

SENATE JUDICIARY COMMITTEE
Senator Thomas Umberg, Chair
2023-2024 Regular Session

AB 1160 (Pacheco)
Version: June 24, 2024
Hearing Date: July 2, 2024
Fiscal: Yes
Urgency: No
AWM

SUBJECT

Protecting Students from Creditor Colleges Act

DIGEST

This bill prohibits an institution of higher education in the state from taking certain actions against a student on the grounds that the student owes an institutional debt, as defined; limits when and how an institution can refer an institutional debt to third-party collections or report the debt to a consumer credit reporting agency; eliminates an institution's ability to recoup the debt through garnishing a student's tax refund; and requires the state's public universities and colleges to report biannually on matters relating to institutional debt.

EXECUTIVE SUMMARY

"Institutional debt" is a subset of student loan debt that is owed directly to an institution of higher education rather than to a student loan provider. Institutional debt can be minor – an unpaid library late fee – but it can also be significant. When a student withdraws mid-semester, the institution is required to return any federal loan or grant money it received for that student for that semester; the institution then passes the cost of the semester to the student. For many students, institutional debt can become a barrier to re-enrollment, which may perversely hurt their ability to pay off the debt.

Current law prohibits an institution of higher education from withholding a transcript from, or charging a higher fee for a transcript to, a student who owes an institutional debt. This bill significantly expands the scope of regulations and prohibitions relating to institutional debts, including prohibiting an institution of higher education in the state from taking certain actions against a student on the grounds that the student owes an institutional debt; limiting when and how an institution can refer an institutional debt to third-party collections or report the debt to a consumer credit reporting agency; limiting an institution's ability to recoup the debt through garnishing a student's tax refund to debts over two years old; and requiring the state's public universities and

colleges to report biannually on matters relating to institutional debt. The bill also requires the public institutions to submit a more detailed report about the nature of institutional debt and the students who have institutional debt, due by July 1, 2028. The author has agreed to remove the 2028 reporting requirement and to clarifying amendments.

This bill is sponsored by NextGen California and is supported by over 20 organizations, including student and faculty associations. This bill is opposed by over 10 organizations, including the California State University and the Board of Directors of the California Community Colleges Board. The Senate Education Committee passed this bill with a vote of 5-1.

PROPOSED CHANGES TO THE LAW

Existing federal law and regulations:

- 1) Establish federal programs for providing financial aid to undergraduate and graduate students, including the William D. Ford Direct Loan Program, a federal student loan program under which eligible students borrow directly from the United States Department of Education at participating schools; the Program includes direct subsidized loans, direct unsubsidized loans, direct PLUS loans, and direct consolidation loans. (20 U.S.C. tit. 20, ch. 28, §§ 1070 et seq.)
- 2) Provide that, when a student withdraws from an institution of higher education before completing the enrollment period for which federal financial aid was disbursed to the institution, the institution must return a portion of the aid, as calculated, and the student must repay the institution for the portion of the aid returned, as specified. (34 C.F.R. § 668.22.)

Existing state law:

- 1) Establishes the Educational Debt Collection Practices Act (the EDCPA). (Civ. Code, div. 3, pt. 4, tit. 1.6c.7, §§ 1788.90 et seq.)
- 2) States that the Legislature finds and declares all of the following:
 - a) Schools and colleges have threatened to withhold transcripts as a debt collection tactic. The practice can cause severe hardship by preventing students from pursuing educational and career opportunities, and it is therefore unfair and contrary to public policy. Moreover, the practice is counterproductive as it may further delay the payment of the debt by creating obstacles to student employment.
 - b) It is the purpose of the EDCPA to prohibit schools from interfering with student educational and career opportunity by the withholding of transcripts. (Civ. Code, § 1788.91.)

