

AMENDED IN SENATE APRIL 3, 2014

AMENDED IN SENATE FEBRUARY 25, 2014

SENATE BILL

No. 845

Introduced by Senator Correa

January 8, 2014

An act to add Section 69505.8 to the Education Code, relating to postsecondary education.

LEGISLATIVE COUNSEL'S DIGEST

SB 845, as amended, Correa. Postsecondary education: electronic disbursement of student financial aid.

Existing law provides for the missions and functions of the private and public segments of postsecondary education in the state. Existing law establishes various student financial aid programs for students attending segments of postsecondary education.

This bill would require the Board of Governors of the California Community Colleges and the Trustees of the California State University, and would request the Regents of the University of California and each governing body of an accredited private postsecondary educational institution, to develop, in consultation with stakeholders, one or more model contracts for use at their respective systems for the disbursement of a financial aid award, scholarship, campus-based aid award, or school refund on a debit, prepaid, or preloaded card, *and to make these contracts publicly available on their respective Internet Web sites.*

The bill would also require that each model contract consider the best interests of students and contain ~~certain~~ provisions *that reflect conditions required for compliance with federal regulations governing the disbursement of federal financial aid.*

The bill would also require the board of governors and the trustees, and would additionally request the regents and each governing body of an accredited private postsecondary educational institution, when developing each of their respective model contracts, to consider specified information.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 69505.8 is added to the Education Code,
2 to read:

3 69505.8. (a) The Board of Governors of the California
4 Community Colleges and the Trustees of the California State
5 University shall, and the Regents of the University of California
6 and each governing body of an accredited private postsecondary
7 educational institution are requested to, develop one or more model
8 contracts for use at their respective systems for the disbursement
9 of a financial aid award, scholarship, campus-based aid award, or
10 school refund onto a debit card, prepaid card, or other preloaded
11 card issued by a financial institution. Each model contract shall
12 be developed in consultation with stakeholders including statewide
13 student associations, individual campuses, and financial institutions
14 that issue debit cards, prepaid cards, and preloaded cards.

15 (b) The board of governors and the trustees shall, and the regents
16 and each governing body of an accredited private postsecondary
17 educational institution are requested to, make every model contract
18 developed under subdivision (a) publicly available on its Internet
19 Web site.

20 (c) Every model contract developed under subdivision (a) shall
21 consider the best interests of students and shall, at a minimum,
22 contain ~~all of the following provisions:~~ *provisions that reflect*
23 *conditions required for compliance with federal regulations*
24 *governing the disbursement of federal financial aid.*

25 ~~(1) The campus, educational system, or card-issuing financial~~
26 ~~institution shall not represent a debit card, prepaid card, or~~
27 ~~preloaded card as the only disbursement option available for a~~
28 ~~student to receive a financial aid award, scholarship, campus-based~~
29 ~~aid award, or school refund.~~

1 ~~(2) A card-issuing financial institution shall provide a list of all~~
2 ~~debit card, prepaid card, or preloaded card fees to a student before~~
3 ~~that student may elect to receive a financial aid award, scholarship,~~
4 ~~campus-based aid award, or school refund on a debit card, prepaid~~
5 ~~card, or preloaded card. A card-issuing financial institution shall~~
6 ~~also provide a readily accessible link to a printable version of this~~
7 ~~fee list from the homepage on its Internet Web site.~~

8 ~~(3) A student who receives a financial aid award, scholarship,~~
9 ~~campus-based aid award, or school refund on a debit card, prepaid~~
10 ~~card, or preloaded card shall not be charged for any of the~~
11 ~~following:~~

12 ~~(A) Opening a debit card, prepaid card, or preloaded card~~
13 ~~account.~~

14 ~~(B) Receiving an initial debit card, prepaid card, or preloaded~~
15 ~~card.~~

16 ~~(C) Having a financial aid award, scholarship, campus-based~~
17 ~~aid award, or school refund deposited on a debit card, prepaid card,~~
18 ~~or preloaded card.~~

19 ~~(4) A card-issuing financial institution shall locate at least one~~
20 ~~branch office or automated teller machine on or immediately~~
21 ~~adjacent to the contracting campus, at which fee-free withdrawals~~
22 ~~may be made using the card.~~

23 ~~(5) A card-issuing financial institution, campus, or educational~~
24 ~~system shall not market a debit card, prepaid card, preloaded card,~~
25 ~~or card account as a credit card or credit instrument or convert the~~
26 ~~card or account into a credit card or credit instrument.~~

27 ~~(6) A card-issuing financial institution, campus, or educational~~
28 ~~system shall not represent placement of the name or mascot of a~~
29 ~~campus or educational system on a debit card, prepaid card, or~~
30 ~~preloaded card as an endorsement of that card by the campus or~~
31 ~~educational system.~~

32 (d) When developing each model contract, the board of
33 governors and the trustees shall, and the regents and each governing
34 body of an accredited private postsecondary educational institution
35 are requested to, consider all of the following:

36 (1) The number of on-campus locations and proximity of
37 off-campus locations where a fee-free withdrawal could be made
38 by a student using a debit card, prepaid card, or preloaded card.

39 (2) The type and size of fees a student would incur from debit,
40 prepaid, or preloaded card use *and whether provisions of the model*

1 *contract ensure that the educational institution is provided*
2 *information by the card-issuing financial institution to evaluate*
3 *the costs of these fees to students.*

4 (3) The impact, if any, that offering a card displaying the name
5 or mascot of a campus or educational system would have on
6 students, that campus, or that educational system.

7 (4) *Whether provisions of the model contract ensure that the*
8 *educational institution monitors compliance by the financial*
9 *institution with federal Title IV requirements governing the*
10 *disbursement of financial aid.*

11 (5) *Whether provisions of the model contract ensure a process*
12 *for the tracking and resolution of student complaints about the*
13 *card-issuing financial services institution's credit delivery,*
14 *customer service, and debit, prepaid, or preloaded cards.*

15 ~~(4)~~

16 (6) The impact, if any, of the content of a dispute resolution
17 clause on students, their campus, and their educational system, if
18 a conflict were to arise between a student and the card-issuing
19 financial institution.

20 (7) *Whether provisions of the model contract ensure that the*
21 *educational institution does not disclose student information to*
22 *the card-issuing financial institution beyond what is necessary to*
23 *perform the contracted financial aid disbursement function.*

24 (8) *Whether provisions of the model contract ensure that the*
25 *card-issuing financial institution does not solicit or collect*
26 *information from a student that is not necessary to perform the*
27 *contracted financial aid disbursement function as a condition of*
28 *the student accessing financial aid funds through a debit card,*
29 *prepaid card, or preloaded card.*