt are beneficial to workers and the economy. In fact, the elimination of the Public Service Loan Forgiveness program could negatively affect hundreds of thousands of Americans and tens of thousands of Illinois residents.

About the Public Service Loan Forgiveness (PSLF) Program

Under the PSLF program, individuals working at least 30 hours a week in a public service occupation for 10 years qualify for student loan forgiveness. Individuals working in public service occupations must make 120 monthly payments toward their federal student loans while working for a qualified employer. A qualifying loan for PSLF is any loan received under the William D. Ford Federal Direct Loan (Direct Loan) Program, Federal Family Education Loan (FEEL) Program, and Federal Perkins Loan Program. PSLF uses an income-driven repayment plan, which is generally 10 percent of an individual's discretionary income. After ten years of payments, the remaining federal student loans are forgiven (Federal Student Aid, 2015).

The program was created to incentivize educated people to work for government and nonprofit organizations where salaries can be comparably less than the private market. Eligible employment includes any position at a federal, state, or local government entity, a nonprofit organization with a 501(c)(3) designation, a nonprofit organization that does not have 501(c)(3) status but provides emergency management, public safety, or law enforcement services; health services; education or library services; school-based services; public interest law services; early childhood education; or public services for individuals with disabilities and the elderly.

PSLF provides four different payment plans for enrollees. The first plan, the Revised Pay as You Go (REPAYE), and the second plan, Pay as You Earn (PAYE), are payment plans where a borrower pays 10 percent of discretionary income on all types of federal Direct Loan types except Parent PLUS loans; PAYE enrollees must have started borrowing on or after October 1, 2007. A third plan, the Income-Contingent Repayment (ICR) option limits payments to the lesser of 20 percent of discretionary income or an income-adjusted 12-year repayment amount; Parent PLUS loans are eligible for forgiveness if consolidated in a Direct Consolidation Loan for this payment plan. However, approximately 75 percent of all PSLF borrowers currently utilize the fourth method, the Income-Based Repayment (IBR) plan, which limits payments to 10 percent of discretionary income (Hoblitzell et al., 2015). Enrollees must have started borrowing on or before July 1, 2014 to qualify or else they are placed under the 10-percent PAYE plan (Student Loan Hero, 2017).

The first enrollees had their loans forgiven in October 2017. At present, there is no cap on the amount forgiven to an individual. Thus, the biggest beneficiaries are people who borrow to attend graduate or professional school due to the larger tuition costs and educational expenses accumulated compared to the average individual with a bachelor's degree. A 2014 report by the New America Foundation, a non-partisan think tank, finds that the PSLF program encourages borrowers interested in working in the public sector to take on more debt, and may subsequently increase tuition costs (Delisle & Holt, 2014).

While there has been some opposition to the PSLF program because of the potential high costs, eliminating the program could limit the number of public employees attaining higher education. The Congressional Budget Office (CBO) has found that capping the amount forgiven to borrowers at $57,500 would save the federal government $7 billion over 10 years; however, the CBO also notes that the reduction in forgiveness might lead some students to forgo attending graduate or doctorate school. In addition, many graduates would forgo seeking employment in public service (CBO, 2016). Limiting the amount of student loan debt available for forgiveness or eliminating the program altogether would increase the risk that students would not be able to repay their loans. The current delinquency rate on student loan payments of 11.2 percent would rise, disproportionately impacting students from low-income and middle-class families (Student Loan Hero, 2017).

The Trump Administration has considered abolishing the Public Service Loan Forgiveness Program for those who borrow on or after July 1, 2018. The elimination of the program would hurt people who work in the public interest, would reduce educational attainment levels of individuals working in public service, and would have a negative impact on the economy by reducing consumer demand. In Illinois, the consequences of cutting the PSLF program are in the millions of dollars per year.

Characteristics of Young Workers Eligible for the PSLF Program in Illinois

Student loan debt has grown considerably over time. In 2015, Illinois college graduates had an average of $29,305 in student loan debt (Yerak, 2016). This is a 25 percent increase since 2008. Fully 71 percent of all students graduating from a four-year college in Illinois had student loan debt. In 1993, the average college alumna graduated with $9,450 in student loan debt (The Institute for College Access & Success, 2014). Note that these debt levels are only for four-year bachelor's degree programs.

