



LOS ANGELES COUNTY
CONSUMER & BUSINESS AFFAIRS

Board of Supervisors

August 4, 2023

Hilda L. Solis
First District

Holly J. Mitchell
Second District

Lindsey P. Horvath
Third District

Janice Hahn
Fourth District

Kathryn Barger
Fifth District

To: Supervisor Janice Hahn, Chair
Supervisor Hilda L. Solis
Supervisor Holly J. Mitchell
Supervisor Lindsey P. Horvath
Supervisor Kathryn Barger

Director
Rafael Carbajal

From: Rafael Carbajal,
Director

Chief of Staff
Joel Ayala

INTERIM REPORT BACK ON LOS ANGELES COUNTY EFFORTS TO SUPPORT RESIDENTS WITH STUDENT LOAN DEBT RELIEF (ITEM NO 17, AGENDA OF NOVEMBER 1, 2022)

On November 1, 2022, your Board adopted a motion, *Los Angeles County Efforts to Support Residents with Student Loan Debt Relief*.¹ Your motion directed the Department of Consumer and Business Affairs (DCBA), in consultation with the Department of Human Resources (DHR), County Counsel, and the Chief Executive Office (CEO), to explore options for the County to purchase unpaid or defaulted student loan debt of County employees earning less than the County area median income for the purposes of poverty alleviation and economic mobility.

On March 6, 2023, DCBA submitted an interim report that summarized its research on existing forgiveness and repayment programs available to County employees, including an examination of other state-specific assistance programs. DCBA also provided some preliminary steps for the County to explore in developing its own debt cancellation program(s), including a proposed Countywide employee survey to inform potential budgetary implications and future program eligibility criteria.²

In addition, the report provided an update on the proposed federal debt forgiveness plan which, at the time, was pending a ruling from the Supreme Court of the United States.

¹ <https://file.lacounty.gov/SDSInter/bos/supdocs/f4b2f274-9398-4bfa-af9e-24bd7f9972d4.pdf>

² <https://file.lacounty.gov/2023-03-06InterimReportonStudentLoanDebt.pdf>



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The focus of this interim report is to provide a summary of current outreach efforts related to the recent actions of the Department of Education in response to the rulings of the Supreme Court on June 30, 2023³ and to provide an update on the progress made to date related to the directives of the original November 1, 2022 motion, including the following topics:

- Current status of the proposed countywide employee survey;
- A summary of preliminary options the County could explore to provide debt relief to its workforce;
- A potential framework for a County program to leverage student loan assistance as a recruitment incentive;
- Recommendations for tracking long-term impacts of potential County loan assistance programs; and
- Next steps.

County Outreach Efforts

DCBA, through its Center for Financial Empowerment (CFE), continues to monitor all ongoing developments related to the ever-changing deadlines and shifting opportunities for student debt relief at both the federal and state level. As new information becomes available, DCBA updates its resource webpage⁴ and briefs public-facing staff to address inquiries from constituents, including making appropriate referrals. DCBA is also taking steps to make available informative collateral for the public through its various community events.

To further expand its reach, DCBA will look to supply all County department's websites with a banner and hyperlink to the CFE webpage, and for those with public-facing operations, provide informative flyer templates that may be printed and distributed at the department's discretion. County departments will also have this link available to maintain on their own intranet site for the benefit of their employees.

Additionally, DHR will continue to provide resources and information regarding student loan forgiveness opportunities and educational webinars through its Workplace and Community Programs Division's Financial Wellness Program. To address the evolving developments related to student loan debt, DHR developed a robust communications plan to address student loan forgiveness awareness, as detailed in the March 2022 *Federal and State Student Loan Forgiveness Programs Awareness Campaign for County Employees* report to the Board.

³ <https://www.supremecourt.gov/opinions/22-506.pdf>; <https://www.supremecourt.gov/opinions/22-535.pdf>

⁴ <https://dcba.lacounty.gov/student-loan-debt/>

DHR created a multi-level communications and awareness campaign plan to maximize outreach efforts to bring vital loan forgiveness program information to employees Countywide. From February 2022 through October 2022, DHR focused on raising awareness of the Public Student Loan Forgiveness (PSLF) Program waiver, which allowed borrowers to receive credit for past periods of repayment that would otherwise not qualify for PSLF for a limited time. Program information was also made available on the mylacounty.gov carousel and through GovDelivery. To ensure program awareness, DHR developed and delivered training to County leaders and line staff to educate them on the PSLF waiver opportunity and the employee's/employer's roles in the PSLF submission process.

DHR also collaborated with the County's health insurance carrier partners to develop a virtual webinar on student loan forgiveness and repayment strategies. The webinar provided an overview of the types of student loans, repayment assistance programs available to County employees, and information around the PSLF waiver. Additional financial wellness topics, such as "*Planning for College Expenses*" and education on budgeting and debt, were also offered through the Better Futures Faster educational series.