- 3) Defines the following terms:
 - a) "School" means any public or private postsecondary school, or any public or private entity, responsible for providing transcripts to current or former students of a school.
 - b) "Debt" means any money, obligation, claim, or sum due or owing, or alleged to be due or owing, from a student, but does not include the fee, if any, charged to all students for the actual costs of providing the transcripts. (Civ. Code, § 1788.92.)
- 4) Prohibits a school from doing any of the following:
 - a) Refuse to provide a transcript for a current or former student on the grounds that the student owes a debt.
 - b) Condition the provision of a transcript on the payment of a debt, other than a fee charged to provide the transcript.
 - c) Charge a higher fee for obtaining a transcript, or provide less favorable treatment of a transcript request because a student owes a debt.
 - d) Use a transcript issuance as a tool for debt collection. (Civ. Code, § 1788.93.)
- 5) Establishes the Donahoe Higher Education Act, which regulates public higher education – consisting of the California Community Colleges (CCCs), the California State University (CSU), and the University of California (UC) – and institutions of private higher education established as nonprofit corporations in the State of California. (Ed. Code, tit. 3, div. 5, pt. 40, §§ 66000 et seq.)
- 6) Requires the governing board of every community college district, the Trustees of the California State University, the Regents of the University of California, and the Board of Directors of the College of Law, San Francisco, to adopt programs providing for the withholding of institutional services from students or former students who have been notified in writing at the student or former student's last known address that they are in default, as defined, on a loan or loans under the Federal Family Education Loan Program. (Ed. Code, § 66022(a).)
- 7) Provides that the regulations adopted pursuant to 6) shall specify the services to be withheld from the student and may include, but are not limited to, either or both of the following:
 - a) The provision of grades.
 - b) The provision of diplomas. (Ed. Code, § 66022(b)(1).)
- 8) Provides that the regulations adopted pursuant to 6) may not include the withholding of registration privileges or transcripts. (Ed. Code, § 66022(b)(2).)
- 9) Authorizes the State Controller to offset any amount due a state agency from a person or entity against any amount owing that person or entity by a state agency, including any tax refund. (Gov. Code, § 12419.5.)

This bill:

- 1) States that the Legislature finds and declares all of the following:
 - a) Over the last decade, state and national attention has focused on the harmful impacts of the \$1.7 trillion dollar student loan debt crisis. Across California, more than 3,900,000 borrowers owe nearly \$148 billion in student loan debt. Although state and federal governments have taken action to support student loan borrowers, another type of student debt has gone mostly unaddressed: institutional debt, which are debts owed by current or former students directly to an institution of higher education rather than the government or private lenders, and can range from library fines and parking tickets to certain unpaid fees and tuition carried over from a prior semester.
 - b) In addition to hidden or unexpected fines and fees, research suggests that institutional debt often arises when students relying on federal Title IV aid programs, such as Pell Grants, withdraw from an academic program before they are able to complete the program. When a student withdraws early before completing an academic term, a school must repay a portion of that student's Title IV funds to the federal government using a formula proportional to the amount of class time the student completed, a federal policy known as "Return to Title IV."
 - c) As a result of this federal policy, most institutions across all two-year, four-year public, private nonprofit, and private for-profit schools have created policies that then charge students for the amount of the Title IV aid returned to the federal government as part of their refund policies, which creates a balance on the student's account. Suddenly students that may have intended to pay off their education over time with loans or grants find themselves owing debts immediately due to their school in the form of an institutional debt.
 - d) Available research indicates that institutional debt rates in the state have increased. Over the course of the COVID-19 pandemic, as the economic and public health emergency forced record numbers of students to withdraw from their courses, the growing segment of institutional debts has ballooned, resulting in more than 750,000 low-income students owing more than \$350 million in debt to California public colleges.
 - e) In 2019, California became the first state in the nation to pass limited protections for students who owe institutional debts, prohibiting schools from holding college transcripts hostage as a tactic to collect on institutional debts from former students.
 - f) Despite these reforms, current or former students with outstanding institutional debts still face disastrous consequences. Institutions of higher education have been found to place holds on a student's account barring them from reenrolling in coursework and placing harmful barriers to degree completion, withholding degrees and certificates, harming a student's employment prospects, and even placing students in private collections or

