

113TH CONGRESS  
1ST SESSION

# H. R. 3496

To amend the Higher Education Act of 1965 regarding proprietary institutions of higher education in order to protect students and taxpayers.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 14, 2013

Mr. COHEN (for himself, Mr. CONYERS, and Mr. GRIJALVA) introduced the following bill; which was referred to the Committee on Education and the Workforce

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## A BILL

To amend the Higher Education Act of 1965 regarding proprietary institutions of higher education in order to protect students and taxpayers.

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 “Protecting Our Stu-  
5 dents and Taxpayers Act of 2013” or “POST Act of  
6 2013”.

7 **SEC. 2. 85/15 RULE.**

8 (a) IN GENERAL.—Section 102(b) of the Higher  
9 Education Act of 1965 (20 U.S.C. 1002(b)) is amended—

1 (1) in paragraph (1)—

2 (A) in subparagraph (D), by striking  
3 “and” after the semicolon;

4 (B) in subparagraph (E), by striking the  
5 period and inserting “; and”; and

6 (C) by adding at the end the following:

7 “(F) meets the requirements of paragraph  
8 (2).”;

9 (2) by redesignating paragraph (2) as para-  
10 graph (3); and

11 (3) by inserting after paragraph (1) the fol-  
12 lowing:

13 “(2) REVENUE SOURCES.—

14 “(A) IN GENERAL.—In order to qualify as  
15 a proprietary institution of higher education  
16 under this subsection, an institution shall derive  
17 not less than 15 percent of the institution’s rev-  
18 enues from sources other than Federal funds,  
19 as calculated in accordance with subparagraphs  
20 (B) and (C).

21 “(B) FEDERAL FUNDS.—In this para-  
22 graph, the term ‘Federal funds’ means any  
23 Federal financial assistance provided, under  
24 this Act or any other Federal law, through a  
25 grant, contract, subsidy, loan, guarantee, insur-

1           ance, or other means to a proprietary institu-  
2           tion, including Federal financial assistance that  
3           is disbursed or delivered to an institution or on  
4           behalf of a student or to a student to be used  
5           to attend the institution, except that such term  
6           shall not include any monthly housing stipend  
7           provided under the Post-9/11 Veterans Edu-  
8           cational Assistance Program under chapter 33  
9           of title 38, United States Code.

10           “(C) IMPLEMENTATION OF NON-FEDERAL  
11           REVENUE REQUIREMENT.—In making calcula-  
12           tions under subparagraph (A), an institution of  
13           higher education shall—

14                   “(i) use the cash basis of accounting;

15                   “(ii) consider as revenue only those  
16           funds generated by the institution from—

17                           “(I) tuition, fees, and other insti-  
18                           tutional charges for students enrolled  
19                           in programs eligible for assistance  
20                           under title IV;

21                           “(II) activities conducted by the  
22                           institution that are necessary for the  
23                           education and training of the institu-  
24                           tion’s students, if such activities are—

1           “(aa) conducted on campus  
2           or at a facility under the control  
3           of the institution;

4           “(bb) performed under the  
5           supervision of a member of the  
6           institution’s faculty; and

7           “(cc) required to be per-  
8           formed by all students in a spe-  
9           cific educational program at the  
10          institution; and

11          “(III) a contractual arrangement  
12          with a Federal agency for the purpose  
13          of providing job training to low-in-  
14          come individuals who are in need of  
15          such training;

16          “(iii) presume that any Federal funds  
17          that are disbursed or delivered to an insti-  
18          tution on behalf of a student or directly to  
19          a student will be used to pay the student’s  
20          tuition, fees, or other institutional charges,  
21          regardless of whether the institution cred-  
22          its such funds to the student’s account or  
23          pays such funds directly to the student, ex-  
24          cept to the extent that the student’s tui-

1 tion, fees, or other institutional charges are  
2 satisfied by—

3 “(I) grant funds provided by an  
4 outside source that—

5 “(aa) has no affiliation with  
6 the institution; and

7 “(bb) shares no employees  
8 with the institution; and

9 “(II) institutional scholarships  
10 described in clause (v);

11 “(iv) include no loans made by an in-  
12 stitution of higher education as revenue to  
13 the school, except for payments made by  
14 students on such loans;

