



CONSENT CALENDAR
May 11, 2021

To: Honorable Mayor and Members of the City Council

From: Councilmember Rigel Robinson, Councilmember Hahn, Councilmember Wengraf

Subject: Support for Senator Warren's Student Loan Debt Relief Act (S.2235)

RECOMMENDATION

Refer to the Council to adopt a resolution in support of Senator Elizabeth Warren's Student Loan Debt Relief Act, which would cancel student loan debt to promote economic growth and reduce wealth gaps.

BACKGROUND

Initially proposed July 23, 2019 and reintroduced mid-February of this year, Senator Warren's Student Loan Debt Relief Act would require the Department of Education to cancel up to \$50,000 worth of outstanding student loan debt per recipient. Those with an adjusted gross income below \$100,000 would see maximum loan cancellation while those with a greater income would see partial loan cancellation.¹ The resolution could be accomplished by the President using executive authority outlined in the Higher Education Act.² Likewise, the Secretary of Education holds debt cancellation power through the same act. Such actions are not uncommon, as they have already been taken on a smaller scale for federal student loan relief as a result of the COVID-19 pandemic.³

The resolution also encourages the President to ensure no tax liability because of administrative debt cancellation for federal student loan borrowers and to continue to pause student loan payments and interest accumulation for federal student loan borrowers for the duration of the COVID-19 pandemic.

Further components of the legislation include:

- Automatic cancellation through readily available income data

¹ <https://www.congress.gov/bill/116th-congress/senate-bill/2235?q=%7B%22search%22%3A%5B%22higher+education+act%22%2C%22student+loan+debt+relief%22%2C%22higher+education+act%22%2C%22student+loan+debt+relief%22%5D%7D&s=2&r=2>

² <https://www.warren.senate.gov/newsroom/press-releases/schumer-warren-the-next-president-can-and-should-cancel-up-to-50000-in-student-loan-debt-immediately-democrats-outline-plan-for-immediate-action-in-2021>

³ <https://www.warren.senate.gov/newsroom/press-releases/schumer-warren-the-next-president-can-and-should-cancel-up-to-50000-in-student-loan-debt-immediately-democrats-outline-plan-for-immediate-action-in-2021>

- Allowing borrowers of private student loans to refinance their loans as federal student loans so they can qualify for loan cancellation
- Make cancelled debt non-taxable income,
- Provide one-year freeze on loan payments made by borrowers, wage garnishment by the Department of Education on troubled loans, and interest accrual on student loans while the debt cancellation is being implemented
- Automatically refinance remaining federal student loans to interest rates specified in the Bank on Student Emergency Loan Refinancing Act
- Allow borrowers to discharge their loans in bankruptcy, as specified in the Student Borrower Bankruptcy Relief Act of 2019.⁴

The problem of student loan debt is pervasive and long-lasting, and negatively impacts individual lives as well as the national, state, and local economies. 45 million Americans are in debt from student loans that totals \$1.71 trillion.⁵ What salaries graduates earn after college are frequently insufficient, as student loan debt often follows loan recipients throughout their lives -- 3 million senior citizens are still paying off their student loans.⁶ Left untreated, this problem threatens to exponentially worsen given the rising cost of tuition and cost of living coupled with decades of stagnant wages. Due to the significant financial burden posed by these loans, many find it difficult to buy cars and homes, start and invest in businesses, and even retire -- all of which negatively impacts the broader economy. Experts have predicted that student loan debt cancellation would “provide immediate relief to millions who are struggling during this pandemic and recession, and give a boost to our struggling economy through a consumer-driven economic stimulus that can result in greater home-buying rates and housing stability, higher college completion rates, and greater small business formation.”⁷

While 1 in 5 Americans are affected by the student loan crisis⁸, those undoubtedly most heavily impacted are Black communities and communities of color, resulting in an insidious racial wealth gap. Families of color are more likely to borrow for higher education, and statistically have less income to pay back these loans; in case of financial shock, families of color have less of a safety net resulting in higher likelihood of default on student loan debt.⁹ Experts have further predicted that student loan debt

⁴ <https://www.warren.senate.gov/newsroom/press-releases/senator-warren-house-majority-whip-clyburn-introduce-legislation-to-cancel-student-loan-debt-for-millions-of-americans>

⁵ <https://studentloanhero.com/student-loan-debt-statistics/>

⁶ <https://www.thecut.com/2021/02/joe-biden-can-cancel-all-student-debt-he-just-wont.html>

⁷ <https://www.warren.senate.gov/newsroom/press-releases/schumer-warren-the-next-president-can-and-should-cancel-up-to-50000-in-student-loan-debt-immediately-democrats-outline-plan-for-immediate-action-in-2021>

⁸ <https://studentloanhero.com/student-loan-debt-statistics/>

⁹ <https://www.warren.senate.gov/imo/media/doc/NAACPStudent%20Debt%20Relief.WARREN.pdf>

cancellation will particularly benefit Black and Latinx household wealth, which will help to close the racial wealth gap.¹⁰

