

MINUTES

**SENATE AND HOUSE INTERIM COMMITTEES ON INSURANCE AND COMMERCE
MEETING JOINTLY**

Committee Room MAC B, Little Rock, Arkansas

Thursday, September 12, 2013

The Senate and House Interim Committees on Insurance and Commerce met jointly Thursday, September 12, 2013, at 10:30 a.m. in Committee Room MAC B in Little Rock, Arkansas.

Committee members present: Senators Jason Rapert, Chair; Michael Lamoureux, and Jon Woods. Representatives Tommy Wren, Chair and Robert Dale, Vice Chair; Henry Wilkins, IV, Joe Farrer, James Word, Terry Rice, Mark Perry, Marshall Wright, John Vines, Frederick Love, Mark Biviano, Charlie Collins, Reginald Murdock, and Jeff Wardlaw.

Non-Voting members present: Representatives Nate Bell, Jon Eubanks, Jeremy Gillam, Douglas House, Homer Lenderman, Mark Lowery, Micah Neal and James Ratliff.

Also attending: Senators Jonathan Dismang, Jim Hendren and Bart Hester; Representatives Duncan Baird, Scott Baltz, John Burris, Jody Dickinson, Jim Dotson, David Hillman. John Hutchison, Sheilla Lampkin, Mark McElroy, Betty Overbey, Sue Scott, Fredrick Smith, Tommy Thompson, and Jim Nickels.

Representative Wren called the meeting to order.

CONSIDERATION TO APPROVE JULY 16, 2013, MINUTES [EXHIBIT C]

Representative Dale made a motion to approve the July 16, 2013, meeting minutes and without objection, the motion carried.

**UNIVERSITY OF ARKANSAS (FAYETTEVILLE) UNIVERSITY BOOKSTORE STUDENT
CHARGE PROGRAM [EXHIBITS Da, Db and Dc] [HANDOUT 1]**

Mr. Steve Wilson, Owner, Campus Bookstore, Dixon Street, Fayetteville, Arkansas, stated Campus Bookstore started in Arkadelphia, Arkansas, in the mid 1990s serving students at Henderson State and Ouachita Baptist Universities. The second off-campus location opened at the University of Central Arkansas in Conway and a third location in Fayetteville in 2001. Campus Bookstore currently has over 120 locations in twenty-five states and is the fastest growing privately-owned textbook company in the country. Mr. Wilson stated Campus Bookstore checks their prices against university bookstore prices on every single item to make sure students save money. On average, students save \$50-\$400 dollars per semester. He stated this is not all based on their lower prices. It is also because they have more used books.

Mr. Wilson stated the University of Arkansas at Fayetteville (UAF) implemented a student charge program in July 2005 offering students an unsecured, interest free, payment deferred loan program allowing them to charge books at the UAF bookstore. Because of some opposition, the student charge program ceased at the end of the Fall 2005 semester. The basic facts in 2005 were:

- The first semester the student charge program was initiated, Fall 2005, the university had about 18,000 students and 7,000 enrolled in the program, but approximately 5,000 actually used the program.
- Students charged approximately \$1.8 million to this unsecured, interest free, payment deferred loan program.
- The university allowed individuals to pay back throughout the semester. November 30 was the due date. Mr. Wilson stated that he acquired information on December 5, and \$170,000 of uncollected debt was still on the books. They have since collected the majority of this debt and written off some of the bad debt.

- Campus Bookstore was not asking UAF to stop the student charge program, but wanted an equal playing field and access to the charge program. They wanted to allow students the ability to choose where they purchased books.
- Campus Bookstore saw a 20% decline in its business when UAF implemented the student charge program. After the student charge program stopped, Mr. Wilson stated his business immediately started to increase again.
- The Insurance and Commerce Committee asked UAF to stop the student charge program, and it was not available Spring 2006.

Mr. Wilson stated in July 2013, UAF resumed the student charge program, and the following applies:

- The student charge program is available to approximately 25,000 degree-seeking students at UAF.
- The charge limit is \$690. In 2005, the charge limit was \$800.
- Approximately 3,000 students participated in the program.
- The amount charged was approximately \$1.2 million, and of that, \$1.05 million was for textbooks and approximately \$120,000-\$150,000 was for items such as iPads, laptops, art supplies, etc.
- The payment due date is September 30. A student can pay \$25 and extend the due date until November 30.

Mr. Wilson stated he met with Dr. Don Pederson, Vice Chancellor of Finance, UAF, and presented him with a proposal he believed met the constitutional scrutiny of not lending the credit but also inserted competition back into the marketplace. Mr. Wilson stated he received an email from Mr. Martinson, Associate Vice Chancellor for Business Affairs, UAF, that formally declined Campus Bookstore's proposal.

Mr. Wilson stated that Campus Bookstore has a deferred payment program where students can write a check and complete the "promise to pay" form. He noted since most people don't have a checking account, students can use a credit card where the credit card is not billed for sixty days, allowing them time to acquire the funds. This program is offered at Fayetteville and other Campus Bookstore locations. He stated Campus Bookstore has never turned down an individual with a need.

Mr. Wilson explained there is a distinct difference between Campus Bookstore's program and the UAF student charge program.

- The Campus Bookstore program is private. If a student does not uphold their promise to pay, the loss is absorbed by Campus Bookstore.
- The UAF has the advantage of collections. It can withhold transcripts, diploma, not allow a student to enroll for the following semester, and even intercept a state tax refund.

Mr. Wilson said if the legislature believes this is a program worth noting, than all Campus Bookstore asks is to be included; allow competition work. Mr. Wilson stated he is here today to implore the committee to help convince and/or require the university to play by the same rules used by private business. Mr. Wilson asked, "Can a state agency use public funds to create its own competitive advantage? This is the biggest question."