This section discusses public service and nonprofit workers aged 25 to 34 in Illinois because they are recent college graduates who are most likely to qualify for and enroll in the PSLF program. The first people in the Public Service Loan Forgiveness program saw their remaining loans forgiven in October 2017. Although public service workers of all ages are eligible for PSLF, most individuals who graduated college in 2007 and enrolled in PSLF after graduation are 32 years old as of 2017. Individuals with master's, professional, and doctoral degrees may have been a little bit older, while newer enrollees are younger.

Illinois has approximately 1.4 million workers who are aged 25 to 34 years old. While an estimated 605,000 workers between 25 and 34 years old have at least a bachelor's degree, nearly 102,000 work 30 or more hours per week for the public sector or a public service nonprofit organization that is eligible for Public Service Loan Forgiveness program (Figure 1).

Figure 1: Illinois Workers Who Qualify for PSLF Program and Average Annual Income, 2015

Workers Ages 25-34 Employed at Least 30 Hours Per Week		
Illinois Workers 25-34 Years Old with Bachelor's Degree Working For…	**Estimated Workers**	**Average Annual Income***
Local Government	45,838	$50,186
State Government	30,692	$48,777
Federal Government	11,867	$65,224
Civic, Social Advocacy, Grantmaking, or Giving Organization	5,638	$51,710
Religious Organization	1,849	$34,717
Total/Average	**101,685 (17%)**	**$50,468**

Source(s): Ruggles et al., 2016 – 2015 American Community Survey.

**Average annual income is for workers employed at least 30 hours per week* and *at least 48 weeks per year.*

Figure 1 displays estimated workers in local, state, and federal government, civic nonprofit organizations, and religious organizations in Illinois and the average annual income of public service workers. Approximately 17 percent of 25 to 34 year olds working in Illinois qualify for the PSLF program. While the vast majority of these young workers are employed by the public sector, almost 2,000 work for religious organizations and nearly 6,000 are employed by nonprofit organizations. The average income of PSLF-eligible employees who work at least 30 hours per week over the year is $50,468 (Figure 1).

Figure 2: Top 10 Degrees of PSLF-Eligible Young Workers vs. All Young Workers in Illinois, 2015

Workers Ages 25-34 Employed at Least 30 Hours Per Week			
Rank	**Field of Bachelor's Degree**	**PSLF Eligible**	**All Workers Ages 25-34 with Bachelor's, Master's or Advanced Degree**
1	Education Administration and Teaching	27.4%	8.7%
2	Business and Economics	8.9%	21.2%
3	Social Sciences	7.8%	7.3%
4	Psychology	6.6%	5.6%
5	Communications	5.7%	6.3%
6	Medical and Health Sciences and Services	4.9%	7.2%
7	Criminal Justice and Fire Protection	4.8%	2.2%
8	Fine Arts	4.3%	5.7%
9	English Language, Literature, and Composition	4.1%	3.2%
10	Engineering	3.8%	6.9%

Source(s): Ruggles et al., 2016 – 2015 American Community Survey.

Workers with education administration and teaching degrees are most likely to be eligible for PSLF (Figure 2). Approximately 27 percent of those eligible for PSLF earned degrees in education administration and teaching. Those who attained degrees in business and economics are the second largest group to be eligible for PSLF, accounting for 9 percent of those qualifying in Illinois. About 6 to 8 percent of those qualifying hold degrees in social sciences, psychology, and communications. Individuals with degrees in criminal justice and fire protection are also disproportionately likely to be eligible for the PSLF program in Illinois.

Workers who are eligible for the PSLF program generally earn lower incomes than their counterparts in the private sector (Figure 3). In Illinois, individuals aged 25 to 34 who are eligible for the PSLF program earn an average income of $50,468 annually. The median salary of these eligible workers is $48,000, with the top 10 percent of earners taking home $77,000 or more. By contrast, full-time individuals ages 25 to 34 with bachelor's degrees or more in the private sector (excluding nonprofit organizations) earn an average income of $67,179 annually. The median salary of these private-sector workers is $55,000, with the top 10 percent of earners making $110,000 or more.

