
SENATE COMMITTEE ON EDUCATION

Senator Benjamin Allen, Chair

2017 - 2018 Regular

Bill No: AB 1858 **Hearing Date:** June 27, 2018
Author: Calderon
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Urgency: No **Fiscal:** Yes
Consultant: Olgalilia Ramirez

Subject: Student financial aid: Financial Aid Shopping Sheet.

SUMMARY

This bill requires, by January 1, 2020, each public, private and independent postsecondary institution use the federal Financial Aid Shopping Sheet or a successor document identified by the California Student Aid Commission (CSAC), to inform students about financial aid award packages.

BACKGROUND

Existing law:

- 1) Establishes the Donahoe Higher Education Act, setting forth the mission of the University of California (UC), the California State University (CSU), and the California Community College (CCC); and, defines "independent institutions of higher education" as nonpublic higher education institutions that grant undergraduate degrees, graduate degrees, or both, and that are formed as nonprofit corporations in California and are accredited by an agency recognized by the United States Department of Education. (Education Code § 66010, et seq.)
- 2) Provides that statutes related to UC (and most other aspects of the governance and operation of UC) are applicable only to the extent that the Regents of UC make such provisions applicable. (EC § 67400 and 68134)
- 3) Establishes the California Private Postsecondary Education Act of 2009, until January 1, 2021, and requires the Bureau for Private Postsecondary Education (BPPE), within the Department of Consumer Affairs (DCA) to, among other things, review, investigate and approve private postsecondary institutions (or institutions), programs and courses of instruction pursuant to the Act, and authorizes BPPE to take formal actions against an institution/school to ensure compliance with the Act and even seek closure of an institution/school if determined necessary. The Act requires unaccredited degree granting institutions to be accredited by an accrediting agency recognized by the United States Department of Education by 2020. The Act also provides for specified disclosures and enrollment agreements for students, requirements for cancellations, withdrawals and refunds, and that the BPPE shall administer the Student Tuition Recovery Fund to provide refunds to students affected by the possible closure of an institution/school. (EC § 94800, et seq.)

- 4) Under the California Private Postsecondary Education Act of 2009, defines “institution,” to mean any private postsecondary educational institutions, including its branch campuses and satellite locations. (EC § 9484)
- 5) Establishes the California Student Aid Commission (CSAC) is the primary state agency for the administration of state-authorized student financial aid programs available to students attending all segments of postsecondary education. These programs include grant, work study, and loan programs supported by the state and the federal government. (EC § 66010.6.(b))

ANALYSIS

This bill:

- 1) Requires, by January 1, 2020, each campus of the University of California (UC), the California State University (CSU), and the California Community Colleges (CCC), each independent “nonprofit” institution and each private postsecondary educational institution, to use the Financial Aid Shopping Sheet as developed by the United States Department of Education (USDE) or a successor document identified by the CSAC to inform students or potential students about financial aid award packages. The bill notwithstanding provisions that prohibit statutes related to UC from being applied.
- 2) Requires, the specified public, private and independent institutions to include the completed Financial Aid Shopping Sheet or a successor document, when it sends out an acceptance letter to prospective students.
- 3) Provides that in the implementation of the provisions in this bill, the specified public, private and independent institutions are to seek guidance as needed from the USDE.
- 4) Establishes if the Commission on State Mandates determines that this act contains costs mandated by the state, the state shall reimburse the applicable entities.

STAFF COMMENTS

- 1) Need for the bill. According to the Author, “There is no existing state law requiring higher education institutions use a standardized financial aid award letter to communicate financial aid in a user-friendly, easily comparable format. Institutions are not even statutorily required to accurately provide the net cost, as defined as the cost of attending an institution minus financial aid in a student’s financial aid award letter. This lack of accuracy and transparency leads to students wasting time comparing the cost to attend multiple institutions or basing their decision to attend an institution on inaccurate financial expectations.”