- subjecting them to benefits and tax return offsets through the Interagency Intercept Collection Program operated by the Franchise Tax Board.
- g) Unlike federal student loans and other privately held debts, students with institutional debt lack many basic consumer protections. Furthermore, California policymakers and taxpayers lack transparent data on the prevalence and long-term harms of institutional debt.
 - h) While this act aims to mitigate the most harmful educational and economic barriers imposed by institutional debt collection practices, it does not allow students to remain enrolled for an academic term for which they have not paid required tuition and fees. Schools may still require students to pay tuition and fees pursuant to “drop for nonpayment” policies that ensure payment to cover courses for the enrolled term, and may still collect on institutional debts from past terms in a manner that is student centered, prioritizes student success, and prevents further economic hardship.
- 2) Prohibits a school from refusing to provide a diploma on the grounds that the student owes a debt, conditioning the provision of a diploma on the payment of a debt (other than the fee to provide the diploma), or charging a higher fee for obtaining a diploma or otherwise providing less favorable treatment to a student who owes a debt.
 - a) “Diploma” is defined as a certificate or similar paper or electronic document evidencing that a school has conferred a degree, certificate, or similar qualification on a student.
 - 3) Prohibits a school from adopting regulations that include the withholding of conferring a degree or diploma on a student who has satisfied all academic requirements, or the issuance of documentation of a degree or certificate, during the period when the facts are in dispute regarding a student’s failure to repay a debt.
 - 4) Enacts the Protecting Students from Creditor Colleges Act (the Act), with the following relevant definitions:
 - a) “Degree” means a credential conferred by an institution in recognition of a student’s satisfaction of all academic requirements associated with a course of study, and includes certificates, associate degrees, baccalaureate degrees, and graduate degrees.
 - b) “Institution of higher education” or “institution” means any public or private postsecondary educational institution operating in the state, including its branch campus and satellite locations or distance education, that receives or benefits from state financial assistance, or enrolls students who receive state student financial aid, each institution of public higher education, as defined, any independent institution of higher education, as defined, and any private postsecondary educational institution, as defined, that receives or benefits from state financial assistance, or enrolls students who receive state student financial aid.

- c) "Institutional debt" means any money, obligation, claim, or sum, due or owing, or alleged to be due or owing, whether or not reduced to court judgment, from a student, and that was incurred in their capacity as a student, to an institution of higher education. "Institutional debt" does not include tuition, fees, room and board, or other costs of attendance for an academic term in which the student is actively enrolled or for an academic term in which the student seeks to enroll.
- 5) Provides that an institution of higher education shall not charge a higher tuition or fee, fail to confer a degree on a student that has satisfied all academic requirements for their course of study, or otherwise prevent a current or former student from reenrolling, registering, or graduating at the institution of higher education on the grounds that the student owes institutional debt.
- 6) Permits an institution of higher education to prevent a current or former student who owes an institutional debt from enrolling or registering for courses on the basis that the student owes an institutional debt if the institution of higher education complies with all of the following conditions:
 - a) The institution of higher education grants a one-time exemption from an enrollment or registration hold on a current or former student on the grounds that the student owes a past-due institutional debt. The exemption shall apply only in the first instance a student seeks to enroll or register for an academic term following nonpayment of the student's institutional debt that would otherwise trigger an enrollment or registration hold, and a student that has been provided a one-time exemption shall not be prevented from enrolling or registering for an academic term on the basis of the debt.
 - b) The institution of higher education notifies any student that accrues a past-due institutional debt in writing of the one-time exemption and that the accumulation of additional institutional debt or failure to pay or enter into written agreement with the institution regarding the institutional debt by the end of the academic term for which the exemption is used may result in an enrollment or registration hold.
 - c) The institution of higher education does not place an enrollment or registration hold on the basis that a current or former student owes an institutional debt on any student that has entered into, and is in good standing on, a payment plan for any institutional debt.
- 7) Requires an institution of higher education to provide the written policy adopted pursuant to 9) to students that owe an institutional debt.
- 8) Provides that the Act does not prohibit an institution of higher learning from:
 - a) Withholding a degree, placing an enrollment or registration hold, or otherwise preventing a student from taking classes for violating any