Supporting the Student Loan Debt Relief Act would align with the City of Berkeley's past stances on related issues. For example, in 2017, the Council passed a resolution in support of AB 1038 - Tuition Free College By 2030, which created a roadmap that would make all public California colleges free.¹¹ This resolution also cited the disadvantages that minority communities face when paying for higher education. Prior to that, in 2013, the Council took a stance in support of HR 532 - Private Student Loan Bankruptcy Fairness Act and End Predatory Spending Practices, which would amend the bankruptcy code so that private student loan debt could be dischargeable and treated the same as other bankrupt private consumer debt by removing a special-interest provision.¹² In the same year, the Council supported the Bank on Student Loan Fairness Act, which would allow students the same low interest rates that national banks are afforded and assist the Department of Education in subsidizing student loans.¹³ All these stances reflect the need to alleviate the increasing financial burden of student loans.

The City of Berkeley would be joining a coalition of cities, representatives, and organizations calling on the President to cancel student loan debt. The city of Cambridge recently adopted a resolution earlier this year in support of Senator Warren's bill.¹⁴ The city of Philadelphia went a step further, calling on the President to cancel all student loan debt within his first 100 days of office, citing an enormous opportunity for economic growth that could lead to huge amounts of local spending.¹⁵ Senator Warren's bill is sponsored by over 60 lawmakers in Congress, as well as 17 state attorneys, and over 325 organizations ranging from labor unions to civil rights groups.¹⁶ These numbers are representative of the 67% percent of Americans who believe there should be some form of student loan forgiveness.¹⁷ The City of Berkeley should move to support the Student Loan Debt Relief Act's goal of economic growth and closing racial wealth gaps.

¹⁰ https://rooseveltinstitute.org/wp-content/uploads/2020/08/RI_StudentDebtForgiveness_WorkingPaper_202008.pdf

¹¹ <https://www.cityofberkeley.info/recordsonline/api/Document/AZngCuAOefPPTpF%C3%89JYugM13aaebX7BY9DWI5W1vSF8%C3%818Sppgx%C3%89EXLcQCntx8AzRzpRNuFKnOBXLNuF5I2MHWvEs%3D/>

¹² <https://www.cityofberkeley.info/recordsonline/api/Document/AU46oG1ONI54ftl1NYebz%C3%81VaSagFBqUcuSghX45g15F0vKiwXnWdU0YeAZmXPWgxuq8S6o2bOX%C3%81qxU3UNmlfcSQ%3D/>

¹³ <https://www.cityofberkeley.info/recordsonline/api/Document/AdyGTcGw68c1Ud0vvnQ3Rc3X50I6J2CB EVCxZ0ITLaT57HbsthtL526fgtzAYleif0miW34P3tMYvNiKh%C3%816uNFU%3D/>

¹⁴ http://cambridgema.iqm2.com/Citizens/Detail_LegiFile.aspx?Frame=&MeetingID=2797&MediaPosition=&ID=13646&CssClass=

¹⁵ <https://thehill.com/homenews/state-watch/541725-philly-city-council-calls-on-biden-to-cancel-all-student-loan-debt-in?rl=1>

¹⁶ <https://www.forbes.com/sites/adamminsky/2021/02/23/heres-everyone-who-wants-biden-to-cancel-student-loan-debt-its-popular/?sh=6324f99c41c0>

¹⁷ <https://www.forbes.com/sites/adamminsky/2021/02/23/heres-everyone-who-wants-biden-to-cancel-student-loan-debt-its-popular/?sh=6324f99c41c0>

FINANCIAL IMPLICATIONS

None.

ENVIRONMENTAL SUSTAINABILITY

None.

CONTACT PERSON

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Attachment:
1: Resolution

RESOLUTION NO. ##,###-N.S.

SUPPORT FOR STUDENT LOAN DEBT RELIEF ACT

WHEREAS, student loan debt impacts 45 million Americans, and impedes them from fully contributing to the economy throughout their lives; and

WHEREAS, Black, Latinx, Indigenous, Asian and Pacific Islander, and other communities of color; economically disadvantaged residents; older people and young adults most acutely experience the impacts of student debt; and

WHEREAS, cancelling student loan debt presents a formidable opportunity to substantially promote upward mobility for those most vulnerable in our society, and simultaneously increase local spending; and

WHEREAS, past Berkeley City Council stances regarding student loan debt have been aligned with the goal of alleviating financial burden from those most greatly affected; and

WHEREAS, Americans across all political parties widely hold that there should be student loan debt cancellation in some form; and

WHEREAS, cancelling student loan debt would put the country on track to make higher education more accessible, creating a more educated populace.

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley officially supports the Student Loan Debt Relief Act, which would allow the authority of the President under the Higher Education Act to cancel student loan debt up to \$50,000, for the purpose of strengthening the economy and working to close the racial wealth gap.

BE IT FURTHER RESOLVED that copies of this resolution be sent to Congresswoman Barbara Lee, and Senators Dianne Feinstein, Alex Padilla, and Elizabeth Warren.

