

Date of Hearing: April 22, 2021

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 1118 (Low) – As Amended April 15, 2021

SUBJECT: Postsecondary education: institutional financial aid.

SUMMARY: Requires all California-based institutions of higher education (IHEs) with endowment funds where the ratio of endowment dollars to enrolled students exceeds \$200,000 to 1, or where the total endowment exceeds \$1 billion, to report specified information to the Legislature on their respective college endowment funds on or before March 31 of each odd-numbered year, commencing in 2023. Specifically, **this bill:**

- 1) Requires California-based IHEs with endowment funds where the ratio of endowment dollars to enrolled students exceeds \$200,000 to 1, or where the total endowment exceeds \$1 billion, to, commencing with 2023, report to the Legislature on its college endowment funds on or before March 31 of each odd-numbered year.
- 2) Requires the report, as enumerated in (1) above, to include all of the following information:
 - a) Endowment return on investment for the previous two fiscal years; and,
 - b) Total endowment spending amount or payout rate for the previous two fiscal years, disaggregated by spending, including actual spending and percent spending, in all of the following categories:
 - i) Restricted and unrestricted payout;
 - ii) Spending on need-based student aid, broken out in undergraduate and graduate categories;
 - iii) Spending on merit-based student aid, broken out in undergraduate and graduate categories;
 - iv) Fund management;
 - v) Capital improvements;
 - vi) Research activities;
 - vii) Faculty compensation;
 - viii) Allocations to reserves or rainy day funds;
 - ix) Percentage of gifts from the previous two fiscal years to the fund that are endowed and the percentage that are functioning as endowment; and,
 - x) Spending for the previous two academic years on low-income, first generation, and recruitment and retention of students who are Black, indigenous, or people of color.

- 3) Defines “private nonprofit colleges and universities” for purposes of this measure, as private nonprofit colleges and universities located in California that enroll 500 or more undergraduate students.
- 4) Adds the following data requirements to the required institutional financial aid report that specified IHEs must provide to the Legislature:
 - a) The percentage of students graduating with \$10,000 or more in debt, the average dollar amount of that debt, and the percentage of private loans and federal loans that are included in that debt; and,
 - b) The typical financial aid package for a typical dependent undergraduate student with a parent income of \$100,000 and \$120,000.
- 5) Makes clarifying and technical changes to existing law.

EXISTING LAW:

- 1) Establishes the Donahoe Higher Education Act, setting forth the mission of the UC, the CSU, and the 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) Requires the CSU, and requests the UC, to annually report, on or before March 31, to the Legislature on their respective institutional financial aid programs (EC 66021.1).

FISCAL EFFECT: Unknown

COMMENTS: *Institutional financial aid.* Institutional financial aid is offered by the IHE a student plans to attend and is only available to incoming and current students. Institutional aid may be need-based or merit-based. Some IHEs offer more institutional aid opportunities than others, depending on the size of the pool from which they can draw money. The IHEs may include a student’s institutional aid offer in the student’s financial aid letter, which should arrive with or around the same time as a new student receives an offer of acceptance.

While some institutional aid may come directly from an IHE to a student, other grants and scholarships are endowed by individuals and administered by a student’s IHE. These individuals are frequently alumni or have other connections to the institution and want to make college accessible to future students.

Purpose of this measure. According to the author, “AB 1118 will bring greater transparency to financial aid practices at California’s colleges and universities and also shed light on endowment spending at undergraduate serving institutions with endowment funds in excess of \$1 billion or an endowment to student ratio greater than \$200,000:1.”

The author contends that, “Currently, private colleges and universities are not required to submit comprehensive data to the state on their institutional aid spending, student debt outcomes, and average financial aid practices offered to students of different income levels. This bill would

extend the same requirements that the UC and CSU have compiled with since 2010 to California's private nonprofit colleges and universities.”

Additionally, the author states, “This legislation will bring a basic level of transparency to certain university endowment funds. As endowment funds continue to accumulate tremendous amounts of wealth tax-free, it is important that policymakers ensure the endowment spending and growth continues to contribute to the public good and serve the neediest students.”