Figure 3: Salary Distribution of PSLF-Eligible vs. Comparable Private-Sector Workers, 2015

Workers Ages 25-34 Employed at Least 48 Weeks and at Least 30 Hours Per Week		
Wage and Salary Income, 2015	**PSLF-Eligible**	**Private Sector Only**
Average	$50,468	$67,179
Bottom 10 Percent	$25,000	$26,000
Bottom 25 Percent	$35,000	$38,000
Median	$48,000	$55,000
Top 25 Percent	$60,000	$80,000
Top 10 Percent	$77,000	$110,000
Top 5 Percent	$92,000	$140,000

Source(s): Ruggles et al., 2016 – 2015 American Community Survey.

However, workers who are eligible for the PSLF program generally have higher levels of educational attainment than their counterparts with bachelor's degrees in the private sector (Figure 4). In Illinois, the share of PSLF-eligible young workers with master's degrees is 36 percent; nearly double the amount of university-educated young workers in the private sector (19 percent). The share with professional or doctoral degrees is also marginally higher among PSLF-eligible workers. Thus, employment in Illinois' public sector, nonprofit sector, and religious institutions generally requires a higher level of educational attainment than working in the private sector, which increases the average student loan debt accumulated by those serving the public. At the same time, full-time compensation is lower in these sectors than in private industry, demonstrating the significant value of the Public Service Loan Forgiveness program to Illinois residents.

Figure 4: Educational Attainment of PSLF-Eligible vs. Comparable Private-Sector Workers, 2015

Workers Ages 25-34 Employed at Least 48 Weeks and at Least 30 Hours Per Week		
Educational Attainment of Workers	**PSLF-Eligible**	**Private Sector Only**
Share with Bachelor's Degree Only	56.6%	74.5%
Share with Master's Degree Only	36.1%	18.7%
Share with Professional or Doctoral Degree	7.4%	6.8%
Total	**100.0%**	**100.0%**

Source(s): Ruggles et al., 2016 – 2015 American Community Survey.
**Estimates may not add up perfectly to 100.0 percent due to rounding.*

Estimating the Economic Impact of the PSLF Program in Illinois

There are approximately 21,000 young workers in Illinois who directly benefit from the PSLF program– including teachers, librarians, social workers, psychologists, detectives, fire marshals, scientists, public works engineers, researchers, and religious workers, among many others (Figure 5). To estimate the total number of current PSLF borrowers in Illinois, data was incorporated from two sources. First, national data from the Public Service Loan Forgiveness Employment Certification Forms (ECFs) by FedLoan Servicing indicates that there were fewer than 553,000 cumulative PSLF borrowers across the United States (Federal Student Aid, 2017a). Second, according to micro data from the 2015 *American Community Survey* conducted by the U.S. Census Bureau, 3.8 percent of all PSLF-eligible workers nationwide live in Illinois. (Ruggles et al., 2016)[1] Assuming that the share of PSLF borrowers from Illinois equals the share of PSLF-eligible workers residing in the state, then the estimated number of PSLF borrowers is 21,011 in Illinois. Note that this may be a conservative estimate if PSLF-eligible workers in Illinois have higher student loan debt levels than their counterparts who qualify for the program across the country; higher student loan debt increases the likelihood of any PSLF-eligible worker actually utilizing the program.

Figure 5: Estimated Total Number of PSLF Borrowers in Illinois, 2015

Estimated Total Number of PSLF Borrowers in Illinois	Value
Total PSLF Borrowers in the United States	552,931
Share of PSLF-Eligible Workers in Illinois (2015)	3.80%
Estimated PSLF Borrowers in Illinois	21,011

Source(s): Federal Student Aid, 2017a – "Public Service Loan Forgiveness Employment Certification Forms Report;" Ruggles et al., 2016 – 2015 American Community Survey*.*

The typical PSLF enrollee has significant student debt. The main reason PSLF borrowers have a high-debt level is because they are highly educated. In fact, about 40 percent of the $1.4 trillion student loan debt in the United States is used to finance graduate and professional degrees (Student Loan Hero, 2017).

Using data on the distribution of student loan debt of PSLF borrowers provided by the U.S. Department of Education, the estimated average amount borrowed is $83,100 (Hoblitzell et al., 2015). The methodology of this estimated average is outlined in the Appendix. Conservatively, this analysis assumes that the average student loan debt of a PSLF borrower is $80,000.

