

STAND. COM. REP. NO.

1222

Honolulu, Hawaii

**MAR 25 2021**

RE: H.B. No. 389  
H.D. 1  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-First State Legislature  
Regular Session of 2021  
State of Hawaii

Sir:

Your Committee on Higher Education, to which was referred  
H.B. No. 389, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO POST-SECONDARY EDUCATION,"

begs leave to report as follows:

The purpose and intent of this measure is to require  
accredited and non-accredited for-profit post-secondary  
educational institutions that are authorized to award degrees and  
operate in the State to disclose that they are for-profit  
businesses on their catalogs, promotional materials, electronic  
media, signages, and contracts for instruction.

Your Committee received testimony in support of this measure  
from the Department of Commerce and Consumer Affairs' Office of  
Consumer Protection and Hawaii Post-Secondary Education  
Authorization Program. Your Committee received testimony in  
opposition to this measure from Hawaii Medical College,  
International Quantum University for Integrative Medicine Inc. dba  
Quantum University, University of Phoenix, and one individual.  
Your Committee received comments on this measure from the Chamber  
of Commerce of Hawaii.

Your Committee finds that for-profit educational institutions  
are significantly different from non-profit educational  
institutions, in that for-profit educational institutions are a



business, and many of them are traded on major stock exchanges or owned by private equity firms. As with all owners and shareholder of businesses, the owners and shareholders of for-profit educational institutions expect the institutions to turn a profit, and as with most business entities, programs that do not generate profit will be eliminated. Your Committee further finds that in recent years, numerous for-profit educational institutions 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 students.

Your Committee notes the testimony of the Department of Commerce and Consumer Affairs' (DCCA) Hawaii Post-Secondary Education Authorization Program (HPEAP) stating that it does not receive complaints or otherwise become aware of serious problems associated with degree-granting institutions in Hawaii until it is too late and the institution is in the process of closing. The HPEAP receives complaints pertaining to both accredited and un-accredited institutions, and since HPEAP does not have jurisdiction over non-accredited institutions, it forwards the latter to the DCCA's Office of Consumer Protection. Based on its experience, HPEAP believes that any kind of extra precaution will be helpful to the students. Given the myriad problems associated with for-profit educational institutions, your Committee believes there is a justifiable basis to require them to disclose their for-profit status to prospective students. This measure will enable potential students to be fully aware of a degree-granting institution's for-profit status when pursuing higher education opportunities. Your Committee also notes testimony raising concern that this measure will require the institutions to discard, re-create, and re-print all of their existing printed materials and signage.

Your Committee has amended this measure by:

- (1) Requiring the disclosures to be made on the for-profit degree-granting institution's official website, promotional digital and print media created on or after the enactment of this measure, and contracts for instruction; and



- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Higher Education that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 389, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 389, H.D. 1, S.D. 1, and be referred to your Committees on Commerce and Consumer Protection and Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Higher Education,



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DONNA MERCADO KIM, Chair



The Senate  
 Thirty-First Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Higher Education**  
**HRE**

Bill / Resolution No.:*	Committee Referral:	Date:
HB 389 HD1	HRE, CPN/WAM	3/23/21

The Committee is reconsidering its previous decision on this measure.  
 If so, then the previous decision was to: \_\_\_\_\_

The Recommendation is:

Pass, unamended 2312    
  Pass, with amendments 2311    
 Hold 2310    
 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
KIM, Donna Mercado (C)	/			
KIDANI, Michelle N. (VC)	/			
KEITH-AGARAN, Gilbert S.C.	/			
WAKAI, Glenn	/			
FEVELLA, Kurt	/			
<b>TOTAL</b>	5	0	0	0

Recommendation:      Adopted      Not Adopted

Chair's or Designee's Signature: *Michelle N. Kidani*

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\*Only one measure per Record of Votes