

B-Engrossed
House Bill 2832

Ordered by the Senate June 12
Including House Amendments dated April 23 and Senate Amendments
dated June 12

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

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Directs governing entity of public or private post-secondary institution of education that contracts with third party financial firm for student financial aid services to consider federal policies for contracting. Prohibits contract from permitting third party financial firms to charge certain fees for student financial aid services. Requires public or private post-secondary institution of education that contracts with third party financial firm for student financial aid services to make contract publicly available. Directs public university or community college that negotiates contract with third party financial firm for student financial aid services to attempt to establish collaboration agreements with other public universities or community colleges to negotiate services.

A BILL FOR AN ACT

1
2 Relating to contracts for student financial aid services; creating new provisions; and amending ORS
3 352.129.

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

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

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

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

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

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

22 Whereas many students incur a high debut burden to attend post-secondary institutions of edu-

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 cation and the fees and transaction costs charged to students by for-profit providers exacerbate this
2 debt burden; now, therefore,

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

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

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

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

9 (3) **“Financial aid refund disbursement process” means the process of returning to a
10 student the student’s financial aid funds that are in excess of eligible education costs, in-
11 cluding but not limited to fees and tuition.**

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

16 (5) **“Third party financial firm” means a company, business or other organization that
17 contracts with a public or private post-secondary institution of education to provide dis-
18 bursement and management services of financial aid funds, or management of financial ac-
19 counts, to students enrolled in the public or private post-secondary institution of education.**

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

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

30 (a) **Revenue sharing;**

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

34 (c) **The third party financial firm to charge a transaction fee for debit or similar trans-
35 actions from an account; or**

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

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

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

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

43 **SECTION 3. ORS 352.129 is amended to read:**

44 352.129. (1) Notwithstanding ORS 352.102 and 352.107 and section 169, chapter 768, Oregon Laws
45 2013, the amendments to ORS 243.107 and 351.094 by sections 88 and 113, chapter 768, Oregon Laws

1 2013, and the operative date set forth in section 171, chapter 768, Oregon Laws 2013, a university
2 with a governing board shall continue to participate with other public universities listed in ORS
3 352.002 in all shared administrative services relating to:

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

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

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

10 (2) The shared administrative services listed in subsection (1) of this section must be done under
11 the same terms, conditions, funding model and policy frameworks as those that exist on August 14,
12 2013, until July 1, 2015. On and after July 1, 2015, public universities listed in ORS 352.002 may
13 choose to participate in shared services under an alternative shared services model.

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

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

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

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

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