According to the Author, this bill addresses the lack of comparability and transparency in financial aid award letters higher education institutions send to students. Without legislative action, institutions are not taking required to take the proactive steps to advertise the true cost of receiving a degree from their

institution at the detriment of student financial success. The Author states that “Students and families agonize over funding higher education. According to the New America College Decision Survey, 88% of prospective students ranked the availability of financial aid and the cost of college are “important” or “very important” to their college selection process. The Author cites a recent study by The Institute for College Access and Success (TICAS) which found that when comparing 195 award letters from public and private nonprofit colleges, 23 percent of the letters were identified as the Shopping Sheets and only seven percent met criteria for being consumer-friendly award letters for capturing the full cost of attendance, including tuition and fees, room and board, books and supplies, and transportation/personal expenses, separating aid that needs to be earned or repaid from aid that doesn’t and finally, calculate the net price, which is the remaining amount that a student would have to save, earn, or borrow to attend the school. The Author states that 66 percent of the letters analyzed letters deceptively grouped aid a student paid back with aid a student did not have to pay back, while 22 percent of the award letters highlighted a remaining cost figure that understated college costs by using direct costs rather than the total cost of attendance, or overstating aid availability by adding loans and/or work-study together with grants and scholarships.”

According to the Author, “these distinctions confuse students about their financial responsibility. Without a uniform financial aid letter, students and their families waste time attempting to understand and compare financial aid offers received from different institutions. More detrimentally, this confusing process leads to bad actor institutions deceitfully structuring award letters to hide the true cost of completing a degree program. Students need a uniform financial aid letter to ensure their decision to attend a college is based on easily comparable, transparent and accurate information. AB 1858 does this by requiring all higher education institutions in California adopt the [Shopping Sheet] when communicating financial aid packages to students.”

- 2) ***Several online tools available to help inform students.*** Several federal online tools exist to assist prospective college students in making informed decisions about their postsecondary education options. These include the following:
 - a) *The College Scorecards.* In February 2013, the U.S. Department of Education’s (USDE) College Affordability and Transparency Center released an interactive college scorecard, intended to provide information on a college’s affordability and value to enable parents and prospective students to make informed decisions about which college to attend. According to the USDE, the Scorecard highlights key indicators about the cost and value of institutions across the country to help students choose a school that is well-suited to meet their needs, priced affordably, and is consistent with their educational and career goals. Each Scorecard includes five key pieces of data about a college: costs, graduation rate, loan default rate, average amount borrowed, and employment. USDE reports that this data will be updated periodically, and that they plan to publish information on average earnings in the coming year.

- b) *Net Price Calculators.* Federal law requires any college that participates in Title IV financial aid programs to post on-line “net price calculators” to help parents and students determine the potential cost of different colleges before they apply. This calculator allows students to calculate an estimated net price of attendance at an institution (defined as cost of attendance minus grant and scholarship aid) based on what similar students paid in a previous year. The net price calculator is required for all Title IV institutions that enroll full-time, first-time degree- or certificate seeking undergraduate students. The U.S. Department of Education’s (USDE) College Affordability and Transparency Center provides a link to the net-price calculator for individual colleges nationally.

- c) *Financial Aid Shopping Sheet.* In 2012, the USDE partnered with the Consumer Financial Protection Bureau to develop the Financial Aid Shopping Sheet to promote transparency in student financial disclosures. The Shopping Sheet is designed to help students better understand the amount of grants and scholarships they would receive from a given institution, and the amount of loans an institution recommends a student take to cover out-of-pocket costs. The Shopping Sheet is not mandatory, but the federal government encouraged institutions to voluntarily adopt the Shopping Sheet beginning with the 2013-14 academic year. Many California public, private and independent institutions including all University of California (UC), most California State University (CSU) campuses and some California Community Colleges (CCC) have adopted the tool.

- d) *The College Navigator.* The National Center for Higher Education Management Statistics (located within the U.S. Department of Education and the Institute of Education Sciences) is the primary federal entity for collecting and analyzing data related to education in the U.S. and other nations. College Navigator provides comprehensive information to compare colleges on criteria that includes costs, majors offered, size of a school, campus safety, and graduation rates.