- academic code of conduct or school honor code, failing to maintain satisfactory academic progress, or on other similar and permissible bases.
- b) Administering a “drop for nonpayment” policy or similar policies that disenroll a student from an academic term due to the student’s failure to pay tuition, fees, room and board, or other nontuition costs associated with the cost of attendance, for that same term, provided that any institutional debt that accrues as a result of that nonpayment shall not be the basis for any future adverse action against the student pursuant to 6).
- 9) Requires an institution of higher education to establish a written policy defining standards and practices for the collection of institutional debt, which must be consistent with the consumer protections set forth in Title 1.6C of Part 4 of Division 3 of the Civil Code and be made publicly accessible on the institution’s website.
- 10) Prohibits an institution of higher education from doing the following when collecting on an institutional debt:
- a) Engage a third-party debt collector that is not licensed pursuant to the Financial Code.
 - b) Engage a third-party debt collector before 180 days have passed from the first communication from the institution of higher education requesting payment, and the institution of higher education has made all reasonable efforts, in accordance with its written policy established under 9), to communicate with the former student.
 - c) Engage a third-party debt collector to collect on an institutional debt without a written agreement with the debt collector that requires the debt collector to comply with the written policy established under 9).
- 11) Requires an institution of higher education to make reasonable efforts, in accordance with its written policy established under 9), to contact a current or former student to notify them of an institutional debt.
- 12) Requires an institution of higher education, before assigning an institutional debt to a third-party debt collector, to send a notice to the current or former student that includes all of the following information:
- a) A written itemization of charges that constitute the institutional debt that is being assigned to collectors.
 - b) An overview of emergency grant aid and other university resources to support students experiencing financial emergencies, if available.
 - c) The date or dates the student or former student was originally sent a notice about the institutional debt.
 - d) The name of the third-party debt collector to which the institutional debt is being assigned.
 - e) The consequences of a defaulted institutional debt, including the potential of reporting adverse information on a credit report and the risk of civil action.

- f) How to submit a complaint with the Department of Financial Protection and Innovation (DFPI) and how to request assistance if they are subjected to abusive debt collection practices.
- 13) Prohibits an institution of higher education or third-party debt collector from reporting adverse information to a consumer credit reporting agency or commencing civil action against a current or former student for nonpayment of an institutional debt before 180 days after the first communication from the institution to the current or former student requesting payment.
- 14) Requires the Board of Governors of the CCCs and the Trustees of the CSU, and requests the President of the UC, to require each public institution to report, beginning July 1, 2026, and on a biennial basis not later than three months after the end of each institution's fiscal year, specified information relating to institutional debts, including:
- a) The total number of payment plans at each institution.
 - b) A breakdown of the total number and dollar amount of institutional debts by (1) dollar amounts in increments of \$500 and (2) the age of the institutional debt in increments of one year.
 - c) The total number and dollar amount of institutional debts owed, in whole or in part, as the result of a current or former student's federal financial aid being returned to the federal government.
 - d) A description of any policies related to administrative actions or account holds imposed on current or former students with an outstanding account due to an institutional debt.
 - e) The number of students and accounts subject to an administrative hold at each institution.
 - f) The total number and dollar amount of institutional debts collected directly by the institution during the prior two fiscal years, without the use of a third-party debt collector or the Franchise Tax Board.
 - g) The total number and dollar amount of institutional debt assigned to, sold to, and collected by, third-party debt collectors in the prior two fiscal years.
 - h) The number of institution debts subject to collection through the Franchise Tax Board and the total dollar amount collected through the Franchise Tax Board during the prior two fiscal years.
 - i) The total number and dollar amount of institution debts that are the result of a loan made by the institution.
- 15) Requires the biannual report in 14), on or before July 1, 2028, to include the following information:
- a) The racial and gender demographic of the students.
 - b) The total number and dollar amount of institutional debts subject to a payment plan at each institution, excluding tuition payment plans, and the payments that have been made pursuant to a payment plan.

