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**PRESENTATION OF THE
HAWAII POST-SECONDARY EDUCATION AUTHORIZATION PROGRAM**

TO THE SENATE COMMITTEE ON HIGHER EDUCATION

**TWENTY-NINTH LEGISLATURE
Regular Session of 2018**

Thursday, March 22, 2018
1:20 p.m.

**TESTIMONY ON HOUSE BILL NO. 1320, H.D. 1, RELATING TO POST-SECONDARY
EDUCATION.**

TO THE HONORABLE KAIALI'I KAHELE, CHAIR, AND MEMBERS OF THE
COMMITTEE:

The Department of Commerce and Consumer Affairs ("Department"), Hawaii Post-Secondary Education Program ("HPEAP") appreciates the opportunity to testify on H.B. 1320, H.D. 1, Relating to Post-Secondary Education. My name is Bobbi Lum-Mew, HPEAP Administrator. HPEAP appreciates the intent of this measure and offers the following comments.

H.B. 1320, H.D. 1 requires 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. H.D. 1 amends this measure by: (1) deleting the requirement that disclosure must be reasonably calculated to draw the attention of the reader and deleting the inclusion of the specific language of the disclosure from the statutory provisions; and (2) requiring that any promotional material of a for-profit or an unaccredited educational institution, in an advertisement published in a periodical by an unaffiliated person or entity, shall

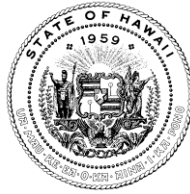
disclose the educational institution is a for-profit business or an unaccredited educational institution, respectively.

HPEAP authorizes certain accredited degree-granting institutions which have a physical presence in the State and currently has 26 institutions on its authorized school list. A few of these are for-profit institutions. Although HPEAP has not had an official complaint from any students of these for-profit institutions, we appreciate the intent of H.B. 1320, H.D. 1 in the interest of consumer protection.

With regard to section 2 of the bill, HPEAP notes that the disclosure requirement 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. HPEAP is concerned that this language may create confusion as to which schools would be subject to the disclosure requirement. As such, HPEAP recommends that this section apply to any for-profit school authorized by the HPEAP program 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. 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. We appreciate the effort to make these students fully aware of the for-profit status of these schools.

Thank you for the opportunity to comment on H.B. 1320, H.D. 1.



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TO THE HONORABLE KAIALI'I KAHELE, CHAIR, AND MEMBERS OF THE
COMMITTEE:

The Office of Consumer Protection ("OCP") appreciates the opportunity to testify in support of H.B. 1320, H.D. 1, Relating to Post-Secondary Education. My name is Stephen Levins, and I am the Executive Director of OCP.

The purpose of this bill is to require for-profit accredited and non-accredited post-secondary educational institutions to disclose in print, electronic media, and signage that they are for-profit businesses registered in the State. H.D. 1 amends H.B. 1320 by: (1) deleting the requirement that disclosure must be reasonably calculated to draw the attention of the reader and deleting the specific language of the disclosure from the statutory provisions; and (2) requiring that any promotional material of a for-profit or an unaccredited educational institution, in an advertisement published in a periodical by an unaffiliated person or entity, shall disclose the educational institution is a for profit-business or an unaccredited educational institution, respectively.

OCP supports this measure because it believes that it is in the interest of consumer protection. OCP enforces Hawaii Revised Statutes chapter 446E.

For-profit schools are significantly different than non-profit schools. First and foremost, they are a business. Many are traded on major stock exchanges or owned by private equity firms. The owners and shareholders expect the school to turn a profit. They can't afford to bleed red ink. Programs that don't justify their existence will be cut so that the school can focus on courses that bring in profitable tuition fees.

During 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.

In view of the myriad nature of the problems associated with these schools, it is important to disclose to prospective students their for-profit status. Consequently, it would be in the interest of consumer protection to require for-profit schools operating in Hawaii to provide the conspicuous disclosures contemplated by H.B. 1320, H.D. 1. At the very least, this would enable Hawaii students considering enrollment in a for-profit school to be fully aware of their for-profit status.

OCP notes that page 4, lines 13-14 and page 5, lines 1-3 of the bill places the new disclosure requirements only on those unaccredited institutions that are registered in the State as a for-profit entity. OCP is concerned that this language may create a disincentive for the many out-of-state unaccredited for-profit schools operating in Hawaii to register to do business here, thereby creating an inconsistent level of disclosure by unaccredited for-profit entities. As such, the Committee may wish to consider expanding the disclosure requirement to include all unaccredited for-profit schools with a presence in the State.

Thank you for the opportunity to testify in support of H.B. 1320, H.D. 1.