

Department of Legislative Services
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FISCAL AND POLICY NOTE

Senate Bill 514 (Senator Klausmeier)
Education, Health, and Environmental Affairs

Higher Education - Net Price Calculator Improvement Act - Establishment

This bill requires, by July 1, 2016, each institution of higher education in the State to meet specified requirements regarding a net price calculator, which is an interactive program that an individual may use to estimate the net price it would cost the individual to attend the institution of higher education. The net price calculator must be posted in a specified location on the institution's website. The results page for the calculator must include specified information, including specified information regarding military veterans and active-duty benefits. Specified notices regarding the net price calculator must be posted. An institution of higher education may not allow personally identifiable information provided by an individual using the net price calculator to be sold or otherwise made available to a third party.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: Higher education expenditures for the University System of Maryland (USM) institutions, Morgan State University (MSU), St. Mary's College of Maryland, and Baltimore City Community College (BCCC) increase by several thousand dollars each to create net price calculators that meet the requirements of the bill. The free federal net price calculator template does not meet the requirements of the bill; thus, institutions that use the free template are the most impacted. Revenues are not affected.

Local Effect: Local community college expenditures increase several thousand dollars to create net price calculators that meet the requirements of the bill. The free federal net price calculator template does not meet the requirements of the bill; thus, colleges that use the free template are the most impacted. Revenues are not affected. **This bill may impose a mandate on a local unit of government.**

Small Business Effect: None.

Analysis

Bill Summary:

General Net Price Calculator Requirements

The net price calculator for an institution of higher education must:

- indicate which questions are required to be completed to receive an estimate from the net price calculator;
- if the net price calculator requests contact information from a user, indicate that providing contact information is optional;
- indicate “Any information that you provide on this site is confidential. The net price calculator does not store your response or require personal identifying information of any kind;”
- be populated with financial data from the most recent academic year; and
- include an input for an individual’s grade point average and standardized test scores.

Website Location of Net Price Calculator

An institution of higher education’s website must contain a link to the institution’s net price calculator that is (1) clearly labeled with the words “Net Price Calculator” and (2) prominently and conspicuously posted in a location where information on tuition, fees, costs, or financial aid is generally located.

Net Price Calculator Results Requirements

The results page for a net price calculator must include (1) the estimated net price of attending the institution of higher education; (2) the cost of attendance for a first-time, full-time undergraduate student at the institution; (3) the estimated total need-based and merit-based grant aid from State, federal, and institutional sources that the individual may be eligible to receive; and (4) the percentage of first-time, full-time undergraduate students enrolled in the institution that receive any need-based or merit-based grant aid. Specifically, the following information must be included in the cost of attendance: tuition and mandatory fees; the average annual cost of room and board; the average annual cost of books and supplies; and the estimated cost of personal and transportation expenses.

An estimate given by a net price calculator must be accompanied by a clear and conspicuous notice stating that the estimate does not represent a final determination or an actual award of financial assistance; is not binding on the Secretary of Higher Education, the institution of higher education, or the State; and the estimate may change at any time. Notice must also be given that the student must complete the Free Application for Federal Student Aid (FAFSA) to be eligible for and receive a financial aid award. The estimate must also include a link to the U.S. Department of Education's FAFSA website.

The estimated net price of attendance must be the most prominently displayed information on the results page. The results must differentiate between, grant, loan, and work study aid as well as State, federal, and institutional aid.

Veterans' and Active-duty Members' Benefits

If a net price calculator can assess whether an individual may be eligible for veterans' or active-duty service members' education benefits, these benefits must be displayed on the results screen in a manner that distinguishes these benefits from other grant aid.

If a net price calculator does *not* assess whether an individual may be eligible to receive veterans' or active-duty service member's education benefits, the results screen must (1) indicate that certain individuals may be eligible for these benefits and (2) include a link to information about veterans' or active-duty service members' education benefits.

Current Law: In accordance with the federal Higher Education Opportunity Act of 2008 (HEOA), by October 29, 2011, each postsecondary institution that participates in Title IV federal student aid programs must post a net price calculator on its website that uses institutional data to provide estimated net price information to current and prospective students and their families based on a student's individual circumstances. The net price calculator is required for all Title IV institutions that enroll full-time, first-time degree- or certificate-seeking undergraduate students.

