

Date of Hearing: April 19, 2022

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 2572 (Blanca Rubio) – As Amended March 24, 2022

SUBJECT: Student financial aid: Adult Learners Grant Program: distance learning

SUMMARY: This bill would establish the Adult Learners Grant Program, to be administered by the Student Aid Commission and subject to an appropriation by the Legislature in the annual Budget Act or another statute for its purposes. Specifically, **this bill:**

- 1) Establishes the Adult Learners Grant Program, to be administered by the Student Aid Commission (CSAC) and subject to an appropriation by the Legislature in the annual Budget Act or another statute for its purposes.
- 2) Requires CSAC to make grants available to California residents who are at least 25 years of age, enrolled solely in distance education courses, as defined, at a qualifying institution of higher education, as defined, and pursuing a postsecondary degree, certificate, or other recognized educational credential in a field with high employer need.
- 3) Specifies that CSAC will develop a grant application and to award grants to applicants with incomes that are less than the average individual or family monthly income.
- 4) Requires CSAC to prioritize grants based on at least one of six criteria, which are:
 - a) Students who meet the federal Pell Grant program eligibility criteria, whether or not the student has exhausted their federal Pell Grant program award amount.
 - b) Students who are single parents.
 - c) Students who are former foster youth.
 - d) Students located outside of a metropolitan statistical area, as defined by the United States Census Bureau and the Office of Management and Budget.
 - e) Students who are the first generation of their family to attend a postsecondary educational institution.
 - f) Students pursuing postsecondary education that aligns with employer needs.
- 5) Requires CSAC to certify the three-year federal student loan cohort default rate to establish eligibility for private postsecondary educational institutions, as provided.
- 6) Specifies that qualifying institutions of higher education will annually report information about program grantees to the commission, as provided.
- 7) Authorizes CSAC to adopt regulations to implement the program, as provided, and require the commission to submit a report to the Legislature on program outcomes, as provided.

- 8) This bill would apply the requirement to comply with all applicable state and federal laws and extend the authority to contract with the Bureau for Private Postsecondary Education, to an institution of higher education institution that:
 - a) Is located out-of-state and has no physical presence in California;
 - b) Grants undergraduate degrees, graduate degrees, or both, and is either formed as a nonprofit corporation and accredited by an agency recognized by the United States Department of Education, or is a public institution of higher education, and
 - c) Is a qualifying institution of higher education for purposes of the Adult Learners Grant Program, as provided.
- 9) Specifies that the changes to the Private Postsecondary Education Act (Act) made by this AB 2572 would be implemented only if the operation of the Act is extended by another measure.
- 10) Makes various findings and declarations.

EXISTING LAW: *Federal law.*

- 1) Specifies that an institution, as described, is legally authorized by a State if the State has a process to review and appropriately act on complaints concerning the institution including enforcing applicable State laws, and the institution meets specified provisions. (34 Code of Federal Regulations Section 600.9)

State law.

- 2) Stipulates that public higher education in the state consists of (1) the California Community Colleges (CCC), (2) the California State University (CSU), and each campus, branch, and function thereof, and (3) each campus, branch, and function of the University of California (UC). Defines “independent institutions of higher education” as those nonpublic higher education institutions that grant undergraduate degrees, graduate degrees, or both, and that are formed as nonprofit corporations in this state and are accredited by an agency recognized by the United States Department of Education (Education Code (EDDC) Section 66010, et seq.).
- 3) Defines a “private postsecondary educational institution” means a private entity with a physical presence in this state that offers postsecondary education to the public for an institutional charge. (EDC Section 94858)
- 4) Establishes the CSAC for the purpose of administering specified student financial aid programs (EDC) Section 69510, et seq.).
- 5) Establishes the Act until January 1, 2023, and requires the Bureau for Private Postsecondary Education (BPPE) within the Department of Consumer Affairs (DCA) to, in part, review, investigate and approve private postsecondary 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 (USDE) by 2020. The act authorizes an independent institution of higher education that is exempt from the act to execute a contract with the bureau for the bureau to review and, as appropriate, act on complaints concerning the institution, as provided, and requires an independent institution of higher education that is exempt from the act to comply with all applicable state and federal laws, including laws relating to fraud, abuse, and false advertising. (Education Code (EDC) Section 94800, et seq.)

FISCAL EFFECT: Unknown.

COMMENTS: *Purpose.* According to the author, “This bill seeks to address California educational shortfalls impacting adults who are unable to pursue higher education because of cost, workforce or family demands or who live in rural areas or “education deserts” and to also help meet the demands of California’s workforce needs.”