Figure 6: Average Income Limit to Receive PSLF Benefits in Illinois, 2015

Average Income Limit to Receive PSLF Benefits	Dollar Value
Estimated Average PSLF Student Loan Debt*	$80,000
Monthly Loan Payment (Assuming 6% Interest Rate)	$888.16
Annual Student Loan Payments (12 Months)	$10,657.92
Discretionary Income Below Which 10% Threshold Would Apply	$124,669

Source(s): Hoblitzell et al., 2015 – "Public Service Loan Forgiveness;" Kantrowitz, 2017 – "Loan Calculator."
**See Appendix for explanation of $80,000 estimated average PSLF Student Loan Debt.*

In general, a PSLF-eligible worker benefits from enrolling in the program if he or she earns less than $124,669 in annual income (Figure 6). Based on an estimated student loan debt of $80,000 and an average student loan interest rate of 6.0 percent, a borrower would pay $888.16 per month in student loan

[1] PSLF-eligible workers include all workers ages 25 to 34 with a bachelor's degree or more who work at least 30 hours per week for 48 weeks per year for a federal, state or local government employer or a civic, social advocacy, grantmaking, giving, or religious nonprofit organization.

payments over ten years without the PSLF program. Over 12 months, this monthly payment adds up to $10,658 in annual personal costs. Nearly all PSLF borrowers are enrolled in repayment plans in which borrowers pay 10 percent of *discretionary* income toward student loan repayments. For a single individual on these plans, discretionary income is the difference between his or her income and 150 percent of the poverty guideline for the 48 contiguous states (Federal Student Aid, 2017b). Multiplying the current federal poverty guideline for one person ($12,060) by 150 percent equals $18,090 (ASPE, 2017). Thus, a single PSLF borrower must only make payments of 10 percent of income *above* $18,090. Combining this baseline threshold to the $10,658 in annual personal costs without the PSLF program means that the average worker earning less than $124,669 would have lower monthly payments from utilizing the PSLF program.[2]

The average PSLF-eligible worker, however, only earns $50,468 on average, with $32,378 in discretionary income.[3] Based on this average income level, a PSLF borrower would pay about $3,238 in annual student loan repayments, or $269.82 per month. This means that a worker who faces the average PSLF student loan debt and who earns the average income of all PSLF-eligible workers pays $618.34 *less* per month in student loan debt than he or should would have without the PSLF program. The annual benefit to the average PSLF borrower is thus over $7,420, or more than $74,000 over ten years (Figure 7).

Figure 7: Estimated Benefit to Each PSLF Borrower in Illinois, 2015

Estimated Benefit Per PSLF Borrower in Illinois	Dollar Value
Average Income of PSLF-Eligible Workers	$50,468
Monthly Loan Payment with PSLF (10% of Discretionary Income)	$269.82
Monthly Loan Payment without PSLF	$888.16
Monthly Benefit to PSLF Borrower	$618.34
Annual Benefit to PSLF Borrower (12 Months)	$7,420.08
Total Benefit Over 10 Years (120 Months)	$74,200.80

Source(s): Ruggles et al., 2016 – 2015 American Community Survey*; Hoblitzell et al., 2015 – "Public Service Loan Forgiveness;" Kantrowitz, 2017 – "Loan Calculator."*

Figure 8 summarizes the annual economic impact of the PSLF program in Illinois. The analysis assumes 21,011 total PSLF borrowers in Illinois who save, on average, $7,420 annually from participating in the PSLF program. In total, Illinois' PSLF borrowers have $155.9 million more to either spend or save (and invest) in the economy due to the PSLF program. According to the 2015 *Consumer Expenditure Survey* (CE) by the Bureau of Labor Statistics at the U.S. Department of Labor, Americans spend about 80 percent of their take-home income back in the economy, with the remaining 20 percent going towards savings, investments, and taxes (BLS, 2016). Applying this expenditure rate to the total PSLF benefits means that the program improves consumer demand among Illinois residents by $125.3 million every year. Due to the PSLF program, young Illinois workers have over $125 million more to spend at retail stores, at restaurants and bars, on automobiles and better apartments, or on health insurance in the marketplace (Figure 8).