Title IV federal student aid programs include Pell grants for students with the lowest expected family contribution, federal work-study, and several smaller federal grant programs. Also included under Title IV are the major federal loan programs (*i.e.*, Perkins loans, direct loans, and Federal Family Education Loans). In fiscal 2014, the federal government provided approximately \$161.3 billion in grants, loans, and work-study assistance to help students pay for postsecondary education.

Institutions may meet this requirement by using the U.S. Department of Education's net price calculator template or by developing their own customized calculator that includes, at a minimum, the same elements as the department's template.

For institutions that choose to develop a custom net price calculator, the calculator must, at a minimum, include an input data element that approximates the student's expected family contribution such as income, number in family, and dependency status or factors that estimate dependency status. The calculator must, at a minimum, output the following:

- estimated total price of attendance;
- estimated tuition and fees;
- estimated room and board;
- estimated books and supplies;
- estimated other expenses (personal expenses, transportation, etc.);
- estimated total grant aid;
- estimated net price;
- percent of the cohort (full-time, first-time students) that received grant aid; and
- caveats and disclaimers, as indicated in HEOA.

In June 2012, the Vice President of the United States and other federal officials encouraged all college and university presidents to make a commitment to provide easy-to-understand financial data about the cost to attend their institutions, similar to the information required by the bill, to all incoming students as part of their financial aid package beginning with the 2013-2014 academic year. At the press conference for the initiative, it was announced that USM along with several other colleges, universities, and state systems of higher education had made the commitment to provide the information.

In July 2012, the federal government released a model financial aid award letter called the *Financial Aid Shopping Sheet*, which will standardize award letters, making it easier to comparison shop. The sheet includes the following key information:

- estimated cost of attendance per year;
- financial aid options, with a clear differentiation between grants and scholarships, which do not have to be repaid, and loans, which do;
- the net cost of attendance after accounting for scholarships and loans;
- vital information about student results, including comparative information about default rates, graduation rates, and median debt levels for the school; and
- potential monthly payments for the federal student loans a typical student will owe after graduation.

Background: Many institutions of higher education, especially smaller institutions, use the free federal net price calculator template developed by the U.S. Department of Education to meet the federal requirements regarding the calculator. The template requires

institutions to use financial aid data that is two years old. In addition, the free federal template does not meet other requirements of the bill.

Specifically, in addition to federal requirements, under the bill the net price calculator must:

- use the *average* not *estimated* annual cost of room and board;
- use the *average* not *estimated* book costs;
- differentiate between State, federal, and institutional aid;
- include specified information on veteran and active-duty benefits; and
- provide specified notifications.

Federal regulations require institutions to include the *estimated* cost data for room, board, and books. The bill requires institutions to use *average* costs. These two costs differ because many schools offer a variety of housing and meal plan options at different price points. The current federal regulations allow institutions to estimate costs based on both the typical options students choose and based on the standard rates for their nonpremium housing options.

State Fiscal Effect: Since the free federal template does not meet the requirements of the bill, institutions that use the template need to hire a contractor to build a custom net price calculator that meets *both* the requirements of the bill and the federal requirements. Institutions that already have a custom calculator need to add customization options to their contract. USM advises that the costs for a contractor to build a custom net price calculator range from \$3,500 to \$20,000 per year depending on vendor and customization options. Actual costs depend on the vendor used and current customization options. Exact costs are unknown, but it is estimated to cost several thousand dollars per institution, and potentially more for institutions that currently use the free federal template.

MSU and BCCC advise that their net price calculators need to be updated to meet the requirements of the bill.

Local Fiscal Effect: As explained above, community college expenditures increase by several thousand dollars per institution, potentially more at institutions that currently use the free federal template.

Additional Comments: As explained above, private four-year institution expenditures increase by several thousand dollars per institution, potentially more at institutions that currently use the free federal template.

Additional Information

Prior Introductions: None.

Cross File: HB 578 (Delegate Stein, *et al.*) - Appropriations.

Information Source(s): Baltimore City Community College, University System of Maryland, Maryland Higher Education Commission, Morgan State University, U.S. Department of Education, Department of Legislative Services

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