

Date of Hearing: April 22, 2013

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Das Williams, Chair

AB 2099 (Frasier) – As Introduced: March 3, 2014

SUBJECT: Postsecondary Education: Title 38 Awards.

SUMMARY: Establishes minimum student outcome requirements for postsecondary institutions approved by the California State Approving Agency for Veterans Education (CSAAVE) to participate in federal veteran's education benefits. Specifically, this bill:

- 1) Finds and declares that federal regulations require postsecondary institutions operating in California seeking to enroll veterans eligible for Title 38 awards to meet federal criteria and additional reasonable criteria in order to be approved by CSAAVE, and that it is reasonable to establish state-level specified quality and oversight requirements.
- 2) Establishes the Title 38 Funding Program and establishes CSAAVE as responsible for approving courses at qualifying institutions seeking to enroll veterans or others eligible for Title 38 awards in accordance with federal law, the provisions of this bill, and any other reasonable criteria established by CSAAVE.
- 3) Defines a qualifying institution to mean an institution that does all of the following:
 - a) Provides information on where to access California license examination passage rates for undergraduates enrolled in programs for which licensure is required, if that data is electronically available through the licensure agency. Requires the institution to certify compliance to CSAAVE;
 - b) Provides evidence of accreditation to CSAAVE from an accrediting agency recognized by the US Department of Education (USDE). Unaccredited degree granting institutions are authorized to remain Title 38 eligible if they receive pre-accreditation status by 2016 and accreditation status by 2017;
 - c) Provides data to CSAAVE regarding the institution's veteran student retention rate and graduation rate, time to degree, cohort default rate, and graduate placement and graduate starting salary. CSAAVE is required, to the extent feasible, to ensure collection and reporting calculations comply with federal and state reporting requirements; and,
 - d) Provides to CSAAVE evidence of compliance with the federal Principles of Excellence program.
 - e) Meets one of the following requirements:
 - i) CSAAVE certifies the institution meets specified performance standards.

- (1) The institution meets one of the following requirements:

- (a) The institution maintains a three-year Cohort Default Rate (CDR) of less than 15.5% and a graduation rate of greater than 30%; or,
 - (b) The institution maintains a three-year CDR of less than 10% and a graduation rate of above 20% (eligible until 2018-19); or,
 - (c) Less than 40% of undergraduate students borrow federal loans.
- (2) Requires, if USDE corrects or revises an institution's CDR or graduation rate and the revised rate satisfies the standard, the institution to immediately regain eligibility.
 - (3) Provides that a private postsecondary educational institution that becomes ineligible under these requirements is provided the opportunity to gain eligibility through application to, and approval from, the Bureau for Private Postsecondary Education (Bureau).
- ii) The institution is a private postsecondary institution issued an approval to operate from the Bureau.

EXISTING LAW:

- 1) Establishes the California Department of Veterans Affairs (CalVet) to provide support to veterans living in California by ensuring that veterans and their families receive the state and federal benefits and services to which they are entitled.
- 2) Establishes, among other requirements, CDR and graduation rate performance requirements, virtually identical to those contained in this bill, for educational institutions participating in the Cal Grant Program, administered by the California Student Aid Commission (CSAC).
- 3) Establishes the Bureau to provide oversight of private postsecondary educational institutions operating in California. Established by Assembly Bill 48 (Portantino, Chapter 310, Statutes of 2009), the bill took effect January 1, 2010, to make many substantive changes that created a foundation for oversight and gave the new Bureau an array of enforcement tools to ensure schools comply with the law.

FISCAL EFFECT: Unknown

COMMENTS: Background on military aid. The GI Bill, signed in 1944 by President Roosevelt, gave servicemen and women the opportunity of resuming their education or technical training after discharge with tuition assistance and a monthly living allowance while pursuing their studies. Educational benefits are currently available both to active duty personnel and veterans through two key programs: the Tuition Assistance program administered and run by the Department of Defense (DOD) and the Post-9/11 Veterans Educational Assistance Act administered by the Department of Veterans Affairs (VA). According to data from the National Center for Education Statistics, during Fiscal Year 2011, 923,836 U.S. service members received over \$10 billion in assistance from military and veteran educational benefit programs, with 9.6% living in California.

Veterans and the for-profit sector. There have been multiple reports and hearings focused on the experience of veterans at private for-profit institutions. According to a 2010 report issued by the U.S. Senate Health, Education, Labor and Pensions (HELP) Committee, between 2009 and 2010, revenue from military educational benefits at 20 for-profit education companies increased 211%. The report also noted that because neither DOD nor VA benefits originate through Title IV, money that institutions received through these programs was not counted as federal financial aid, thus not subject to a key regulatory requirement governing for-profit schools that no more than 90% of revenues come from federal financial aid. This so-called “90/10” rule essentially considers DOD and Veterans funds as non-federal aid by allowing these funds to be counted in the 10 percent of the calculation, despite the fact that the money comes from federal taxpayers. The report found that four of the five for-profit schools receiving the most Post-9/11 GI Bill funding in the first year had loan repayment rates of only 31 to 37 percent. The report further found that the same four of five schools receiving the most Post-9/11 GI funding had at least one campus with a student default rate above 24 percent over three years.