To further support County employees, DHR created a newsletter to promote the PSLF program along with resources, information, and tools to assist employees with taking advantage of the time-limited waiver opportunity. Information about the PSLF waiver and financial wellness resources were also published in the *Did You Know?* monthly newsletter, the County Digest, and DHR's financial wellness website. DHR also created weekly social media posts to promote the PSLF waiver and encouraged employees to apply for loan forgiveness opportunities for public servants, government officials, and non-profit employees.

DHR continues to update the mylacounty.gov carousel to reflect the ongoing PSLF programs available to public service employees with qualifying student loans and provides consultation in response to employee inquiries.

As new information emerges about potential student loan forgiveness opportunities, DHR will deploy updated outreach efforts to keep County departments and their workforce informed as new programs are released. DHR will also support DCBA's efforts by posting the provided banner and hyperlink to the CFE webpage on DHR's financial wellness website.

Countywide Employee Survey

In order to better assess how the student debt issue affects the County's workforce, DHR plans to distribute a survey to all County employees—by September of this year—to gather data related to the existing amount, type and nature of the debt held by the

County's workforce further stratified by current position, household income, and other demographics. Additionally, survey questions are being designed to gauge the County workforce's awareness about opportunities that are already accessible for loan repayment and/or forgiveness and inform future programming, resource development, and strategies. In understanding the full scope of the existing burden (type of debt, default status, amount of debt, current income), the County will be better positioned to make data-driven decisions when determining eligibility criteria, volume of relief, and other critical programmatic factors for the solution it intends to develop. Survey results should also provide valuable insights into how DHR could expand and refine its outreach to employees by identifying and addressing knowledge gaps among County employees.

Program Options

DCBA has compiled a preliminary list of options for your Board to consider. It is important to note that final formal recommendations have yet to be developed and remain contingent upon further research and evaluation that take into consideration factors that include data obtained from the survey that will be conducted by DHR, ongoing federal efforts to address student loan debt, consideration of potential compensation factors on future County labor agreement discussions, and the County's budgetary outlook.

Option #1: Bulk, one-time "purchase" of unpaid and defaulted student loan debt

In the motion of November 1, 2022, your Board directed DCBA to explore the option of the County relieving the unpaid and defaulted student debt of County employees earning less than the County area median income. Included in that exploration were to be considerations for recouping relief funds from the employee should they leave County service within five (5) years of receiving that assistance. If the intent is to find immediate and maximal relief of the existing loan obligations of its workforce, the County paying off a large amount (if not all) of its lower-wage employees' student loan debt would seem the most logical. Of all the options to be presented in this section, this path would also be the option that best addresses debt owed to private lenders, which nationally represents around ten (10%) percent of the existing student debt burden and, more importantly, does not qualify for debt relief under existing government student loan forgiveness programs.

Deploying this approach, however, would likely come with a significant up-front cost depending on how lenient the eligibility criteria will be to qualify participants. Furthermore, linking a sizable payoff to a lengthy service requirement and potential conditions for County reimbursement may present its own challenges as it has the potential to shift participants into a similar state of precarity. New or current employees that become significantly indebted to the County may feel trapped in their position without a realistic opportunity to repay the County should they wish to pursue employment opportunities in the private sector, or if they must leave the County due to an unforeseen circumstance. The County would effectively take the place of the original lender, attempting to collect on

balances due from individuals with likely limited means for repayment. DCBA would recommend, at minimum, including a discretionary waiver of recovery should taking such an action against former employees later be proven to have equity concerns.

Option #2: Decentralized Program for Loan Assistance

This option would have County departments develop their own internal assistance programs in similar fashion to the current County Tuition Reimbursement Program. Employees would engage with their respective County departments in requesting personalized plans for student debt relief, which may take into account additional factors, including participation in Public Service Loan Forgiveness and Income-Driven Repayment (IDR) programs. DCBA would additionally suggest a flexible funding plan for the program that would allow for unused funds in a particular County department to potentially flow to a different County department whose needs outweigh their allocation, rather than having County departments with sizable allocations carry over funds year-over-year.

This strategy could potentially also be co-opted to include a County department-specific recruitment incentive program like the recommendation in the following section of this report.

Option #3: Subsidized IDR Repayment Plans

With this option, DCBA suggests the County focus its efforts and resources on having all qualifying employees enrolled in forgiveness programs and repayment plans. Under the new Saving on a Valuable Education (SAVE) plan being rolled out currently by the federal government, successfully enrolled County employees with limited income would see their monthly responsibility shrink to minimal levels.⁵ The new SAVE plan will replace the revised Pay As You Earn Repayment (REPAYE) plan, one of the most widely used of the four IDR options available. The other three existing IDR plans will likely become more limited or phased out entirely. The requirements for current borrowers to enroll in the SAVE IDR program are being expanded to raise the income exemption from 150 percent above the poverty line to 225 percent and does not allow unpaid interest to grow if a person is making their monthly student loan payments. Borrowers would only be required to make payments in monthly amounts that represented only a fraction of their assessed discretionary income, as illustrated in the graph below. IDR payment programs eventually transition to full forgiveness after payments are made over periods ranging from 20-25 years depending on loan type, regardless of the remaining balance.