These estimates are incorporated into an economic software called IMPLAN. Considered the "gold standard" in economic impact analyses, IMPLAN uses U.S. Census Bureau data to account for the interrelationship between industries and households in a regional market, following a dollar as it cycles through the economy (Vowels, 2012). The software uses multipliers to estimate how much an extra dollar from a policy change, public works project, or public program will add to the local economy (IMPLAN, 2017). Based on the $155.9 million in benefits to households with program enrollees, the PSLF program boosts the Illinois economy by $117.8 million annually and creates 1,294 full-time equivalent jobs annually

[2] $124,669.20 = ($10,657.92 ÷ 10%) + ($12,060 x 150%).
[3] $32,378 = $50,468 - ($12,060 x 150%).

(Figure 8).[4] Put differently, the Illinois economy would lose nearly 1,300 jobs and would shrink by nearly $120 million every year if Congress terminates the PSLF program.

Figure 8: Estimated Economic Impacts of the PSLF Program in Illinois, 2015, IMPLAN

Economic Inputs and Impacts of the PSLF Program in Illinois	Value or Impact
Estimated PSLF Borrowers in Illinois	21,011
Annual Benefit to PSLF Borrower (Figure 7)	$7,420.08
Total Estimated Annual Benefit to Illinois PSLF Borrowers	$155,903,300
Average Expenditures Share of Income Before Taxes (2015)	80.39%
Total Estimated Consumer Demand Added from PSLF Program in Illinois	$125,330,662
Estimated Value Added to Illinois' Gross State Product (GSP)	$117,757,731
Estimated Full-Time Equivalent Jobs Created	1,294

Source(s): Ruggles et al., 2016 – 2015 American Community Survey*; Federal Student Aid, 2017a – "Public Service Loan Forgiveness Employment Certification Forms Report;" Hoblitzell et al., 2015 – "Public Service Loan Forgiveness;" Kantrowitz, 2017 – "Loan Calculator; BLS, 2016 – "Consumer Expenditures – 2015;" IMPLAN, 2017 – implan.com.*

The elimination of the PSLF program in Illinois would negatively impact the residential housing market in Illinois. The $155.9 million more that PSLF enrollees have in their pockets to spend because of their reduced student loan payments results in more Illinois residents purchasing and renting housing. Inserting the $155.9 of PSLF benefits into the IMPLAN software program yields $18.4 million in owner-occupied dwellings revenue and $15.1 million in real estate revenue every year (Figure 9).

According to the 2015 *American Community Survey*, the average gross rent in Illinois is $988 per month, or $11,856 per year. Dividing owner-occupied dwellings revenue by the average annual gross rent equals 1,549 net residences rented, meaning that the PSLF program allows approximately 1,549 young workers to rent a housing unit in Illinois who otherwise would not be able to afford it. Similarly, according to Zillow, the median list price of an Illinois home is $214,900. Conservatively applying a 20 percent down payment to the list price ($42,980 down) translates into 351 residences sold.[5] This means that the PSLF program results in 351 more homes sold in Illinois every year. Thus, if the Trump Administration and Congress cuts the PSLF program, over 1,500 young workers will not be able to afford rent and may be forced to move in with their parents, while home sales in Illinois would decrease by over $15 million every year.

Figure 9: Estimated Impact of the PSLF Program on Residential Housing in Illinois, 2015

IMPLAN Results	Output (Industry Revenue)	Average Annual Gross Rent & 20% of Median Home List Price	Number of Residences
IMPLAN Results			
Owner-Occupied Dwellings	$18,360,339	$11,856	1,549
Real Estate	$15,074,466	$42,980	351

Source(s): IMPLAN, 2017 – implan.com; Ruggles et al., 2016 – 2015 American Community Survey*; Zillow, 2017 – "Illinois Home Price & Values."*

[4] The $117.8 million impact on Illinois' gross state product (GSP) is lower than the $125.3 million increase in consumer demand because a percentage of consumer spending leaks out of the Illinois economy. For example, if PSLF program savings incentivize a borrower to take a vacation that they otherwise would not have taken, then that spending improves the economy of the other state or country.

