FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2832 - A

Seventy-Eighth Oregon Legislative Assembly – 2015 Regular Session
Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:
Requires public university or community college that contracts with financial institution, organization or other institution for student financial aid services to make contract publicly available.

Government Unit(s) Affected:
N/A – The bill has no fiscal impact to state agencies

Local Government Mandate:
This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis:
The bill prohibits public or private post-secondary institutions of education from entering into contracts with a third-party financial firm to manage student financial aid unless contracts meet certain requirements. The bill requires that contracts be made available for public inspection and be published on the university or private institutions website. The measure encourages universities and community colleges to collaborate on the negotiation of such contracts. It also establishes student's private right to action against the third party financial institution.

Due to the passage of Senate Bill 270 (2013), post-secondary institutions with governing boards are not a unit of local or municipal government nor a state agency, board, commission or institution. Post-secondary institutions with governing boards are now considered to be independent public bodies with statewide purposes and missions that utilize the Higher Education Coordinating Commission for shared client services. Therefore, there is no fiscal impact to government agencies, however, universities report that there is an indeterminate, but potentially significant, fiscal impact to some of the universities as a result of the contract limitations in Section 2 (2) of the bill. Currently, OIT, PSU and SOU contract with a third party vendor for financial aid distributions. At this time, it is not possible to determine what impact this bill would have on the contract each institution has with third party financial firms who manage the student financial aid. There is the potential for a significant fiscal impact if third party financial institutions object to the contract limitations and choose to no longer to do business with these post-secondary institutions.

Assuming financial institutions involved in the contracts would not object to having those contracts made publicly available, under Section 2 (3) of the bill, the fiscal impact on community colleges is assumed to be minimal. Very few community colleges use these financial services firms and making the contract available for public inspection and posting on the college's website can be completed within normal budgetary constraints.