



## **Testimony on Senate Bill 1544**

Senate Education Committee

February 6, 2020

Chair Wagner, Vice-Chair Thomsen, and members of the Committee. My name is Kyle Thomas and I am the Director of Legislative and Policy Affairs for the Higher Education Coordinating Commission (HECC). Thank you for the opportunity to submit testimony on Senate Bill 1544.

HECC's Private Postsecondary Offices are responsible for regulating, authorizing, and licensing the state's private for-profit career schools and private degree granting institutions. Our oversight responsibilities extend beyond mere compliance and paperwork; they mandate we take an active role in student and consumer protection that includes scrutiny of teacher and administrator qualifications, assessments of financial health, curricular review for the maintenance of state standards for education, and inspections of school facilities for the protection of health and safety of students. We also administer and enforce rules related to private school refund and tuition policies and we monitor their financial viability. In our work, we have found that the vast majority of private intuitions are law abiding, and seek to do what is best by their students.

SB 1544 significantly alters the financial reporting and data collection requirements both for private career schools and for private degree granting colleges in Oregon. This concept, if enacted, would require for profit career schools and regulated colleges to adhere to a higher standard than public institutions and for-profit schools in other states, in that it would require them to count federal veterans education benefits within the "90" part of the 90/10 calculation. This recalculation would eliminate the ability of an Oregon-licensed school to boost veteran enrolment as a mechanism to meet federal regulatory requirements, and eliminates an incentive institutions may have to aggressively recruit veteran students.

SB 1544 currently bases its analysis on "annual revenue" as reported to the Internal Revenue Service. HECC requires private career schools to report their gross tuition revenue annually as the basis for license renewal. If the standard of analysis were changed to "gross tuition revenue" that would mirror how HECC analyzes a school's financial status and exclude proprietary revenue streams that are not directly related to these businesses operations as education providers. HECC has also recommended a change to the wording of the bill that specifies that it should pertain to federal educational aid, versus other types of federal dollars a school may receive (such as grants or funds for non-educational programing). Both of these changes are reflected in the -2 amendment.

It is possible the bill may have unintended consequences in that Title IV or VA eligible schools may require students to pay cash up front, or they may discontinue the practice of institutional

loans, which could leave an opening for private lenders to gain a greater share of student business.

If passed, HECC would undertake a rulemaking process with all affected stakeholder groups, to define the financial reporting standards required in the bill. HECC would also need to hire a limited duration Operations and Policy Analyst to assist with implementation, at a cost of approximately \$202,000 over a biennium. Currently, the private postsecondary unit of the HECC receives no state general fund support, and if unfunded, this bill may result in fee increases on the sector to cover the additional costs of the new provisions.

Often, overreliance on public funds for private institutions can be an indicator of either financial distress or fiscal irresponsibility. Veterans' education benefits can be an attractive target for predatory institutions that seek to profit unethically on returned service members who wish to further their education. We believe our state level oversight is robust and could be more effective with more staff and better data collection tools, but generally, HECC does not view general federal education aid and federal veteran's education aid as serving different purposes; this bill addresses the different treatment of these two aid sources in federal law by eliminating it in state policy.

Thank you for your time today.