

112TH CONGRESS  
2D SESSION

# H. R. 6407

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

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 13, 2012

Mr. TIERNEY (for himself and Mr. GEORGE MILLER of California) introduced the following bill; which was referred to the Committee on Education and the Workforce

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## 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  
9 U.S.C. 1094(a)) is amended by adding at the end the fol-  
10 lowing:

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

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

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

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

17           (1) in subsection (i)—

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

21                   (B) by inserting after paragraph (3), the  
22 following:

23                   “(4) EDUCATIONAL AND RELATED EX-  
24 PENSES.—The term ‘educational and related ex-  
25 penses’ shall be defined by the Secretary by regula-

1 tion, except that such term shall not include revenue  
2 expended for advertising and promotion activities,  
3 excessive administrative expenses including excessive  
4 executive compensation, recruiting, lobbying ex-  
5 penses, or payments to shareholders.”; and

6 (2) by adding at the end the following new sub-  
7 section:

8 “(k) IMPLEMENTATION OF REBATE REQUIREMENT  
9 FOR INSUFFICIENT EDUCATIONAL EXPENDITURES.—

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

15 “(A) determining the difference between  
16 80 percent and the percentage of the institu-  
17 tion’s revenues expended on educational and re-  
18 lated expenses (as defined in subsection (i)(4));  
19 and

20 “(B) applying the percentage determined  
21 under subparagraph (A) to the total amount of  
22 tuition, fees, and institutional charges provided  
23 to the institution by the student, or on the stu-  
24 dent’s behalf, from all sources for the applicable  
25 period of enrollment.

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

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

20           “(B) To each third party who provided an  
21 amount to the institution for tuition, fees, and  
22 institutional charges on the student’s behalf, in-  
23 cluding the Secretary of Defense, the Secretary  
24 of Veterans Affairs, or an employer, an amount  
25 that bears the same ratio to the total rebate for

1 such student as the amount of tuition, fees, and  
2 institutional charges provided to the institution  
3 for the student from such third party bears to  
4 the total amount of tuition, fees, and institu-  
5 tional charges provided to the institution for the  
6 applicable period of enrollment by or on behalf  
7 of the student from all sources.

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

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

20 “(4) NO CHANGE IN 90/10 CALCULATIONS.—Re-  
21 bates required under subsection (a)(30) and issued  
22 in accordance with this subsection shall in no way  
23 affect or be considered in the calculation of revenue  
24 requirements under subsection (a)(24).

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

8   **SEC. 3. EFFECTIVE DATE.**

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

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