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IN RESPONSE TO FEDERAL DE-REGULATION OF FOR-PROFIT COLLEGES, CALIFORNIA LEGISLATIVE COMMITTEE PASSES UNPRECEDENTED SEVEN BILL PACKAGE

Most ambitious reform effort in recent California history prompted by federal retreat

Sacramento, CA—April 9, 2019—In what supporters and state legislators describe as a direct response to the Trump Administration's retreat from close regulation of the troubled for-profit education business sector, a California legislative committee passed an unprecedented seven-bill package aimed at more strictly regulating such businesses.

Ranging from reviving the Obama-era Gainful Employment rule regulating the amount of debts students take on relative to income, to eliminating a loophole in federal law that permits for-profits to count GI Bill benefits as private funding for purposes of state aid, the seven bills represent the broadest effort in recent California history to regulate the for-profit sector.

"If the federal government won't protect students from predatory for-profit colleges," said Robert C. Fellmeth, Price Professor of Public Interest Law at the University of San Diego (USD) School of Law and Executive Director of the Children's Advocacy Institute, "states must do so. This is an example of Californians of both parties stepping up to protect veterans, teenagers, and other students too often exploited by this scandal-drenched sector."

THE SEVEN BILLS PASSED YESTERDAY AND THEIR VOTES:

Assembly Bill 1340 authored by Assemblymember David Chiu (D-San Francisco) would establish a gainful employment rule in California similar to an Obama-era regulation recently rolled back by Education Secretary Betsy DeVos. Gainful employment rules test the benefit to taxpayers and students of an institution's program by looking at the ratio of student debt to the salaries of graduates. VOTE: 9-1

Assembly Bill 1341 authored by Assemblymember Marc Berman (D-Palo Alto) would ensure that for-profit schools do not evade oversight by creating shell corporations and posing as nonprofit or public institutions. VOTE: 11-0

Assembly Bill 1342 authored by Assemblymember Evan Low (D-Silicon Valley) would require the Attorney General to review and approve all sales of nonprofit colleges to for-profit companies in a manner similar to how the sale of nonprofit hospitals are approved. VOTE: 10-1

Assembly Bill 1343 by Assemblymember Susan Talamantes Eggman (D-Stockton) would protect against taxpayers from being overcharged by ensuring that for-profits do not price tuition solely based on the wealth of the taxpayer benefit. Every government decision involves a cost-benefit analysis. If bills like Chiu's AB 1340 measure the benefit, bills like this one measure the cost. Whereas usually taxpayers are protected from being overcharged by private vendors through competitive bids and contracts (military spending, for example) or price setting (Medicare reimbursements to doctors, for example), no similar protections exist for education. To prevent predatory, purely benefits-based pricing, federal law requires that to be eligible for federal aid institutions must be able to attract just ten percent of their students in the market, paying from nonfederal sources, as proof that what they charge is based on market realities rather than the amount of benefits available. But an absurd loophole decrees GI Benefits not to be federal aid even though it is. *This ironically leads the institutions least able to attract cash students to aggressively target veterans.* This bill would close that veteran-harming and absurd loophole, raise the percentage of students a school needs to attract to 15%, and offer an alternative proof of fair pricing: if you spend half of what you get in government benefits on instruction, then you do not have to satisfy the 85/15 rule. VOTE: 9-1

Assembly Bill 1344 authored by Assemblymember Rebecca Bauer-Kahan (D-Orinda) would require out-of-state institutions enrolling an estimated 100,000 California students in online courses to self-report adverse actions against them such as lawsuits and loss of accreditation and establish a way for students to complain about such schools to a regulator empowered to eject them from the State. VOTE: 11-0

Assembly Bill 1345 authored by Assemblymember Kevin McCarty (D-Sacramento) would close loopholes in current law prohibiting colleges from requiring quotas in recruiting or paying admissions representatives commission; an important reform as nearly every for-profit scandal involves hyper-aggressive recruitment. VOTE: 9-1

Assembly Bill 1346 authored by Assemblymember Jose Medina (D-Riverside) would allow students who have been victimized by for-profit institutions that have closed to recoup costs incurred as a result of the closure outside of just tuition such as transcript fees, child care, and transportation. VOTE: 12-0

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