⁵ <https://studentaid.gov/announcements-events/save-plan>

Estimated Monthly Payment Under the SAVE Plan

Income	\$60k	\$227	\$130	\$34	\$0	\$0
	\$50k	\$143	\$47	\$0	\$0	\$0
	\$40k	\$60	\$0	\$0	\$0	\$0
	\$30k	\$0	\$0	\$0	\$0	\$0
	\$20k	\$0	\$0	\$0	\$0	\$0
	\$10k	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0
			1	2	3	4
		Family Size				

To further support its workforce, the County could provide a monthly benefit to assist those employees who may still find difficulty with making student loan payments without the County bearing the financial burden of partially paying for, or paying off, significant portions of debt that would otherwise be reduced or forgiven through existing external opportunities at the state and federal levels. A similar benefit could potentially be offered to employees with debt owed to private lenders, but the allocation would likely represent a smaller percentage of their monthly payment, given no payment reduction programs are available.

DCBA engaged with the Student Borrower Protection Center on potential County options, and this was the recommended approach. A similar program is being successfully run in the City of San Antonio.⁶

Option #4: Matching Contributions

As discussed in the previous interim report, the SECURE 2.0 Act of 2022 allows employers to match employees' student loan payments with retirement contributions. This could assist County employees who may not be able to save for retirement because they are overwhelmed with student debt and thus are missing out on available matching contributions to their retirement plan(s).⁷

⁶ <https://www.sanantonio.gov/Portals/0/Files/EmployeeInformation/StudentLoanPayment.pdf>

⁷ Section 110: <https://www.finance.senate.gov/imo/media/doc/.pdf>

DCBA does not necessarily see this as an exclusive option and would likely recommend combining with other strategies seeing that it provides only minimal immediate impact on the livelihood of those facing eminent default.

Relief as a Recruitment Incentive

DCBA recommends further exploration of standing up a program that resembles the U.S. Office of Personnel Management federal student loan repayment program which permits agencies to repay federally insured student loans as a recruitment or retention incentive for candidates or current employees of the agency. The program implements 5 U.S.C. 5379, which authorizes agencies to set up their own student loan repayment programs to attract or retain highly qualified employees.⁸ With the County codification of an incentive program incorporating elements similar to those of the federal program, County departments could potentially address the hiring of critical positions with a significant annual or monthly reimbursement benefit paid directly to lending agents for federally insured (and potentially private) loans of the applicant.

The approval for payment to the loan provider could be presented by the requesting County department to the CEO, DHR, and/or Board on an ad-hoc basis with funding managed and distributed from a centralized discretionary source rather than a specific County department's budget, allowing for flexibility in the allocation of funds based on the immediate and often unexpected hiring needs of a particular program.

Before any benefit is paid to the lender on behalf of the employee, the new recruit would be required to agree in writing to remain in the service of the County department for a defined period, subject to a right of recovery for all funds distributed should the employee leave or be discharged. This could include recovery from accrued pay, accrued time, amount of retirement credit, or other source. Similar to the concerns raised earlier with the "bulk" purchase of debt, DCBA would recommend including a discretionary waiver of recovery for participating County departments.

Measuring Impact

DCBA recognizes the need to evaluate the efficacy of any relief program, especially on the impact of retention and job satisfaction amongst participants. While an evaluation should be tailored to the specifics of the chosen program design, at a minimum, DCBA would recommend a baseline survey of recipients prior to the issuance of any relief and an annual collection of specific data through personnel records and surveys with

⁸ <https://www.law.cornell.edu/uscode/text/5/5379>

mandatory participation for all still in County service. Data points collected for the cohort of relief recipients (and a control group) should include the following:

- Retention rates
- Promotion rates
- Incidence of material hardships
- Job satisfaction
- Overall well-being
- Pursuit of additional education/training

Next Steps

DCBA will continue to coordinate discussions between itself, DHR, and CEO to present final recommendations on October 9, 2023, consolidating the requested considerations in the original board motion from November 1, 2022, and the substantively similar directive of the board motion passed on July 11, 2023, requesting updates on the feasibility and/or progress toward incorporating a County student loan debt repayment plan for County employees, a potential matching contribution program, and the utilization of debt repayment as a recruitment tool for critical vacancies.⁹

Should you have any questions concerning this report, please contact me or Christian Olmos, Deputy Director, Consumer and Community Services Division at COlmos@dcbalacounty.gov or (213) 712-5456.

RC:JA:CO
MR:JP:EV:ph

c: Executive Office, Board of Supervisors
Chief Executive Office
County Counsel
Department of Human Resources

⁹ https://file.lacounty.gov/SDSInter/bos/sop/1145526_071123.pdf