AGN. NO.

REVISED MOTION BY SUPERVISORS HILDA L. SOLIS AND LINDSEY P. HORVATH

July 11, 2023

New Actions to Provide Debt Relief and Support to Student Borrowers

Over the past 40 years, the cost of college in the United States has almost tripled, resulting in millions of Americans needing to incur debt to pursue higher education. At the same time, wages have not risen to account for such a sharp increase in the cost of education, and many of our County residents are saddled by crushing debt that impacts their financial wellbeing, economic mobility, and overall peace of mind. We have also seen that the financial hardships caused by student debt disproportionately impact people of color, resulting in the persistence of inequities experienced by our low-income communities of color. The financial hardship caused by student loan repayment precludes low-and middle-income borrowers from participating in reliable methods of building wealth, such as purchasing a home, starting their own business, or saving money for retirement. By perpetuating the racial-wealth gap, discouraging higher education, and stifling small business formation, student loan debt has ramifications felt not only by the individual

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borrower but also by society at large.

Viewing an education beyond high school as a “ticket to the middle class”, President Joseph R. Biden and his Administration have prioritized both making college more affordable for working and middle-class families and making federal student loans more manageable. Last year, President Biden made historic efforts to attempt to ameliorate the financial pain caused by student debt that was further exacerbated by the crippling financial effects of the COVID-19 pandemic. President Biden’s debt relief plan included providing up to $20,000 in debt cancellation to Pell Grant recipients and $10,000 in debt cancellation for non-Pell Grant recipients. However, on June 30, 2023, the Supreme Court of the United States (SCOTUS) struck down the President’s loan forgiveness plan, thereby creating a major setback for the millions who deserve the relief the President planned to provide.

While the SCOTUS decision has detrimentally affected the millions of student loan borrowers who anticipated life-changing debt relief, the Biden Administration is engaging in methods to continue to fight for student debt relief to provide hardworking Americans with the assistance they require. In light of the Supreme Court’s ruling, President Biden announced new actions aimed at ensuring debt relief and supporting student loan borrowers as quickly as possible, The Secretary of the United States Department of Education (Department of Education) initiated a rulemaking process aimed at opening an alternative path to debt relief for as many working and middle-class borrowers as possible, using the Secretary’s authority under the Higher Education Act. The Department of Education issued a notice as the first step in the process of issuing new regulations under the “negotiated rulemaking” process. The notice announces a virtual public hearing on

July 18, 2023, and solicits written comments from stakeholders on topics to consider. Following the public hearing, the Department of Education will finalize the issues to be addressed through rulemaking and begin the negotiated rulemaking sessions this fall. The Department of Educations stated its intention to complete this rulemaking as quickly as possible.

Additionally, the Department of Education finalized the most affordable repayment plan ever created, ensuring that borrowers will be able to take advantage of the plan this summer, before loan payments are due. Under the income-driven Saving on a Valuable Education (SAVE) repayment plan, some borrowers' monthly payments will be cut in half, many borrowers will not have to make monthly payments, and those who do have to pay will save more than $1000 a year. The SAVE repayment plan will also ensure that borrowers don't see their balances grow from unpaid interest. To further protect the most vulnerable borrowers from consequences of missed payments following the payment restart, the Department of Education is instituting a 12-month "on ramp" to repayment, running from October 1, 2023, to September 30, 2024, so that the most vulnerable borrowers who miss monthly payments during this period are not considered delinquent, reported to credit bureaus, placed in default, or referred to debt collection agencies.

The County of Los Angeles Board of Supervisors has commended and supported the Biden Administration and Department of Education's plans to cancel student debt, has explored ways to provide student loan borrowers with much needed relief, and has made efforts to assist Los Angeles County residents in benefitting from available programs geared at minimizing student loan debt. On January 11, 2022, the County of Los Angeles Board of Supervisors passed a motion to initiate an Awareness Campaign for Federal and

State Student Loan Forgiveness Programs. The motion aimed to inform Los Angeles County employees and constituents about programs for student loan borrowers to reduce or eliminate their student debt. The Department of Human Resources (DHR) partnered with the Department of Consumer and Business Affairs (DCBA) and the California Department of Financial Protection and Innovation (DFPI) to plan collaboration efforts to fulfill the motion's directive. As a result, DCBA developed an awareness campaign for County constituents, while DHR designed a campaign strategy targeted specifically for County employees. DHR's awareness campaign was developed to equip County employees with accessible information and tools to determine which student loan forgiveness programs they might qualify for. The Campaign, titled Public Servant? Loan Forgiveness at Your Fingertips, offers relevant and timely information through multichannel communication platforms that employees can access with the click of a button.

Then on November 1, 2022, the County of Los Angeles Board of Supervisors passed another motion to make efforts to support residents with student loan debt relief, including leveraging support from DCBA and DHR to widely disseminate information about President Biden’s unprecedented student loan debt relief plan to reach and benefit constituents and County employees. The motion also directed the Chief Executive Office - Legislative Affairs and Intergovernmental Relations (CEO LAIR) Branch to support the Department of Education’s proposals to institute a new income-driven repayment plan for student loans, fix the Public Service Loan Forgiveness Program, increase the maximum Pell Grant, and make community college free and to support legislation to ensure that student debt loan relief recovered by Californians is not taxed. The following actions build upon efforts already underway by DHR, DCBA, and CEO LAIR.

~~I~~ WE, THEREFORE, MOVE that the Board of Supervisors:

1. Direct all County Departments, leveraging support from the Department of Consumer & Business Affairs, to:
   a. Remain abreast of the United States Department of Education's initiated rulemaking process aimed at opening an alternative path to debt relief under the Higher Education Act and include information about the new student loan debt relief efforts resulting from this rulemaking process on their respective websites, electronic newsletters, and other modes of communication for those without internet access, to ensure eligible borrowers apply.
   b. Disseminate information pertaining to the United States Department of Education's income-driven Saving on a Valuable Education student loan repayment plan on their respective websites, electronic newsletters, and other modes of communication for those without internet access, to ensure that residents are aware of the program and to encourage eligible borrowers to apply.
   c. Disseminate information about the United States Department of Education's 12-month "on-ramp" plan on their respective websites, electronic newsletters, and other modes of communication for those without internet access, to ensure that the most vulnerable borrowers are shielded from the harshest consequences of late, missed, or partial payments.

2. Direct the Department of Human Resources to work with all County Departments to inform County employees about these new student debt relief efforts.
3. Direct the Chief Executive Office – Legislative Affairs and Intergovernmental Relations Brand to work with the Department of Consumer and Business Affairs to submit written comments on the issuance of new regulations under the "negotiated rulemaking" process including the impact of student loan debt forgiveness on Los Angeles County residents.
4. <u>Direct the Department of Consumer and Business Affairs, in consultation with the Department of Human Resources, County Counsel, and the Chief Executive Office to, within 90 days, report back with updates on the feasibility and/or progress toward incorporating a County of Los Angeles student loan debt repayment plan for County employees, including a County matching-contribution program to alleviate student loan debt and opportunities for the County to fill critical vacancies by purchasing unpaid student loan debt as an incentive.</u>

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