- c) The total number and dollar amount of institutional debts owed by Pell Grant-eligible current or former students.
 - d) A breakdown of the total number and dollar amount of institutional debts by a declared major and degree type being sought.
 - e) A breakdown of the source of institutional debts by underlying expense type, including tuition, room and board, fines, and campus fees.
 - f) A total number and dollar amount of institutional debts that are the result of a tuition payment plan offered by the institution.
- 16) Requires the Commissioner of the DFPI to coordinate with the CCCs, CSUs, and UCs if they elect to comply to develop a uniform format for the data collection in 14) to ensure that the data are reported timely, and requires the data compiled to be reported in a publicly accessible manner.
- 17) Prohibits the Controller, beginning January 1, 2025, from offsetting any amount due to a postsecondary institution from a current or former student that was incurred in their capacity as a student, against any amount owing to that current or former student by a state agency, until 730 days after the amount was incurred.
- 18) Includes a severability clause.

COMMENTS

1. Author's comment

According to the author:

The new research finds that this little-known type of student debt, called “institutional debt,” has exploded in California since the onset of COVID-19, as students withdrew from California public colleges for economic, family, or health reasons. AB 1160 will protect students from the most harmful impacts of this debt and provide much-needed transparency on the growth and impact of this debt across our state. With the current enrollment crisis, it is important that we help students with removing barriers in attaining their higher education goals and understand what else we must do to address the student debt crisis – including institutional debt – across California.

2. Background on the “institutional debt” addressed by this bill

The “institutional debt” at issue in this bill is a subset of, and smaller than, the full load of loan debt that a student may take on through various federal loan or grant programs. As explained by the Senate Education Committee’s analysis of this bill:

[W]hen students who receive federal financial aid (including Pell Grant recipients) withdraw before the end of an academic term, federal aid rules require colleges to return a portion of their federal aid disbursement to the U.S. Department of Education. Consequently, schools absorb the financial loss or treat a portion of a withdrawn student's Pell disbursement as a debt for collection.

For example, if a student completed five semesters of college and withdrew partway through the sixth semester to take care of a sick parent, the five semesters' worth of loan payments would be unaffected: the school would have received the loan money from the federal government, and the student would be obliged to repay the loan to the federal government under the terms of the loan. For the sixth, uncompleted semester, however, the school would return the loan money to the federal government and the debt for those returned funds would be passed on to the student (along with any unpaid fees the student had accrued).

As supporters of the bill, such as Consumer Reports and the California Federation of Teachers, explain, these institutional debts are often incurred when a student encounters an unexpected economic or health crisis, or a family emergency. Then, if the school will not permit the student to re-enroll without paying the debt – which could be several thousand dollars and beyond the student's means to pay – the student will be unable to complete their degree, leaving them with both mounting debt and no college degree.

In 2022, several entities – including NextGen, this bill's sponsor, and the Student Loan Initiative at the UC Irvine School of Law and the UC Berkeley Center for Consumer Law and Economic Justice – released a report on the state of institutional debt in California.¹ The report estimated that students who were unable to complete their education during the 2020-2021 and 2021-2022 academic years – the height of the COVID-19 pandemic – had accrued \$390 million in institutional debt to the UCs, the CSUs, and the CCCs alone.² The report indicates that only a small portion of the outstanding balances is recovered.³

Public and private institutions of higher education employ a number of tactics to collect on institutional debt, including placing the debts with for-profit collection agencies and offsetting students' tax refunds.⁴ Additionally, as noted above, many schools will prohibit a student with institutional debt from re-enrolling until the debt is paid. The bill's supporters argue that this practice is actually detrimental to the school, because,

¹ See Eaton, et al., *Creditor Colleges: Canceling Debts that Surged During COVID-19 for Low-Income Students* (Mar. 2022), p.2, available at <https://protectborrowers.org/new-report-covid-19-drove-nearly-750000-low-income-students-to-owe-350-million-in-debt-to-california-public-colleges/> (link current as of June 27, 2024).

² *Id.* at p. 4.

³ *Id.* at p. 17.

⁴ *Id.* at pp. 14-15.

by preventing the student from coming back to finish their degree, the school is preventing the student from obtaining a degree that will increase their earning potential and their ability to repay the debt.

