

Education & Training

Collecting against the future

Student-debt practices undermine Ohio's education goals

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Education and training beyond high school matter today more than ever, preparing students to contribute to their communities, allowing them to lead healthier and more productive lives, and strengthening the economy. In today's economy, higher education is increasingly important for those seeking jobs that pay a living wage.

However, many Ohio policies work against the state's goal that by 2025, 65% of Ohioans aged 25 to 64 will have a degree, certificate, or other postsecondary workforce credential. Among the barriers are weak state funding for public colleges and universities and insufficient, poorly structured need-based aid.

Certifying debt to the Attorney General

Another barrier is state law requiring public higher-education institutions to certify student debt to the Ohio Attorney General's Office (AGO) for collection. Debts include not only unpaid tuition, but library and lab fees, fines for non-payment, parking fines, and other fees not directly related to tuition. These practices are separate from loans students have taken to pay for school, which are generally owed to the federal government or other third-party lenders, and do not result in transcript withholding.

Debt that keeps a student from staying in school can start relatively small, although interest, fines, and fees can make the amounts balloon over time. In addition to late fees and fines at the school level, the AGO's collections commission rate is generally 10%. The AGO pays debt collectors 21% on a contingency basis, and special counsel charges up to 33% depending on the type of debt. Unlike for most debt in Ohio, state law allows the AGO to add collection fees on top of debt, which can saddle students with even more to pay back. This practice, rare among states, means that every year lawyers and other third parties working for the AGO sue thousands of Ohio students for amounts that are often many times more than their original past-due accounts.

Meanwhile, the state's public schools bar registration and withhold transcripts when students owe them money, making it harder for students to settle their accounts and re-enroll.

Ending educational aspirations

Together, these state and school policies can permanently end students' educational aspirations and trap them in low-wage jobs. Students generally cannot re-enroll if they have unpaid debts to the school. Debts that have been sent to the AGO accrue additional fees and are harder to pull back to the school for quick resolution that allows for timely re-enrollment. At the same time, a student's plan to continue their education or get higher-paying jobs can

be effectively halted by the inability to access a transcript. The students clearly suffer, but so do the economies of Ohio's communities and the state as a whole.

Data show disparate impact

Our analysis found that these policies are more likely to present barriers for students attending the state's two-year community colleges, which enroll more people who historically have had less access to postsecondary education, including Black and Latinx students, older students, and first-generation students. The number of debts per student is higher at two-year schools than it is at four-year schools.

Three universities are outliers among Ohio's four-year schools. The average value of active debt accounts certified to the AGO by Ohio's only public historically Black university, Central State, is substantially higher than at other Ohio schools, both two- and four-year. Central State, Shawnee State University and the University of Toledo also have higher numbers of certified accounts per enrolled student than other four-year schools. The reasons for these disparities are complex and require further study.

Promising practices

A number of Ohio colleges and universities have piloted or implemented programs to re-enroll students who owe money to the schools. The programs generally involve debt forgiveness, advising, tutoring, and other assistance and incentives. These programs report that tuition paid from returning students exceeds amounts of debt forgiven by the schools. Rather than carrying debt and holding hostage the transcripts and futures of students, these programs represent a solution that benefits everyone.

Recommendations

Ohio lawmakers should increase funding for higher education, primarily by boosting support for the State Share of Instruction and the Ohio College Opportunity Grant, restructuring the latter as a first-dollar award to better meet the needs of low-income students.

Reducing barriers to postsecondary education is an area of interest for Governor Mike DeWine. A representative of his office noted that the administration is engaged with education stakeholder groups on issues including student debt.

As the governor's team and other state policymakers seek solutions to the problems created by current state law regarding student-debt collection and school-level practices on transcript withholding, they should:

- Require the AGO to collect demographic data to better understand the impact of these practices, helping policymakers and schools target relief to those who most need it.
- Eliminate the law requiring schools to send debt to the AGO, allowing schools more time to collect debt on their own or institute debt-forgiveness and re-enrollment initiatives.
- Encourage and incentivize the school-level practices that focus on debt-forgiveness, individual support, re-enrollment and degree completion described in this report.
- Eliminate fees and penalties related to student debt or at least take fines and fees out of amounts collected for past-due accounts, rather than charging individuals on top of the amounts they owe.
- Consider banning transcript withholding or require schools to issue transcripts for classes for which students have paid in full.