For-profit schools have come under particular scrutiny for practices used to recruit military veterans. Recently, California State Attorney General Kamala Harris filed suit against Corinthian Colleges, Inc. (CCI) for false and predatory advertising, intentional misrepresentations to students, securities fraud and unlawful use of military seals in advertisements. According to the complaint, CCI included official military seals in mailings and on websites.

CSAAVE oversight of veteran serving institutions. CSAAVE, housed within CalVet, is federally funded and operates under an annual reimbursement contract with the VA. In its role as the approval agency, the primary function of CSAAVE is to review, evaluate and approve quality educational and training programs for veteran's benefits. CSAAVE is intended to approve colleges and universities, vocational schools, business schools, professional schools, and licensing and certification training and tests, all of which must lead to an educational, professional or vocational objective. There is no current requirement for CSAAVE to provide recourse for students attending approved institutions and in the event that a student was misled or unable to become employed following enrollment at a program.

Purpose of this bill. According to the author, this bill will tighten requirements that colleges must meet in order to be approved by CSAAVE to enroll Title 38 recipients, providing additional protection to veterans from unscrupulous colleges that often leave students with high debt and without a degree or certificate of any value.

Cal Grant Program standard. In an effort to increase accountability over public financial aid expenditures and address the budget deficit, in 2011 California established requirements linking participation in the Cal Grant Program to the percentage of students borrowing federal loans and the number of students defaulting on those federal loans within three years of entering repayment (CDR). In 2012, the CDR requirements were tightened and a graduation rate requirement was established. In January 2013, the Legislative Analyst's Office (LAO) reported on the Cal Grant requirements and found that default and graduation rates provide rough proximities of how well an institution is serving students. This bill would require, among other provisions, an institution to meet the program quality standards (CDR and graduation rate) of the Cal Grant Program, or be approved and regulated by the Bureau.

Bureau standard. The Bureau provides oversight of private postsecondary educational institutions operating in California through granting approval of institutions and programs, enforcing minimum operating standards for quality, providing for student complaint resolution, and requiring institutional disclosures to prospective students. While some institutions receiving Title 38 funds are subject to the Bureau's oversight, many institutions are provided an exemption from the Bureau's enforcement authority. This bill would require an institution that does not meet the aforementioned program quality standards to seek and obtain an approval to operate from the Bureau; thereby ensuring the Bureau can take action to protect a veteran student.

Unaccredited degree granting institutions. Accreditation is a voluntary, non-governmental peer review process used to determine academic quality. Under federal law, the United States Department of Education (USDE) establishes the general standards for accreditation agencies and is required to publish a list of recognized accrediting agencies that are deemed reliable authorities on the quality of education provided by their accredited institutions. While accredited and unaccredited education and training programs are allowed to operate in California, only accredited institutions are authorized to participate in virtually all federal and state financial aid programs. One exception to the accreditation requirement is under Title 38 veterans funds.

Unaccredited degrees can limit a student's career options. Some career fields and employers require degrees from accredited colleges; this is especially true in professions like education and health care, where certification or licensure is a pre-requisite for employment. While California licensure requirements in the health care field vary; physicians, dentists, clinical social workers, optometrists, and chiropractors must obtain their required degrees from accredited institutions or institutions approved by their respective licensing boards.

This bill would require institutions offering unaccredited degrees to obtain accreditation, or discontinue degree programs (possibly create approved certificate programs). Unaccredited programs would still be authorized to operate in California; however, institutions would not be approved for Title 38 award use at those institutions.

Proposed amendments. Committee staff proposes the following amendments clarifying the accreditation requirement consistent with the author's intent:

(3) The institution shall provide evidence of accreditation of all degree programs to CSAAVE from an accrediting agency recognized by the United States Department of Education. An institution offering an unaccredited degree that is participating in Title 38 award programs on January 1, 2015, shall have until January 1, 2016, to obtain and provide evidence to CSAAVE of its candidacy or pre-accreditation status ~~for accreditation~~ with an accrediting agency recognized by the United States Department of Education in order for the institution to be eligible for Title 38 awards for the academic year of 2015–16, or 2016–17, or both, and to obtain and provide evidence to CSAAVE of ~~full~~-accreditation from the accrediting agency by January 1, 2017 to be eligible for Title 38 awards for the academic year of 2017–18, and each academic year thereafter.

State authorization clarification. Several organizations have requested a clarification regarding federal requirements for state authorization. Specifically, of concern, existing federal regulation requires all colleges seeking federal Title IV financial aid to be authorized in the state in which

they operate. The author has agreed to accept an amendment clarifying that CSAAVE approval is not intended to constitute state authorization for the purpose of federal Title IV eligibility.

Technical amendments. Committee staff also recommends several technical and clarifying amendments, which the author has agreed to accept.

REGISTERED SUPPORT / OPPOSITION:

Support

American Legion, Department of California
AMVETS, Department of California
California Association of County Veterans Service Officer
California Labor Federation
California State Commanders Veterans Council
Center for Public Interest Law (CPIL) at the University of San Diego School of Law
Children's Advocacy Institute (CAI) at the University of San Diego School of Law
Consumers Union
Military Officers Association of America, California Council of Chapters
Public Advocates
The Institute for College Access and Success
VetJobs
Veterans Education Success
Veterans of Foreign Wars, Department of California
Vietnam Veterans of America, California State Council
Young Invincibles

Opposition

California Association of Private Postsecondary Schools
San Diego Chamber of Commerce
University of Phoenix

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