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Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Higher Education and Technology
Wednesday, February 3, 2021
2:00 p.m.
Via Videoconference**

**On the following measure:
H.B. 389, RELATING TO POST-SECONDARY EDUCATION**

Chair Takayama and Members of the Committee:

My name is Bobbi Lum-Mew, and I am the Program Administrator of the Department of Commerce and Consumer Affairs' (Department) Hawaii Post-Secondary Education Authorization Program (HPEAP). The Department appreciates the intent of and offers comments on this bill.

The purpose of this bill is to require accredited and non-accredited post-secondary educational institutions that are for-profit entities to disclose in print and electronic media and signage that they are for-profit businesses registered in the State.

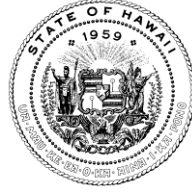
The Department appreciates the intent of this bill in the interest of consumer protection. HPEAP authorizes certain accredited degree-granting institutions that have a physical presence in the State. Currently, HPEAP has 28 institutions on its authorized school list, and a few of these are for-profit institutions.

The disclosure requirement in section 2 of this bill applies to any private college or university and any seminary or religious training institution that is registered in the State as a for-profit entity. This language may create confusion as to which schools

would be subject to the disclosure requirement. As such, the Department recommends that this section apply to any for-profit school authorized by HPEAP under Hawaii Revised Statutes sections 305J-8 and 305J-9, irrespective of whether the school is registered in the State as a for-profit entity. Tying the disclosure requirement to HPEAP authorization will ensure that the program has regulatory authority to enforce this provision. In contrast, limiting the disclosure requirement to schools that are registered in the State as for-profit entities would create a disincentive for out-of-state, for-profit schools operating in Hawaii to register as for-profit businesses here.

HPEAP receives many inquiries from past and prospective students regarding certain unaccredited degree-granting institutions. The Department appreciates the effort to make these students fully aware of the for-profit status of these schools.

Thank you for the opportunity to testify on this bill.



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**On the following measure:
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Chair Takayama and Members of the Committee:

My name is Stephen H. Levins, and I am the Executive Director of the Department of Commerce and Consumer Affairs' (Department) Office of Consumer Protection (OCP). The Department supports this bill.

The purpose of this bill is to require accredited and non-accredited post-secondary educational institutions that are for-profit entities to disclose in print and electronic media and signage that they are for-profit businesses registered in the State.

The OCP supports this measure in the interest of consumer protection. The OCP enforces Hawaii Revised Statutes chapter 446E.

For-profit schools are significantly different from non-profit schools. For-profit schools are a business, and many of them are traded on major stock exchanges or owned by private equity firms. The owners and shareholders expect these schools to turn a profit, and put simply, programs that don't justify their existence will be cut so that the schools can focus on courses that generate profitable tuition fees.

In recent years, numerous for-profit schools have engaged in unfair or deceptive trade practices, including misrepresentations involving accreditation, selectivity, graduation rates, placement rates, transferability of credit, financial aid, veterans' benefits, and licensure requirements. In response, many states, including Hawaii, have initiated enforcement actions to protect their students. Recent examples involve the alleged misconduct of Corinthian Colleges, Inc. and the Education Management Corporation.

Given the myriad problems associated with these schools, it is important to disclose to prospective students the schools' for-profit status. Requiring for-profit schools operating in Hawaii to provide the conspicuous disclosures proposed by this bill would protect consumers. At the very least, these disclosures would enable Hawaii students to be fully aware of a school's for-profit status when considering enrollment.

Thank you for the opportunity to testify on this bill.

TO THE HOUSE OF REPRESENTATIVES
THE THIRTY-FIRST LEGISLATURE
REGULAR SESSION OF 2021
COMMITTEE ON HIGHER EDUCATION & TECHNOLOGY

Rep. Gregg Takayama, Chair
Rep. Lynn DeCoite, Vice Chair
DATE: Wednesday, February 3, 2021
TIME: 2:00 p.m.
PLACE: VIA VIDEO CONFERENCE
Conference Room 309
State Capitol
415 South Beretania Street

POSITION: **SUPPORT HB 389 WITH COMMENTS**

This bill will address the issue of accountability of post-educational institutions. Passage of this bill will require disclosure in print and electronic media and signage that they are for-profit businesses registered in the State. Furthermore, I believe that a consumer(s) or perspective consumer(s) have a right to know that any for-profit institutions operating, first and foremost, are concerned with earning a profit with notion that supporting education as a means to achieving student's goal of gainful employment is not it's primary priority. In summation, I recommend that this bill should be passed unamended, with the proviso that all changed made is with the intention to improve the intent of this bill. Thank you for taking the time to read my testimony.

Mahalo,

Ken Farm