

Date of Hearing: March 13, 2018

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 1858 (Calderon) – As Introduced January 10, 2018

**SUBJECT:** Student financial aid: Financial Aid Shopping Sheet.

**SUMMARY:** Requires each campus of the University of California (UC), the California State University (CSU), and the California Community Colleges (CCC), and each independent institution of higher education to use the Financial Aid Shopping Sheet, as developed by the United States Department of Education (USDE) or a successor document identified by the California Student Aid Commission (CSAC), to inform students or potential students about financial aid award packages. Specifically, **this bill:**

- 1) Requires, by January 1, 2020, and permanently thereafter, each UC, CSU, and CCC campus, and each independent institution of higher education, as defined, to use the Financial Aid Shopping Sheet as developed by the USDE or a successor document identified by the CSAC to inform students or potential students about financial aid award packages.
- 2) Stipulates that, as the identified institutions of higher education seek to implement this measure, they seek guidance as needed from the USDE.
- 3) Requires postsecondary institutions that fall under the California Private Postsecondary Education Act of 2009, to adhere to (1) and (2) above.

**EXISTING LAW:**

- 1) Establishes the Donahoe Higher Education Act, setting forth the mission of the UC, the CSU, and 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 (EC) Section 66010, et seq.).
- 2) 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 USDE 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 (STRF) to provide refunds to students affected by the possible closure of an institution/school (EC Section 94800, et seq.).

**FISCAL EFFECT:** Unknown

**COMMENTS:** *Need for the measure.* According to the author, "There is no existing law that requires higher education institutions use a standardized financial aid award letter to communicate financial aid in a user-friendly, easily comparable format." The author argues that postsecondary education institutions are not statutorily required to "accurately provide the net cost, as defined as the cost of attending an institution minus financial aid" and that, the "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".

Additionally, the author contends that, "by requiring uniform disclosures of information, we can ensure students can easily compare institutions and, deceptive tactics are not used to hide the true cost of attending a higher education institution".

*Federal Shopping Sheet.* The Financial Aid Shopping Sheet, found here - <https://www2.ed.gov/policy/highered/guid/aid-offer/shoppingsheet20182019.pdf> - which became available for use beginning in the 2013-14 award year, is a consumer tool that participating institutions use to notify students about their financial aid package. The Shopping Sheet is a standardized form designed to simplify the information that prospective students receive about costs and financial aid; allowing them to easily compare institutions and make informed decisions about where to attend school.

The Shopping Sheet includes information about each college's estimated cost of attendance, as well as the median borrowing, repayment and graduation rates. Additionally, the Shopping Sheet details each student's personalized information on net cost to attend each college or university, their grants and scholarships, and other available options to pay for college including work study and loans.

*Current financial aid award letters.* According to The Institute for College Access and Success (TICAS) December 2017 Issue Brief, "Cost in Translation: How Financial Aid Award Letters Fall Short", an examination of almost 200 award letters from public and private nonprofit colleges found that the overwhelming majority of the award letters fell far short of effectively communicating critical information to prospective students.

The brief contends that students need to be able to fully understand the total costs associated with their college education and the real value of financial aid offers prior to their determining where they will enroll.

To note, the TICAS brief found that only 23 percent (fewer than one-quarter) of the award letters reviewed, utilize the standardized Financial Aid Shopping Sheet format.

This measure seeks to address the lack of comparability and transparency in financial aid award letters that higher education institutions send to students.

*Current loan debt averages.* According to the September 2017 report by TICAS, "Student Debt and the Class of 2016", average student debt at graduation in 2016 ranged from \$20,000 in Utah to \$36,350 in New Hampshire, and new graduates' likelihood of having debt ranged from 43 percent in Utah to 77 percent in West Virginia. Average debt varies even more across colleges, from a low of \$4,600 to a high of \$59,100, and the share of students graduating with loans ranges from six to 98 percent.

Additionally, the TICAS report finds that the burden of student debt is not just about overall debt levels, but also about the types of loans students take out. Federal student loans come with crucial consumer protections and repayment options not guaranteed by private, nonfederal loans.

To note, the TICAS report finds that the 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 48<sup>th</sup> and 37<sup>th</sup> lowest nationally, respectively.

This measure seeks to address some of the unnecessary debt students may take on when going to college because of not receiving the most transparent and accurate total cost-of-attendance figures via their financial aid award letters.

*Committee comment.* As presently drafted, this measure requires postsecondary education institutions to use the Shopping Sheet as developed by the USDE or a successor document identified by the CSAC. Committee staff understands that the intent is not to have CSAC create a new Shopping Sheet, but rather authorize CSAC to identify a successor document that may be developed by USDE or another entity.

*Related legislation.* AB 3213 (Bonta) of 2018, which is pending referral, would, in part, require the CSU and 4-year private postsecondary educational institutions and independent institutions of higher education to, and would request the UC to, include at minimum, specified items, including tuition and fees, in a calculation of a full-time student's cost of attendance at that institution.

*Prior legislation.* AB 1178 (Calderon), Chapter 448, Statutes of 2017, required, commencing with the 2018-19 award year, that each higher education institution, except for the CCCs, to the extent possible, send an individualized letter to their students regarding information on their student loans.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

The Institute for College Access & Success

### **Opposition**

None on file.

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