15 “(v) include a scholarship provided by  
16 the institution—

17 “(I) only if the scholarship is in  
18 the form of monetary aid based upon  
19 the academic achievements or finan-  
20 cial need of students, disbursed to  
21 qualified student recipients during  
22 each fiscal year from an established  
23 restricted account; and

24 “(II) only to the extent that  
25 funds in that account represent des-

1           ignated funds, or income earned on  
2           such funds, from an outside source  
3           that—

4                     “(aa) has no affiliation with  
5                     the institution; and

6                     “(bb) shares no employees  
7                     with the institution; and

8           “(vi) exclude from revenues—

9                     “(I) the amount of funds the in-  
10                    stitution received under part C of title  
11                    IV, unless the institution used those  
12                    funds to pay a student’s institutional  
13                    charges;

14                    “(II) the amount of funds the in-  
15                    stitution received under subpart 4 of  
16                    part A of title IV;

17                    “(III) the amount of funds pro-  
18                    vided by the institution as matching  
19                    funds for any Federal program;

20                    “(IV) the amount of Federal  
21                    funds provided to the institution to  
22                    pay institutional charges for a student  
23                    that were refunded or returned; and

24                    “(V) the amount charged for  
25                    books, supplies, and equipment, unless

1 the institution includes that amount  
2 as tuition, fees, or other institutional  
3 charges.

4 “(D) REPORT TO CONGRESS.—Not later  
5 than July 1, 2014, and by July 1 of each suc-  
6 ceeding year, the Secretary shall submit to the  
7 authorizing committees a report that contains,  
8 for each proprietary institution of higher edu-  
9 cation that receives assistance under title IV  
10 and as provided in the audited financial state-  
11 ments submitted to the Secretary by each insti-  
12 tution pursuant to the requirements of section  
13 487(c)—

14 “(i) the amount and percentage of  
15 such institution’s revenues received from  
16 Federal funds; and

17 “(ii) the amount and percentage of  
18 such institution’s revenues received from  
19 other sources.”.

20 (b) REPEAL OF EXISTING REQUIREMENTS.—Section  
21 487 of the Higher Education Act of 1965 (20 U.S.C.  
22 1094) is amended—

23 (1) in subsection (a)—

24 (A) by striking paragraph (24);

1 (B) by redesignating paragraphs (25)  
2 through (29) as paragraphs (24) through (28),  
3 respectively;

4 (C) in paragraph (24)(A)(ii) (as redesign-  
5 ated by subparagraph (B)), by striking “sub-  
6 section (e)” and inserting “subsection (d)”; and

7 (D) in paragraph (26) (as redesignated by  
8 subparagraph (B)), by striking “subsection (h)”  
9 and inserting “subsection (g)”;  
10

(2) by striking subsection (d);

11 (3) by redesignating subsections (e) through (j)  
12 as subsections (d) through (i), respectively;

13 (4) in subsection (f)(1) (as redesignated by  
14 paragraph (3)), by striking “subsection (e)(2)” and  
15 inserting “subsection (d)(2)”; and

16 (5) in subsection (g)(1) (as redesignated by  
17 paragraph (3)), by striking “subsection (a)(27)” in  
18 the matter preceding subparagraph (A) and insert-  
19 ing “subsection (a)(26)”.

20 (c) CONFORMING AMENDMENTS.—The Higher Edu-  
21 cation Act of 1965 (20 U.S.C. 1001 et seq.) is amended—

22 (1) in section 152 (20 U.S.C. 1019a)—

23 (A) in subsection (a)(1)(A), by striking  
24 “subsections (a)(27) and (h) of section 487”



1 and inserting “subsections (a)(26) and (g) of  
2 section 487”; and

3 (B) in subsection (b)(1)(B)(i)(I), by strik-  
4 ing “section 487(e)” and inserting “section  
5 487(d)”;

6 (2) in section 153(c)(3) (20 U.S.C.  
7 1019b(c)(3)), by striking “section 487(a)(25)” each  
8 place the term appears and inserting “section  
9 487(a)(24)”;

10 (3) in section 496(c)(3)(A) (20 U.S.C.  
11 1099b(c)(3)(A)), by striking “section 487(f)” and  
12 inserting “section 487(e)”;

13 (4) in section 498(k)(1) (20 U.S.C.  
14 1099c(k)(1)), by striking “section 487(f)” and in-  
15 serting “section 487(e)”.

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