

# Welcome to the Institutional Debt Legislative Briefing

Thursday, January 4, 2024

New policy brief, “Academic Experts Estimate That the Protecting Students From Creditor Colleges Act is Revenue Positive” finds AB 1160 (Pacheco) supports both institutions and students.



# The Campaign for California Borrowers' Rights

The Campaign for California Borrowers' Rights is the statewide coalition of students, higher education advocates, and borrower protection organizations focused on the issue of student debt.

The following organizations lead the Campaign:



# Defining The Institutional Debt Crisis

- Institutional debts are debts owed by current or former students directly to an institution of higher education.
- Majority of this debt is incurred when students with federal aid have to unexpectedly withdraw before the end of a term and their institution is required to return their aid money. Schools then charge the student for the amount of the returned aid, converting it into debt owed to the school directly.
- Institutional debt can have massive educational and economic consequences for students.
- Unlike traditional student loan debts which are owed to the Federal government or a private bank, lack of transparency and consumer protections make this shadow student debt a concerning and growing market across the nation.

# Defining The Institutional Debt Crisis

- As of 2020, there was nearly \$15 billion in outstanding institutional debt nationally
- Congress allocated \$20 billion to support institutions of higher education over the course of the pandemic– including funds that could address institutional debt
- Biden Administration announced negotiated rulemaking to address federal Return To Title IV (R2T4) process which often fuels the creation of institutional debt
- States making progress on addressing harms of institutional debt
  - CA was first to prohibit transcript withholding– several states have followed suit
  - CA allocated resources to community colleges that could be used to address institutional debt
  - VA first to require robust data reporting

# Policy Brief Findings

**The Protecting Students from Creditor Colleges Act protects students and positions schools to bring in revenue without penalizing low-income students:**

- While schools' current collection practices are often punitive and harmful, they only lead to the recovery of a small fraction of the debts.
- Detailed data from one UC campus showed that it only collects 17-19 percent of the debt it places with for-profit debt collection agencies (before debt collector fees).
- Under the bill, students will still be required to pay tuition and fees in order to enroll for a new semester.
- Schools can secure more revenue by re-enrolling students for future semesters than through punitive registration holds for students who are unable to pay institutional debts.

# Academic Experts Estimate AB1160 is Revenue Positive

**Table 1: Estimated Institutional Debt, Collections, and Tuition-Fees for Re-enrolled Debtors Who Incurred Institutional Debts between July 2020 - June 2021**

	Students Incurring Institutional Debts (2020/2021)	Total Debts Incurred (millions)	Average Debt Per Debtor	\$ Collected Per Debtor at 20% Collections Rate	Total \$ Collected at 20% Collections Rate	Tuition, Fees Per Undergrad Debtor Re-enrolled	Total Tuition, Fees at 33% Debtor Re-enrollment Rate
<b>CCC</b>	321,018	\$107 M	\$333	\$67	\$21 M	\$371	\$39 M
<b>CSU</b>	34,288	\$58 M	\$1,692	\$338	\$12 M	\$7,550	\$85 M
<b>UC</b>	17,717	\$30 M	\$1,693	\$339	\$6 M	\$15,352	\$90 M
<b>All</b>	<b>373,023</b>	<b>\$195 M</b>	<b>\$523</b>	<b>\$105</b>	<b>\$39 M</b>	<b>\$1,742</b>	<b>\$214 M</b>

# AB 1160 Overview

## What AB 1160 does:

- Prohibits schools from barring a student from registering for courses or re-enrolling in a program simply because a student owes an institutional debt.
- Prohibit schools from withholding a degree or certificate that has been earned by a student simply because the student owes an institutional debt.
- Establishes guardrails on the use of third-party debt collection and protects students from tax returns and benefit garnishment through the IIC program.
- Provides much-needed transparency on the growth and impact of institutional debt by requiring consistent data collection and reporting.

# AB 1160 Overview

## What AB 1160 does NOT do:

- Require institutions to cancel institutional debt.
- Allow a student to enroll in a new term without paying required tuition and fees.
- Require institutions to continue enrolling a student that has engaged in fraud or violated any campus honor code policies.
- Prohibit institutions from utilizing third party debt collectors after first utilizing student-centered approaches to collecting on institutional debt.



# AB 1160 (Pacheco) is Cosponsored by:



A priority bill for The Campaign for California Borrowers' Rights coalition.

# AB 1160: Next Steps

**AB 1160 is currently a 2 year bill, in the Assembly Higher Education Committee.**

- Tuesday, January 9th - Higher Ed. Committee Hearing
- Will need to pass Appropriations Committee

## **Call to Action!**

- Member support for AB 1160
- Ask the Assembly Higher Education Committee to pass AB 1160!

# Questions?

Please use the Q&A feature at the bottom of your screens.