“[AB 2572] would create a new higher education grant program called the California Adult Learners Grant Program available to California students age 25 or older who attend California public postsecondary institutions or regionally accredited, nonprofit, degree and certificate granting institutions and are enrolled in a distance education program. Grant awards would be prioritized for low income, single parent, former foster youth, rural, or first-generation college students and/or students pursuing an education in high areas of employer need.”

“In California, nearly seven million California adults have a high school diploma but no college degree, with an estimated 5.7 million having some college but no degree. At the same time, California faces a shortfall of over two million degrees and certificates to meet employers’ needs and promote economic mobility for its residents. This is coupled with severe teacher and health care worker shortages. California can address labor shortages and significantly reduce its credential gap by targeting older student populations, particularly those who have started college but were unable to complete their postsecondary education.”

State authorization. State Authorization, as noted under “Existing Law” is a legal and regulatory term that applies to a university’s compliance with individual statutes, regulations, and rules in each state in which it operates. Postsecondary institutions are required to seek individual authorization to deliver or facilitate educational services, programs, or activities from each state in which they operate. Institutions need to become authorized by a state if they have a physical presence in the state in order to be eligible for certain federal financial aid, such as the Pell Grant.

BPPE. BPPE and the Act were established by AB 48 (Portantino, Chapter 310, Statutes of 2009) after several failed legislative attempts to remedy the Bureau for Private Postsecondary and Vocational Education (BPPVE) structural challenges. AB 48 took effect January 1, 2010, and, in part, changed the name from the BPPVE to the BPPE and provided the BPPE responsibility for oversight of private postsecondary educational institutions operating with a physical presence in California. While the Legislature has amended the Act several times since the initial passage of AB 48, it has consistently directed the BPPE to make protection of the public the highest priority in performing duties and exercising powers. Today, the Act expresses legislative intent that the BPPE:

- 1) Ensure minimum educational quality standards and opportunities for success for California students attending private postsecondary schools in California;
- 2) Provide meaningful student protections through essential avenues of recourse for students;
- 3) Establish a regulatory structure that provides an appropriate level of oversight;
- 4) Provide a regulatory structure that ensures all stakeholders have a voice and are heard in policymaking by the BPPE;
- 5) Ensure accountability and oversight by the Legislature through program monitoring and periodic reports; and,
- 6) Prevent harm to students and the deception of the public that results from fraudulent or substandard educational programs and degrees.

The BPPE also actively investigates and combats unlicensed activity, administers the Student Tuition Recovery Fund (STRF), and conducts outreach and education activities for students and private postsecondary educational institutions within the state. Within BPPE exists the Office of Student Assistance and Relief (OSAR), established by SB 1192 (Hill, Chapter 593, Statutes of 2016), which exists to advance the rights of students at private postsecondary educational institutions and assist students who have suffered economic loss due to unlawful activities or the closure of an institution.

Arguments in support. The Santa Monica Chamber of Commerce wrote in support of AB 2572, noting that the AB 2572 would "...help respond to two major statewide trends that were accelerated by the COVID-19 crisis: the move towards students attending online universities, which currently don't qualify for state financial aid, and California's severe workforce shortage, particularly in the fields of healthcare and teaching."

"California faces a major shortage of workers across the state, particularly in essential workforces such as with teachers and nurses. Meanwhile, we have over six million Californians aged 25-64 with a high school education, but no college degree. Bringing this population more opportunities for financial aid and greater flexibility in their college access would help address the workforce shortage in our state while lifting more Californians into the middle-class."

"Providing financial aid for flexible higher education options would address the twin obstacles of physical accessibility and financial affordability, bringing more Californians off the sidelines and into the workforce"

Arguments in opposition. A coalition of higher education, consumer, workforce, civil rights, and student advocates wrote in opposition to AB 2572, writing that "we believe that these students will be best served by a stronger Cal Grant, and that proposals included in the bill will have unintended consequences and expose the state and California's students to unnecessary risk."

The coalition detailed three primary arguments, noting that "First, AB 2572 would add unnecessary complexity to our state financial aid programs, creating a brand-new, boutique program to solely serve Californians aged 25 and over, who are enrolled exclusively in online

education at either an in-state public higher education institution or a private nonprofit – even if it does not have a physical presence in California.”

“Second... the efficacy of exclusively online education remains unproven and research to date on learning outcomes lag, particularly for BIPOC students, male students, and students with academic challenges...”

