

Date of Hearing: April 23, 2013

ASSEMBLY COMMITTEE ON HIGHER EDUCATION
Das Williams, Chair
AB 330 (Chau) – As Introduced: February 13, 2013

SUBJECT: Student financial aid: disclosures.

SUMMARY: Requires postsecondary educational institutions to provide their net price calculators and average student debt per graduate to the California Student Aid Commission (CSAC) as a condition of eligibility for the Cal Grant Program, requires CSAC to provide this information on its website in a searchable database, and requires a for-profit institution to include this information in its School Performance Fact Sheet. Specifically, this bill:

- 1) Requires postsecondary educational institutions to provide their net price calculators, as required pursuant to federal law, and the average student loan debt of its graduates to CSAC as a condition of eligibility for the Cal Grant Program, and requires CSAC to make this information available in a searchable database on its Internet Website.
- 2) Requires CSAC to provide a glossary on its Internet Website explaining the meanings of various financial aid terms, including but not limited to all of the following:
 - a) Private student loan;
 - b) Federal direct loan;
 - c) Grant; and,
 - d) Scholarship.
- 3) Requires a for-profit institution that must provide its students with a School Performance Fact Sheet pursuant to the Private Postsecondary Education Act to include the following on that Fact Sheet:
 - a) Its net price calculator, if required to provide one on its website under federal law and,
 - b) The average student debt of its graduates, if it receives federal financial aid funding.

EXISTING LAW:

- 1) Establishes the Cal Grant Program under the administration of CSAC, and establishes eligibility requirements for awards under the program for participating students attending qualifying institutions. As a condition for participation in the program, existing law requires each Cal Grant participating institution to annually report specified information to CSAC, which CSAC is required to provide on its Internet Website in a searchable database. (Education Code § 69433.2)
- 2) Provides, among other things, for student protections and regulatory oversight of private postsecondary schools in the state pursuant to the California Private Postsecondary Education

Act of 2009. The Act is enforced by the Bureau for Private Postsecondary Education within the Department of Consumer Affairs, exempts specified institutions from all, or a portion of, its provisions, and requires an institution to provide a prospective student prior to enrollment with a School Performance Fact Sheet, which is required to contain specified information relating to the educational program. (EC § 94800 et seq.)

FISCAL EFFECT: Unknown

COMMENTS: Need for the bill. According to the author, "AB 330 aims to centralize the net price calculator and the student average debt of each Title IV institution on a webpage where students and their families can easily use, compare, and understand the net price calculators for all California post-secondary education institutions and receive more comprehensive and meaningful information, so they can make the best financial and educational decision about which postsecondary education institution to attend."

Net price calculator. Federal law requires higher education institutions to post net price calculators on their websites to allow students and their families to receive early and individualized estimates of the cost of attending the institution they are considering. After entering information about finances, academics, or other factors, students are able to view the full cost of attendance, the amount of grants and scholarships they are likely to receive, and the "net price"—the remaining amount that they would be expected to cover with savings, work, and loans.

A centralized net price calculator is currently available for institutions participating in federal financial aid programs (Title IV) via the College Navigator on the U.S. Department of Education's website (<https://nces.ed.gov/collegenavigator>) and includes numerous features allowing students to create side-by-side comparisons of institutions based a variety of factors. The Department noted in March that about 2.5 million students visited the site, and it is stepping up its promotion of this and other on-line tools offered by the Department.

Average student debt. According to data from the Project on Student Debt, 51% of students who graduated from public and private non-profit four-year universities in California in 2011 took out student loans (ranking 41st in the nation) with an average debt of \$18,879 (ranking 46th in the nation). However, this data is limited because it doesn't include most for-profit institutions and some nonprofit colleges did not report their student debt data. Nationally, 66% of college seniors who graduated in 2011 had student loan debt, with an average of \$26,600 per student.

The federal government does not require institutions to report the average student debt of their graduates. Title IV-eligible institutions are required to report their three-year cohort default rate (CDR), which measures the number of students who default within three years of leaving the institution. CDRs are important indicators of college quality because they indicate the ability of students to put their education to work and repay their loans. The federal government requires institutions maintain a CDR of 30% or less to maintain eligibility for federal financial aid, and institutions with a CDR greater than 15.5% are ineligible for the Cal Grant Program. An institution's CDR is available on the College Navigator, along with the percentage of students at that institution who take out loans.

Issues to consider.

- 1) Value of a California-specific net price calculator. As noted previously, the federal government's College Navigator provides a searchable net price calculator for every Title IV-eligible institution in the country. This bill would create a search engine for a subset of those institutions. While the net price calculator in this bill would include the average student debt per graduate, it is unclear if this information is of enough value to justify a separate database.
- 2) Definition of average student debt per graduate. Staff recommends this term be defined to ensure consist reporting by institutions. Should this data take into account the students who enroll, take out loans, and then fail to complete?

Related legislation. AB 534 (Wieckowski), to be heard in this Committee on April 23, would require public and private postsecondary educational institutions to provide entrance and exit counseling, as specified, for students enrolled at their institutions regarding student loans offered by the institution or a private lender, and would prohibit a lender from accepting an application for a private student loan without first receiving certification that the counseling was conducted by the appropriate postsecondary institution, which may charge a fee to the lender for this service.

REGISTERED SUPPORT / OPPOSITION:

Support

California Federation of Teachers
California State Student Association

Opposition

None on file.

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