- e) *Salary Surfer.* In California Salary Surfer allows students and the public to see salaries associated with degrees or certificates in specific disciplines. Salary Surfer provides wage data for CCC students who earned an associate’s degree or a credit certificate by using the aggregated earnings of graduates from a five year period. Wage information comes from an agreement between the CCC Chancellor's Office and the California Employment Development Department. The system is a useful tool for students to estimate their potential earnings after receiving a certificate or degree in certain areas.

This bill requires California institutions use the Shopping Sheet for prospective students.

- 3) ***Student debt report.*** According to The Institute for College Access and Success (TICAS) and its Project on Student Debt, 68 percent of seniors who graduated from public and nonprofit colleges in 2016 had student loan debt, with

an average nationally of \$30,100 per borrower. TICAS reports that the share of graduates with debt rose modestly over the last decade (from 65 percent to 69 percent). TICAS also reports that average debt in California is \$22,744 at public and private non-profit colleges and that about 53 percent of students graduate with debt, ranking California 48th and 37th lowest nationally, respectively. The highest ranking state is New Hampshire with an average debt of \$36,367 and 74 percent of students graduating with debt. Over California falls well below the national average for student loan debt.

4) ***Double referral.*** This bill was previously heard by the Senate Business, Professions and Economic Development Committee which has jurisdiction over bills relating to business and professional practices and periodically conducts sunset review of various boards and licensing agencies, including the Bureau for Private Postsecondary Education. The following amendments were approved by the Senate Business, Professions and Economic Development Committee and are to be adopted in the Senate Education Committee:

- *Clarify that the provisions apply to institutions that participate in federal student financial aid programs, including those authorized by Title IV of the Higher Education Act of 1965 or veterans' financial aid programs pursuant to Section 21.4253 of Title 38.*
- *Clearly require institutions to provide the Shopping Sheet to students.*
- *Require Bureau for Private Postsecondary Education (BPPE) schools to provide the Shopping Sheet prior to enrollment.*
- *Make the requirement to "seek guidance" from U.S. Department of Education's (USDE) "as needed" permissive.*
- *Add, In the event that the Financial Aid Shopping Sheet developed by the United States Department of Education is no longer available, develop, in consultation with the Bureau for Private Postsecondary Education, a similar form that institutions subject to the requirements of Sections 66021.3 and 94912.5 shall use. The form shall provide students and their families information including but not limited to grant and scholarship opportunities and net costs associated with attendance at an institution.*

For purposes of being consistent with changes approved by in the previous committee ***Senate Education committee staff additionally recommends*** the bill be amended as follows:

66021.3.(a) Notwithstanding Section 67400, by January 1, 2020, and permanently thereafter, each campus of the University of California, the California State University, and the California Community Colleges, and each independent institution of higher education as defined in *Section 66010*, shall ***provide students with*** use the Financial Aid Shopping Sheet as developed by the United States Department of Education ~~or a successor document identified by the Student Aid Commission~~ to inform students or potential students about financial aid award packages. ~~In~~ An institution subject to this

section shall include the completed Financial Aid Shopping Sheet when it sends out ~~an acceptance letter to a prospective student.~~ a financial aid award package to a potential or admitted student

(b) In implementing this section, the institutions of higher education identified in this section shall may seek guidance as needed from the United States Department of Education.

- 5) **Prior and related legislation.** AB 1619 (Berman, 2017) would have required Bureau for Private Postsecondary Education to prohibit an institution subject to the Act from enrolling new students in an educational program that receives a fail rating or a combination of zone and fail ratings, based on the federal debt-to-earnings rates specified under federal gainful employment regulations. AB 1619 was amended to deal with a different subject.

AB 721 (Medina, Chapter 632, Statutes of 2015) established requirements on institutions related to disclosure of student loan data and disclosure of information to students seeking private loans.

SUPPORT

None received

OPPOSITION

None received

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