What IHEs would be required to comply? As currently drafted, this measure requires any IHE with a ratio of endowment dollars to enrolled students that exceeds \$200,000 to 1, or where the total endowment exceeds \$1 billion to provide a report to the Legislature on various aspects of the IHE's endowment. To date, 11 independent IHEs and six UC campuses would have to comply with the requirements contained in this measure. The chart below lists the IHEs:

Name of Campus	Type
Caltech	Independent (non-profit)
Claremont McKenna College	Independent (non-profit)
Harvey Mudd College	Independent (non-profit)
Loma Linda University	Independent (non-profit)
Occidental College	Independent (non-profit)
Pomona College	Independent (non-profit)
Santa Clara University	Independent (non-profit)
Scripps College	Independent (non-profit)
Soka University of America	Independent (non-profit)
Stanford University	Independent (non-profit)
University of Southern California	Independent (non-profit)
University of California – Berkeley	Public
University of California – Davis	Public
University of California – Irvine	Public
University of California – Los Angeles	Public
University of California – San Diego	Public
University of California – San Francisco	Public

To date, no CSU campuses meet the requirements contained in this measure.

Additionally, according to the Association of Independent California Colleges and Universities (AICCU), which make up the Independent California Colleges and Universities (ICCU) segment, the 11 ICCUs as noted in the chart above, collectively invest significant resources to support their low-income students, while also growing enrollment. The AICCU finds that 18% of the undergraduates in 2019-20 were Pell Grant recipients and that there was a 2% growth in Pell Grant enrollment between 2015-16 and 2019-20. Further, almost \$173 million of institutional grant aid was provided to Cal Grant students in 2019-20, averaging \$42,911 per Cal Grant student.

Committee comments. As currently drafted, this measure adds ICCUs to existing reporting requirements for the public IHEs. However, ICCUs are not centralized and reporting the data as currently called for in this measure could be problematic and may result in the Legislature receiving countless reports from each eligible ICCU.

Moving forward, the author may wish to revise the data reporting requirements for ICCUs so that perhaps it is aligned with IPEDS. Alternatively, the author may wish to use the Common Data Set (CDS) instead of the current data provisions contained in this measure.

The current placement of the reporting data, could also be in conflict with proposed changes to the same reporting section under AB 1456 (Medina and McCarty), which will be heard by this Committee today.

Moving forward, the author should continue to work with the Committee to ensure the potential conflict is resolved.

Committee Staff understands that well over 50% of the ICCUs currently use CDS.

Further, Committee Staff understands that the intent of the author is to create transparency with IHEs endowment funds and ensure a good percentage of said funds are being used to serve the state's neediest students. As currently drafted, this measure requires eligible IHEs to include "fund management" data information in their submitted report to the Legislature.

However, it is presently unclear how the "fund management" data point would be measured. Committee Staff understands that all funds, whether they are endowments or just money market or brokerage accounts, will have management fees.

Moving forward, the author may wish to determine if the "fund management" data point is relevant or pertinent to the author's stated goal of ensuring IHEs with large endowments continue to improve their work in serving more low-income and underrepresented students. The author may wish to continue to work with the Committee, the AICCU, and other stakeholder groups in order to resolve this concern.

Further, as currently drafted, this measure requires eligible IHEs to provide data on how much funds were spent from the previous academic year on low-income, first generation, and recruitment and retention of students who are Black, indigenous, or people of color. Committee Staff understands that for some of the smaller ICCUs that will have to comply with the requirements of this measure, it is unclear if they will accurately be able to capture their campuses efforts to do outreach. Many of the smaller ICCUs collaborate with local organizations and provide outreach strategies that may have little to no cost. For example, Loma Linda University's School of Medicine has a recruitment program for declared pre-medicine majors with at least one Historically Black College and University (HBCU), and has accepted many students from that HBCU.

Moving forward, the author may wish to continue to work with the Committee, the AICCU, and other stakeholder groups in order to ensure this data point can truly be reflective of the various types and sizes of the IHEs that will have to comply with the provisions of this measure.

Lastly, as drafted, this measure requires that, "California-based IHEs with endowment funds where the ratio of endowment dollars to enrolled students exceeds \$200,000 to 1..." must comply with requirements contained therein. However, it is unclear if the "enrolled students" is based on IHEs Full-time equivalent (FTE) or overall headcount of students.

Moving forward, the author may wish to specify if the intent is to capture FTE or overall headcount.

Prior legislation. AB 1182 (Brownley), Chapter 386, Statutes of 2009, in part, requires the CSU, and requests the UC, to report annually to the Legislature on their respective institutional financial aid programs. Additionally, this measure requires the CSU, and requests the UC, to provide the reports on or before March 31 of each year.

AB 1821 (Brownley) of 2007, which was vetoed by Governor Schwarzenegger, was similar in nature to AB 1182 (as referenced above).

REGISTERED SUPPORT / OPPOSITION:**Support**

None on file.

Opposition

None on file.

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