[5] The actual final sale price of most homes is typically lower than the list price and many young households generally have down-payments less than 20 percent on their first homes, so the $42,980 estimate in Figure 9 is likely high, meaning that the estimated number of residence sold is conservatively low.

Conclusion

There are approximately 21,000 workers aged 25 to 34 in Illinois who benefit from the PSLF program, including teachers, librarians, social workers, psychologists, detectives, fire marshals, scientists, public works engineers, researchers, and religious workers, among many others. These workers earn an average income of $50,468 annually. A public service worker earning the average salary of PSFL-eligible workers and facing the average PSLF student loan debt of about $80,000 pays $618.34 less *per* month in student loan debt than he or should would without the PSLF program. The annual benefit to the average PSLF borrower is over $7,420, or more than $74,000 over ten years.

Public service workers who benefit from PSLF have higher levels of educational attainment compared to their private sector counterparts, yet tend to earn a lower annual salary. In Illinois, the share of PSLF-eligible young workers with a master's degree is 36 percent; nearly double the amount of university-educated young workers in the private sector (19 percent). The median salary of PSLF eligible workers aged 25 to 34 is $48,000, with the top 10 percent of earners taking home $77,000 or more. By contrast, full-time individuals ages 25 to 34 with bachelor's degrees or more in the private sector (excluding nonprofit organizations) earn a median salary of $55,000, with the top 10 percent of earners making $110,000 or more.

Eliminating this essential loan forgiveness program for public service workers would have economic consequences for Illinois' middle class. Fewer college graduates will join public service careers, while public service workers will have less incentive to receive advanced degrees. More Illinois workers will have to pay larger portions of their incomes towards their federal student loans and a growing number of borrowers may have to defer their student loans because of the elimination of the Public Service Loan Forgiveness program. Furthermore, Illinois would lose nearly 1,300 jobs, the economy would shrink by nearly $120 million, and home sales would decrease by over $15 million every year if the PSLF program gets cut.

The Trump Administration and Illinois' congressional delegation must consider the negative economic impacts of abolishing the Public Service Loan Forgiveness program. In fact, the state and federal government must implement policies to make college affordable for *all* workers– regardless of sector of employment– as a comprehensive solution to address increasingly burdensome student loan debt. Eliminating the program would bad for workers and businesses across Illinois' economy.

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Appendix

In a 2015 presentation to financial aid professionals, Hoblizell, Foss, and Weigle (2015) of the U.S. Department of Education display the following breakdown of Public Service Loan Forgiveness (PSLF) program enrollees by student loan debt levels. The range (labeled A in Figure 10) and the percent (labeled B in Figure 10) were provided by Hoblitzell and her co-authors, but an average value was not. To impute an estimated average, this analysis simply multiplies the percent [B] by the midpoint value of the range [C] and sums up the totals, resulting in an estimated average of $83,100 in student loan repayments. Though a ballpark figure, this estimate is intended to provide a general parameter in order to assess PSLF program benefits. This analysis conservatively assumes an $80,000 average for Illinois borrowers enrolled in the PSLF program.

Figure 10: Estimating the Average Student Loan Debt of PSLF Borrowers Nationally, 2015

Range [A]	Percent [B]	Midpoint [C]	Estimated Contribution to Average [B x C]
$0-9,999	4.9%	$5,000	$245
$10,000-19,999	6.5%	$15,000	$975
$20,000-29,999	8.8%	$25,000	$2,200
$30,000-39,999	9.0%	$35,000	$3,150
$40,000-49,999	9.0%	$45,000	$4,050
$50,000-59,999	8.4%	$55,000	$4,620
$60,000-69,999	7.9%	$65,000	$5,135
$70,000-79,999	6.5%	$75,000	$4,875
$80,000-89,999	5.1%	$85,000	$4,335
$90,000-99,999	4.2%	$95,000	$3,990
$100,000-149,999	13.7%	$125,000	$17,125
$150,000-199,999	7.2%	$175,000	$12,600
$200,000 or more	8.8%	$225,000*	$19,800
Estimated Average	**100.0%**	**Summation →**	**$83,100**

Source(s): Hoblitzell et al., 2015 – "Public Service Loan Forgiveness."

**225,000 is an educated guess and is based on the $50,000 midpoint increase from the previous two ranges ($100,000-149,999 to $150,000-$199,999).*