

Media Contacts: William Cather, wc20br@fsu.edu
Erica Harris, erharris@fiu.edu
Miles Romney, mromney@business.fsu.edu
David Twiddy, david.twiddy@aaahq.org 941-556-4115

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Study: Benefits of Public Service Loan Forgiveness Program Outweigh Costs

FOR IMMEDIATE RELEASE

Lakewood Ranch, Fla. _ A new study of the federal government’s Public Service Loan Forgiveness (PSLF) program finds that the benefits of the program significantly outweigh its costs. Specifically, the program has led to increased efficiency in the nonprofit sector, improving the ability of nonprofits to meet their missions and provide public services. The work was published in the American Accounting Association’s *Journal of the American Taxation Association*.

“A lot of people have had their student loans forgiven using the PSLF program and, given the attention that student loan forgiveness programs are receiving right now, this raises the question of whether the PSLF program is a good use of tax dollars,” says Will Cather, co-author of the study and a Ph.D. candidate at Florida State University.

“The PSLF has been around since 2007 – it’s not a new program – and our goal with this project was to determine whether PSLF is helping nonprofits provide public services and offering a good return on investment,” says Miles Romney, co-author of the study and an associate professor of accounting at FSU.

The PSLF was created to encourage college graduates to take jobs in the nonprofit sector that provide important public services. The program forgives federal student loans for people who have made monthly student loan payments for ten years while working for nonprofit organizations. To date, the PSLF has forgiven over \$62.5 billion of student loans for more than 871,000 individuals.

For the study, researchers examined data from 1,825 nonprofits for the four years immediately before and immediately after the creation of the PSLF. The researchers used nonprofit organizations that rely solely on volunteers as a control group, since only nonprofit employees are eligible for the PSLF program.

“Essentially, we were able to use statistical tools to evaluate these data and determine whether the PSLF allowed nonprofits to tap into an educated workforce that they couldn’t otherwise afford,” Romney says. “Further, we were able to see if access to that workforce had an effect on the operational efficiency of these nonprofits.

“Basically, we could see whether the PSLF was a good investment that helps nonprofits provide public services.”

The researchers found that 96% of nonprofits with paid employees expanded their workforce after the creation of the PSLF.

“Perhaps more importantly, these nonprofits also devoted a larger share of their budget to providing program services,” says Cather. “In short, the passage of the PSLF was associated with nonprofits being better able to fulfill their missions in the communities they serve. And given that 380,000 people will likely have loans forgiven under this program within the next two years, it’s important to understand the impact the PSLF is having.”

“These findings should be of interest to policymakers as they consider student loan forgiveness programs and any incentives that may be associated with those programs,” says Romney.

The paper, [“Your Tax Dollars at Work: The Effectiveness of the Public Service Loan Forgiveness Program.”](#) was co-authored by Erica Harris, an associate professor of accounting at Florida International University.

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