

Enrolled House Bill 2832

Sponsored by Representatives NATHANSON, HOLVEY; Representatives BARKER, BARNHART, BARTON, CLEM, DOHERTY, FAGAN, FREDERICK, GALLEGOS, GOMBERG, GORSEK, GREENLICK, HELM, HOYLE, KENY-GUYER, KOMP, KOTEK, LININGER, LIVELY, MCKEOWN, MCLAIN, PILUSO, RAYFIELD, READ, REARDON, SMITH WARNER, TAYLOR, VEGA PEDERSON, WILLIAMSON, WITT, Senator GELSER

CHAPTER

AN ACT

Relating to contracts for student financial aid services; creating new provisions; and amending ORS 352.129.

Whereas Title IV financial aid funds are available to enable students to fund their educations; and

Whereas post-secondary institutions of education are required to meet Title IV regulations in disbursement of Title IV financial aid funds; and

Whereas post-secondary institutions of education are increasingly relying on for-profit providers to disburse Title IV financial aid funds to students enrolled in the post-secondary institutions of education to reduce costs to the institutions; and

Whereas some post-secondary institutions of education receive financial incentives from the for-profit providers that may create conflicts of interest between a post-secondary institution of education and the students enrolled in the post-secondary institution of education; and

Whereas post-secondary institutions of education do not monitor all activities of for-profit providers to ensure compliance with Title IV regulations and do not prevent for-profit providers from engaging in marketing and other strategies designed to persuade students enrolled in the post-secondary institutions of education to choose to utilize certain for-profit providers for purposes of disbursement and management of Title IV financial aid funds; and

Whereas for-profit providers charge fees to students that are unique to the provider or are substantially higher than the fees charged by alternative providers of disbursement and management services; and

Whereas many students incur a high debut burden to attend post-secondary institutions of education and the fees and transaction costs charged to students by for-profit providers exacerbate this debt burden; now, therefore,

Be It Enacted by the People of the State of Oregon:

SECTION 1. As used in this section and section 2 of this 2015 Act:

(1) "Account" means an account that is managed or operated by a third party financial firm and that is opened to facilitate the financial aid refund disbursement process.

(2) "Financial aid funds" means financial aid funds under Title IV, Part B, of the Higher Education Act of 1965, as amended, including credit balances.

(3) "Financial aid refund disbursement process" means the process of returning to a student the student's financial aid funds that are in excess of eligible education costs, including but not limited to fees and tuition.

(4) "Revenue sharing" means payment from a third party financial firm to a public or private post-secondary institution of education based on the balances or account activity of the accounts offered by the third party financial firm to students enrolled at the public or private post-secondary institution of education.

(5) "Third party financial firm" means a company, business or other organization that contracts with a public or private post-secondary institution of education to provide disbursement and management services of financial aid funds, or management of financial accounts, to students enrolled in the public or private post-secondary institution of education.

SECTION 2. (1) When contracting with third party financial firms for disbursement and management services of financial aid funds, or for management of financial accounts, the governing board or governing entity of a public or private post-secondary institution of education that enrolls one or more students who receive state or federal financial aid shall review and approve a contract after considering guidelines and policies established and recommended by the United States Consumer Financial Protection Bureau and the United States Department of Education.

(2) A contract between a public or private post-secondary institution of education and a third party financial firm for services described in subsection (1) of this section may not permit:

(a) Revenue sharing;

(b) The third party financial firm to charge a fee for the initial disbursement of the financial aid funds in an academic term to the student in a paper check or in an electronic funds transfer;

(c) The third party financial firm to charge a transaction fee for debit or similar transactions from an account; or

(d) The third party financial firm to charge a fee for inactivity in an account.

(3) A public or private post-secondary institution of education that contracts with a third party financial firm shall, after redacting from the contract information exempted from disclosure under ORS 192.410 to 192.505:

(a) Make the contract available for public inspection; and

(b) Publish the contract on the website operated by or for the public or private post-secondary institution of education.

SECTION 3. ORS 352.129 is amended to read:

352.129. (1) Notwithstanding ORS 352.102 and 352.107 and section 169, chapter 768, Oregon Laws 2013, the amendments to ORS 243.107 and 351.094 by sections 88 and 113, chapter 768, Oregon Laws 2013, and the operative date set forth in section 171, chapter 768, Oregon Laws 2013, a university with a governing board shall continue to participate with other public universities listed in ORS 352.002 in all shared administrative services relating to:

(a) Employee benefits, including but not limited to group insurance or deferred compensation plans authorized by ORS 351.094;

(b) Collective bargaining with any statewide bargaining unit that includes employees of two or more public universities listed in ORS 352.002; and

(c) Risk management, the purchase of insurance or the management of a self-insurance program authorized by ORS 351.096 or 352.107.

(2) The shared administrative services listed in subsection (1) of this section must be done under the same terms, conditions, funding model and policy frameworks as those that exist on August 14, 2013, until July 1, 2015. On and after July 1, 2015, public universities listed in ORS 352.002 may choose to participate in shared services under an alternative shared services model.

(3)(a) Two or more public universities listed in ORS 352.002, including universities with governing boards, may participate in shared services not described in subsection (1) of this section, including but not limited to shared services involving legal services and information technology.

(b) If a public university listed in ORS 352.002, or a community college, negotiates a contract with one or more third party financial firms, as defined in section 1 of this 2015 Act, to provide disbursement and management services of financial aid funds, or management of financial accounts, to enrolled students, the public university or community college shall undertake reasonable efforts to establish collaboration agreements with other public universities or community colleges to negotiate the services.

(4) Pursuant to ORS 352.025, and in order to ensure that the establishment of universities with governing boards does not negatively impact public universities that do not have governing boards, if a university with a governing board stops participating in a service shared by two or more public universities listed in ORS 352.002, including but not limited to the shared services listed in this section, and the withdrawal from the service has a negative effect on the remaining public universities, the Higher Education Coordinating Commission shall compensate universities suffering a negative impact through either reduction of appropriations made to the university with a governing board or any other method found to be appropriate by the commission.

(5) The office of the Chancellor of the Oregon University System shall coordinate public university shared services described in this section until a new entity to coordinate shared services is operational.

Passed by House April 29, 2015

Received by Governor:

Repassed by House June 18, 2015

.....M.,....., 2015

Approved:

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Timothy G. Sekerak, Chief Clerk of House

.....M.,....., 2015

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Tina Kotek, Speaker of House

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Kate Brown, Governor

Passed by Senate June 16, 2015

Filed in Office of Secretary of State:

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Peter Courtney, President of Senate

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Jeanne P. Atkins, Secretary of State