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(Original Signature of Member)

112TH CONGRESS
2D SESSION

H. R.

To ensure that students and taxpayers receive the full value of their education investments.

IN THE HOUSE OF REPRESENTATIVES

Mr. TIERNEY introduced the following bill; which was referred to the Committee on _____

A BILL

To ensure that students and taxpayers receive the full value of their education investments.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “College Student Rebate
5 Act of 2012”.

6 **SEC. 2. EDUCATIONAL LOSS RATIO.**

7 (a) PROGRAM PARTICIPATION AGREEMENTS.—Sec-
8 tion 487(a) of the Higher Education Act of 1965 (20

1 U.S.C. 1094(a)) is amended by adding at the end the fol-
2 lowing:

3 “(30) In the case of a proprietary institution of
4 higher education (as defined in section 102(b)), such
5 institution will—

6 “(A) expend not less than 80 percent of
7 such institution’s revenues for an institutional
8 fiscal year on educational and related expenses
9 (as defined in subsection (i)(4)); or

10 “(B) for each institutional fiscal year in
11 which the institution expends less than 80 per-
12 cent of such revenues on such educational and
13 related expenses, issue a rebate for each stu-
14 dent who was enrolled at the institution during
15 such institutional fiscal year, calculated and
16 distributed in accordance with subsection (k).”.

17 (b) EDUCATIONAL LOSS RATIO.—Section 487 of
18 such Act (20 U.S.C. 1094) is further amended—

19 (1) in subsection (i)—

20 (A) by redesignating paragraphs (4)
21 through (6) as paragraphs (5) through (7), re-
22 spectively; and

23 (B) by inserting after paragraph (3), the
24 following:

1 “(4) EDUCATIONAL AND RELATED EX-
2 PENSES.—The term ‘educational and related ex-
3 penses’ shall be defined by the Secretary by regula-
4 tion, except that such term shall not include revenue
5 expended for advertising and promotion activities,
6 excessive administrative expenses including excessive
7 executive compensation, recruiting, lobbying ex-
8 penses, or payments to shareholders.”; and

9 (2) by adding at the end the following new sub-
10 section:

11 “(k) IMPLEMENTATION OF REBATE REQUIREMENT
12 FOR INSUFFICIENT EDUCATIONAL EXPENDITURES.—

13 “(1) CALCULATION OF REBATE AMOUNT FOR
14 EACH STUDENT.—For purposes of subsection
15 (a)(30), the amount of a rebate for each student at
16 an institution subject to subparagraph (B) of such
17 subsection shall be calculated by—

18 “(A) determining the difference between
19 80 percent and the percentage of the institu-
20 tion’s revenues expended on educational and re-
21 lated expenses (as defined in subsection (i)(4));
22 and

23 “(B) applying the percentage determined
24 under subparagraph (A) to the total amount of
25 tuition, fees, and institutional charges provided

1 to the institution by the student, or on the stu-
2 dent's behalf, from all sources for the applicable
3 period of enrollment.

4 “(2) DISTRIBUTION OF INDIVIDUAL STUDENT
5 REBATES.—Each rebate issued for a student by an
6 institution described in subsection (a)(30)(B) shall
7 be distributed as follows:

8 “(A) To the Secretary, an amount that
9 bears the same ratio to the total rebate for such
10 student as the amount of tuition, fees, and in-
11 stitutional charges provided to the institution
12 for the student from sources under this title
13 bears to the total amount of tuition, fees, and
14 institutional charges provided to the institution
15 for the applicable period of enrollment by or on
16 behalf of the student from all sources, which
17 shall be credited, in a manner consistent with
18 section 484B(b)(3), to outstanding balances on
19 loans, to awards, and to other assistance made
20 under this title to the student or on behalf of
21 the student for the period of enrollment for
22 which a rebate is required.

23 “(B) To each third party who provided an
24 amount to the institution for tuition, fees, and
25 institutional charges on the student's behalf, in-

1 cluding the Secretary of Defense, the Secretary
2 of Veterans Affairs, or an employer, an amount
3 that bears the same ratio to the total rebate for
4 such student as the amount of tuition, fees, and
5 institutional charges provided to the institution
6 for the student from such third party bears to
7 the total amount of tuition, fees, and institu-
8 tional charges provided to the institution for the
9 applicable period of enrollment by or on behalf
10 of the student from all sources.

11 “(C) To the student, the amount of the
12 total rebate for such student remaining after
13 payment to the Secretary and each third party
14 under subparagraphs (A) and (B).

15 “(3) STUDENT REBATE FEE PROHIBITED.—An
16 institution that is required to issue a rebate for a
17 student under subsection (a)(30) may not assess a
18 new student fee, increase an existing student fee,
19 withhold or reduce any portion of financial assist-
20 ance provided to any student, or otherwise increase
21 the cost of attendance for any student, to satisfy
22 such rebate requirement.

23 “(4) NO CHANGE IN 90/10 CALCULATIONS.—Re-
24 bates required under subsection (a)(30) and issued
25 in accordance with this subsection shall in no way

1 affect or be considered in the calculation of revenue
2 requirements under subsection (a)(24).

3 “(5) CALCULATION OF INSTITUTION’S REVE-
4 NUES.—In making calculations under subsection
5 (a)(30) and this subsection, an institution’s revenues
6 for an institutional fiscal year shall be calculated in
7 accordance with subsection (d)(1), except that an in-
8 stitution shall not be required to use the cash basis
9 of accounting.”.

10 **SEC. 3. EFFECTIVE DATE.**

11 This Act and the amendments made by this Act shall
12 take effect on July 1, 2014.