Senator Rapert asked Mr. Wilson to state the impact the UAF student charge program has on his business. Mr. Wilson stated:

- Campus Bookstore has lost approximately 20% of business this semester. UAF's enrollment is up, but Campus Bookstore's business is down. There have been two semesters in the Fayetteville's Campus Bookstore location that numbers have declined. The first was in August 2005 and the second was August 2013, each time U of A initiated the student charge program. It is quite apparent the charge program has an impact.

Senator Rapert made reference to the \$25 fee a student is charged to extend the due date on the student charge program to November 30. He stated that \$25 on a \$690 transaction is 3.6%. Charging 3,431 students \$25 would be approximately \$85,000. When compounded on an APR, students are being charged 44% APR to

borrow the \$690 for thirty days; if a sixty-day program, they are charged 22% APR. Senator Rapert stated that if the student charge program is really to benefit the student, the university should consider not charging an APR that is so high.

Senator Rapert stated the move to stop the student charge program in 2005 was the appropriate move. He stated it is troublesome when the university starts competing with small business owners in a community.

Mr. Richard Hudson, Vice Chancellor for Government and Community Relations, UAF, stated the charge program described by Mr. Wilson was not something the University came up with and promoted. A group of students from the student government association came to the administration in 2005, and stated they were aware that other colleges and universities in the country offered this kind of program. The student government organization suggested the university implement this program, because there were students dropping out of school because they cannot afford textbooks until their financial aid funds arrive.

Mr. Hudson stated they had a strong advocacy group to demand they start such a program. The university did implement the program, and it became controversial so they dropped the program. He stated this program was not something the university was doing to help their bookstore; it was something they were doing because they believed it would help students and contribute to retention and graduation rates, which are the university's primary goals.

Mr. Hudson explained the program is not for all students. The program is for full-time degree-seeking students. Part-time, online, or programs like Spring International cannot participate in the program. Mr. Hudson stated that according to UAF's legal counsel, there is no way to allow Mr. Wilson's Campus Bookstore into the student charge program due to federal privacy laws and state constitutional issues.

Mr. Hudson stated University of Arkansas has two options concerning the student charge program:

1. Continue the program as it currently operates.
2. Cancel the program as they did in 2005 when concerns were expressed. Cancelling the program would hurt students and help private business.

Mr. Nate Coulter, Director of External Affairs, Student Government, UAF, stated the student charge program was a student-led initiative and student government at UAF discussed the issue of the student charge program. He stated through discussions and research on the issue, a bipartisan group of student leaders came up with their official stance, and it is as follows:

- The student leaders want to see the student charge program kept in operation in any form and in any fashion regardless of who is allowed to participate on the seller's end.

Mr. Coulter stated after meeting with both administrators and the private companies involved, student government believes they have an understanding of what is at stake. He stated there is a simple choice between two options:

1. Allow students to have the ability to get textbooks on time for class by keeping the student charge program.
2. Terminate the student charge program.

Mr. Coulter stated if the program is terminated, there will be an immediate negative impact on students. Students will be required to wait to get textbooks after financial aid is processed through the university's ISIS system. This can take as long as seven weeks after the semester starts.

Representative Farer questioned why the student charge program resumed in 2013.

Mr. David Martinson, Associate Vice Chancellor for Business Affairs, UAF, stated the primary reason was the students requested it. UAF personnel realized they could be called to come before this committee. They very cautiously stepped back into the program. It is not heavily promoted.

Mr. Scott Varady, General Counsel, UAF, stated the university cannot collect for private entities. He referenced Attorney General's Opinion 2012-150 which concludes it is not a violation of the constitution, the university is not creating a new debt, and the university is a creditor, and that does not violate Article 16 Section (1) of the constitution. Mr. Varady stated he thinks the opinion gives the university the constitutional coverage to operate the student charge program, but does not give the university the option to extend the credit to the private companies. Mr. Varady stated there is some competitive advantage as a state entity, because it is the public purpose of the UAF to attract, retain, and graduate students to improve the economic engine for Arkansas, which is the purpose of state entity. **[HANDOUT 2]**

Mr. Varady stated students in the student charge program can only purchase materials that qualify under federal financial aid guidelines. Mr. Coulter stated it includes books and one electronic item.

Representative Lowery if the university is working to fix the delay in processing financial aid and also what about using a voucher program. Mr. Hudson stated the majority of financial aid is Pell Grants, which are federal funds, and not something the university can manage. Regarding a voucher program, Mr. Varady stated he is not familiar with any voucher program that has been set-up or attempted.

Members' suggestions ranged from pulling the program down, re-thinking the charge program, and being uncomfortable with the program.

The Committees requested the following information from Mr. Hudson:

- Minutes from student meetings held which resulted in the request to the University to again adopt the student charge program. (It was previously adopted in July 2005 and discontinued at the end of 2005.)
- The University's Bookstore balance sheet from 2012 and 2013 to see if and what the difference is when implementing the student charge program.

CONSIDERATION TO ADOPT FOR INTERIM STUDY

Representative Rice made a motion to adopt ISP 2013-069 by Representative Hammer for study. Representative Dale seconded the motion, and the motion carried.

The title follows:

ISP 2013-069-(Representative Hammer) *AN ACT TO CREATE THE ARKANSAS SCRAP METAL DEALER BOARD; TO CREATE OVERSIGHT FOR SCRAP METAL DEALERS; AND FOR OTHER PURPOSES.* **[EXHIBIT E]**

The being no further business, the meeting adjourned at 1:10 p.m.