“Third, California has limited oversight authority over in-state nonprofit institutions, and virtually no current authority over nonprofit institutions based out-of-state and operating online in California. The state collects no data that would allow the state to evaluate student outcomes at these institutions beyond those reported by the federal government, and unfortunately, we know that key indicators like Cohort Default Rates (CDR) have been occluded by the federal student loan payment pause, and the data will be impacted for years to come.”

Cal Grant reform. AB 1746 (Medina, McCarty & Leyva), which is scheduled to be heard on April 19, 2022 in the Assembly Committee on Higher Education, proposes to make significant reforms to the Cal Grant award that, according to CSAC, “...would lead to an additional 150,000 eligible students for a Cal Grant beyond today’s current programs. These changes would be particularly important for Latino, Black, and low-income students, as well as student-parents. Over 95,000 more Latino students, 11,000 more Black students, and 44,000 more student-parents would become Cal Grant eligible under AB 1746. Returning and adult learners also see improved access to the Cal Grant; the average age of newly eligible students would be over 26. These important expansions of Cal Grant will be critical to California’s success in closing the equity gaps faced by students, as well as promoting greater access to and success in higher education.”

AB 2572 also seeks to serve older, non-traditional learners, proposing to do so by targeting students using online programs through the Adult Learners Grant Program. Western Governors University (WGU), indicated as the sponsor of AB 2572 in the author’s background materials, is an out-of-state non-profit institution that currently serves 10,606 California students in a full-time capacity. WGU is regionally accredited and uses a competency-based education model. The median age of their student population is 35, and 71 percent of their students come from one or more underserved populations. The annual cost of attendance is \$7,290 for their undergraduate programs.

As a comparison, the average annual tuition & fees for a full-time resident undergraduate student at UC is \$14,504, at CSU is \$5,742, and at the CCC is \$1,380 – though the vast majority of campuses across UC, CSU, and the CCC do not offer a multitude of fully online programs targeted at adult learners.

Overtaking CSAC? California is home to the largest postsecondary system in the nation; serving millions of students a year; many whom rely on the services of CSAC in order to receive various forms of state financial aid. Yet, as of 2021-22, CSAC only has 137.5 authorized ongoing staff positions, as well as 2.2 temporary positions. These positions span seven divisions, the largest of which are program administration and services, information technology (IT), fiscal and administrative services, and the executive division. As of January 2022, CSAC reported that 16% (or 22.5 positions) were vacant, with the IT division accounting for 40% of the vacancies. Committee Staff understands that the majority of CSAC’s vacant positions have been unfilled for less than three months and CSAC is actively recruiting to fill the vacant positions.

Committee staff understands that CSAC resources dedicated to outreach are stretched thin thus these efforts must be uncomplicated, reach all targeted students, and not duplicate existing programs.

Committee staff notes that this bill does contain a provision for up to an unspecified amount appropriated to support the direct costs of administering the Adult Learners Grant Program. Fundamentally this is an appropriate provision, considering that the scope of the grant program centers on academic fields of study.

Committee comments. Committee staff notes that AB 2572 lacks specificity as it pertains to CSAC. Some of the issues are:

- 1) The bill does not specify a process or method for how CSAC is to identify “distance education programs”.
- 2) The bill does not define the “high need areas” which students are required to enroll in before they can receive a grant.
- 3) The bill needs to clearly state that CDRs established by CSAC apply to all participating institutions.

Committee staff also notes that, to issues of broader state policy, AB 2572 creates questions as to how many out-of-state institutions will now be able to participate in this program. While the bill is fairly restrictive in terms of eligibility, it remains unclear how many schools will fall into this new universe of eligible institutions. Conversely, AB 2572 does not include amongst their qualifying institutions of higher education out-of-state public institutions with fully online programs. Thus, as currently drafted, AB 2572 will allow out-of-state non-profit institutions to participate in the Adult Learners Grant Program, but not public institutions that might otherwise meet eligibility criteria.

Staff also notes that, fundamentally, AB 2572 creates a situation where California has little knowledge or input about the quality of instruction and programs at participating out-of-state institutions that offer solely distance education programs. As noted above, the CDR is a historically-used metric, but the freeze on federal student loans will impact the efficacy of that data for years to come.

REGISTERED SUPPORT / OPPOSITION:

Support

Santa Monica Chamber of Commerce
333 Individuals

Opposition

California Edge Coalition
Californians for Economic Justice
Center for Responsible Lending

Children's Advocacy Institute
Consumer Federation of California
Housing and Economic Rights Advocates
National University
Public Advocates
Public Law Center
Student Borrower Protection Center
The Institute for College Access & Success
Young Invincibles

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