3. This bill modifies when, and how, an institution of higher education may penalize a student for, or attempt to collect on, a debt owed to the institution

Current law prohibits an institution of higher education – public or private – from withholding a student’s transcript from a student who owes a debt to the school.⁵ This prohibition, enacted through AB 1313 (Luz Rivas, Ch. 518, Stats. 2019), recognizes that withholding a transcript from a student to force them to repay a debt is counterproductive. AB 1313 was passed in both houses of the Legislature without a single “no” vote, and was passed out 40-0 on the Senate floor.

This bill builds on AB 1313 with more protections surrounding an institution of higher education’s treatment of institutional debt. These measures include:

- Prohibiting a school from refusing to confer a degree on a student, provided that the student otherwise satisfied all the academic requirements in their course of study, because the student owes an institutional debt.
- Requiring a school to grant a student, who otherwise meets the criteria for re-enrollment, a one-time exemption from an enrollment or registration hold placed due to the student’s institutional debt; this would allow the student to enroll or register, continue their education, and graduate.
- Establishing restrictions on when, and under what conditions, a school may engage a third-party debt collector or report adverse information to a consumer credit reporting agency.
- Prohibiting a student’s tax refund from being offset by amounts owed under an institutional debt until the debt is 730 days old.

The bill also requires the CCCs, the CSU, and the UC to report, on a biannual basis, information relating to the institutional debts owed to, and collected by, each institution and each segment. Additionally, as currently in print, the bill requires the CCCs, CSU, and UC to report on information relating to the students who hold institutional debt and a more detailed breakdown of the source of the debt, the methods of debt collection used by the schools, and the amounts of debts collected, by July 1, 2028. In response to feedback from the CCCs, CSU, and UC stating that they are unable to collect the information in the more specific report, the author has agreed to remove this requirement, as well as to minor clarifying amendments, discussed below in Part 4.

The brunt of this bill is within the jurisdiction of the Senate Education Committee, which passed this bill with a vote of 5-1. This Committee has jurisdiction over a more modest provision of the bill, which amends AB 1313’s prohibition on the withholding of transcripts to also prohibit the withholding of diplomas. To be clear, this provision does

⁵ Civ. Code, § 1788.93.

not address the *conferring* of diplomas; that issue is addressed within this bill's additions to the Education Code. This provision merely prevents a school from refusing to provide a paper diploma or certificate, or a copy thereof, to a student on the basis that they owe an institutional debt. Opponents to the bill argue that this provision removes one of their low-stakes tools for recovering debts owed by students.

4. Amendments

As noted above, the author has agreed to amendments to clarify the bill's provisions. The amendments are set forth below, with additions in bold and underline and deletions in strikethrough, subject to any nonsubstantive changes the Office of Legislative Counsel may make.

Amendment 1

Modify page 8, lines 15-22, to read:

(c) "Institutional debt" means any money, obligation, claim, or sum, due or owing, or alleged to be due or owing, whether or not reduced to court judgment, from a student, and that was incurred in their capacity as a student, to an institution of higher education. "Institutional debt" does not include **any** tuition, fees, room and board, or other costs of attendance for an academic term in which the student is actively enrolled or for an academic term in which the student seeks to enroll; **however, at the end of that academic term, any outstanding amounts would become institutional debt.**

Amendment 2

At page 9, at the end of line 5, insert ", provided that the student does not incur additional institutional debt"

Amendment 3

Modify page 9, lines 13-17 as follows:

(3) The ~~institution of higher education does not place an~~ enrollment or registration hold **is not placed** on the basis ~~that a current or former student owes~~ **of an** institutional debt **for which** ~~on any a student that~~ has entered into, and is in good standing on, a payment plan for ~~anythat~~ institutional debt.

(4) This subdivision shall apply only to an educational program that is intended to run for more than two academic terms. "Educational program" has the same meaning as in Section 55000 of Title V of the California Code of Regulations.

Amendment 4

Modify page 9, lines 27-35 as follows:

(e) This article does not prohibit an institution of higher education from administering a “drop for nonpayment” policy or similar policies that disenroll a student from an academic term due to the student’s failure to pay tuition, fees, room and board, or other nontuition costs associated with the cost of attendance, for that same term, provided that any institutional debt that accrues as result of that nonpayment ~~shall not be the basis for any future adverse action against the student, as prohibited on a one-time basis by subdivision (b)~~ **be subject to this article.**

Amendment 5

Modify page 12, lines 22-24, as follows:

(8) The total number and dollar amount of institutional debts **sold or** assigned to third-party debt collectors during the prior two fiscal years.

