CASE STUDY: By Josh Nathan

COLORADO PAY IT FORWARD FUND

Workforce Development Recycling Loan Fund to Support Multiple Programs Statewide

OVERVIEW:

TThe Colorado Pay It Forward Fund (CO PIFF) is a fund managed by Social Finance that provides capital to help low-income Coloradans complete high-quality workforce training and secure well-paying jobs. Since launching in 2023 with $8 million in recyclable philanthropy from five Colorado philanthropies, CO PIFF now manages seven active investments across healthcare, skilled trades, information technology, and education, including outcomes-based living expense loans to Colorado learners enrolled in various vetted programs and working capital loans to Colorado training providers. As training providers and workers or their employers repay loans, capital flows back into CO PIFF and is redeployed to future learners, extending CO PIFF's impact over time without requiring new seed capital.

ASSESS

1 *Understand the challenge*

- Labor market analysis showed that Colorado had strong employer demand for talent in many industries and that capable training programs already existed. However, many low-income learners were dropping out because they could not afford training or, more commonly, could not afford to forgo income during training. The team supplemented this research with conversations with employers, training providers, and funders across Colorado to validate which sectors and programs were genuinely well-positioned for investment.
- Funders wanted to see their capital support more learners and training programs than would be possible under traditional grantmaking. This drove a core investment principle: In the aggregate, CO PIFF's investments should recycle capital back for redeployment with the goal of serving at least two times as many students as would be possible through traditional grants.

2 *Determine social and financial impacts*

- For every investment, we modeled who would benefit and by how much. Where training providers or employers stood to gain most acutely, those stakeholders could credibly repay outstanding loans. Where workers needed to repay loans, the team designed repayment obligations to enable deferral if they did not earn above a set salary, protecting borrowers while maintaining CO PIFF's ability to recycle capital.

> *The loan helped with my finances, so I was able to focus on learning. I don't know where I would be without it.*

Dometrius
CO PIFF participant

Dometrius was compensated for his time spent speaking with Social Finance.



ASSEMBLE

3 *Learn what we need to know about our partners to trust that capital will be well used*

- Rigorous diligence created a funnel of opportunities: Over 100 Colorado-based training providers were considered to yield CO PIFF's active portfolio of investments. In addition to standard diligence questions about financial and operational capabilities, we reviewed each provider's historical graduation, placement, and wage data to verify that programs were delivering real economic mobility, not just enrollments. We also assessed whether providers had the systems and staff to manage the proposed investment.

4 *Build bridges among vested partners*

- When examining possible investment opportunities, we focused on addressing last-dollar, unfilled funding gaps faced by learners and organizations, rather than supplanting existing funding. Recently, CO PIFF partnered with a publicly funded scholarship provider to repay loans on behalf of eligible learners. This unusual partnership allowed CO PIFF to recycle capital, repaid from public funding, more quickly to support future learners.
- Ongoing conversations with construction employers and healthcare providers may soon enable such employers to cover some amount of loan repayments for graduates they hire from a CO PIFF-funded training provider and retain over time. These arrangements turn employers into co-investors in learner success.
- Larger institutional partners — community colleges, health systems — often had lengthy internal contracting processes and required dedicated internal champions to maintain momentum. We learned to identify internal champions early, build strong relationships, and operate at the pace of partners to close investments and begin financing.

ACTIVATE

5 *Develop financial structures that align incentives and balance risk*

- We initially considered deploying income share agreements, which tie monthly payment amounts directly to individual earnings. Based on prior learnings, however, income share agreements proved confusing for learners, difficult to administer, and subject to unclear regulation in Colorado. We changed course to provide zero-percent interest, outcomes-based loans to learners instead. Over time, we added new financing tools and capabilities to the CO PIFF portfolio as new needs arose. When learners in multiple training programs needed living expense support, we built a single facility to provide outcomes-based loans; when a skilled trades training provider needed capital to scale supportive services, we offered a zero-percent interest working capital loan; and when an initial loan service provider was unable to provide ongoing support, we restructured an existing investment and engaged a new provider.
- Loan amounts and disbursement schedules were tailored to each program's structure, reflecting the variation in what learners need to stay enrolled. Under CO PIFF's most recent investment with a transportation training provider, loans were provided to learners who successfully completed training and graduated — a creative structure that reallocated risk of unpaid debts accrued upon learner withdrawal away from the learners themselves.

6 *Establish governance structures that create accountability and enable learning*

- Every new commitment and amendment required formal Investment Committee approval, with detailed memos covering program outcomes, provider financials, deal structure, and risk factors.
- Each provider relationship included defined obligations to report enrollment, graduation, placement, wage, and repayment data on a regular basis. (Not all providers had mature outcome-tracking systems at the point of investment; the team designed governance structures around what was genuinely possible while continuing to push for better data over time.) This infrastructure allowed us to detect, for example, that one provider's placement rate was running lower than projected, leading to the introduction of an accountability mechanism that tied future disbursements to improved program graduation and job placement rates. Another early commitment was terminated when a provider's anticipated performance did not materialize over time. We treated a well-reasoned decision to terminate an existing investment as a sign of a healthy process designed to monitor performance, catch issues, and continually adapt.