Amendment 6

At page 12, delete lines 35-36.

Amendment 7

At page 13, delete lines 4-20.

5. Arguments in support

According to NextGen California, the bill’s sponsor:

AB 1160 will ensure that students are protected from some of the most harmful educational and economic ramifications of institutional debt that have been found to be more punitive than effective when institutions collect on this debt. Specifically, the bill will prohibit institutions of higher education from withholding a degree simply because the student owes an institutional debt – extending the same critical protection for students that California policymakers have applied to withholding transcripts. The bill also establishes a one-time grace period for students with institutional debt to allow them to register or re-enroll in their coursework, allowing students the chance to make critical progress towards their degree and allowing schools to bring in much-needed tuition and fee revenue for a student that would otherwise be barred from re-enrolling. Over the course of this grace period, students and schools can work to establish a payment plan to ensure that a student can get back on track to repay their institutional debt...

Further, the bill will also provide much-needed transparency on the growth and impact of institutional debt by requiring consistent data collection and reporting

on a biennial basis. Although this is an under-studied area of educational debt – due to a lack of available data – the few available reports make clear that institutional debt practices disproportionately burden low-income students and students of color, maintaining and even perpetuating the very racial wealth gap that education is meant to close. AB 1160 will help policymakers and researchers better understand the crisis and determine the reforms needed in the future.

6. Arguments in opposition

According to the California State University:

While we appreciate the author’s attention to the financial wellbeing of our students, this bill would have unintended consequences that could impact the essential functions of the CSU and our universities. Primarily, it would prohibit our universities from receiving repayment of institutional debts through tax offset, which would remove an estimated average \$250,000 per year per campus in debt payments. It would create a 180-day waiting period before an institutional debt could be sent to collections. The bill would also create a one-time grace period for each student, in which they could re-enroll or register for classes without having paid their existing institutional debt. While we want all students to be able to continue their educational journey with the CSU, and we currently encourage our students to enter into a payment plan with their university if they are unable to pay any institutional debts upfront, this grace period would likely be difficult to administer for thousands of unique students. The bill also requires a biennial report with sixteen different data points, many of which we do not currently have the ability to collect. As the CSU faces a potential \$75 million budget cut and an even larger budget deficit in the coming year, we must maintain access to the existing tools for collecting payments, particularly tuition and fees.

SUPPORT

NextGen California (sponsor)
California Faculty Association
California Competes: Higher Education for a Strong Economy
California Federation of Teachers
California Low-Income Consumer Coalition
Cal State Student Association
CHIRLA
Compton College
Compton Community College District
Consumer Reports
Courage California
Faculty Association of California Community Colleges

GENup
Indivisible CA: StateStrong
John Burton Advocates for Youth
Long Beach City College
Northern California College Promise Coalition
San Francisco Rising
Student Borrower Protection Center
Southern California College Attainment Network
Student Debt Crisis Center
University of California Student Association
Western Center on Law & Poverty
Young Invincibles

OPPOSITION

Association of Independent California Colleges and Universities
Biola University
California Association of Private Postsecondary Schools
California State University
Chief Executive Officers of the California Community Colleges Board
Coalition of Higher Education Assistance Organizations
Community College League of California
Loma Linda University Health
Pacific Union College
University of Phoenix
University of Redlands

RELATED LEGISLATION

Pending Legislation: None known.

Prior Legislation: AB 1313 (Luz Rivas, Ch. 518, Stats. 2019) established the Educational Debt Collection Practices Act, which is discussed in greater detail in Part 3 of this analysis.

PRIOR VOTES:

Senate Education Committee (Ayes 5, Noes 1)
Assembly Floor (Ayes 61, Noes 8)
Assembly Appropriations Committee (Ayes 12, Noes 3)
Assembly Higher Education Committee (Ayes 8, Noes 2)
