



How HR4 May Affect Your Selection Committee

In August 2006, new federal legislation—commonly referred to as HR4—went into effect. This legislation is formally known as the Pension Protection Act of 2006 and may have an impact on some of the scholarship programs administered by the Oregon Student Assistance Commission (OSAC). This fact sheet describes our current understanding of the legislation.

Donors Cannot Control Scholarship Selection

Donors and certain related persons now are prohibited from controlling the process of selecting scholarship recipients, even if the selection committee is advisory only. Donors and related persons may participate, but they may not control the selection committee. According to the IRS, a donor may be defined as:

- a donor to a fund
- committee members (members of a donor's family and persons serving as advisors to the donor, such as attorneys, accountants, employees) selected or appointed by the donor. (A committee member selected by the donor with expertise in a specific field related to the grant or scholarship award, is permitted)
- with a fund created by a corporation or other business entity, or a fund of which a corporation or other business entity is a donor—its officers, directors, and employees
- with a fund created by a nonprofit organization or association, or a fund of which a nonprofit organization or association is a donor—directors, employees, and members

A donor or related party may sit on a selection committee, but donors and related persons may not comprise a majority of the committee.

Examples

- A donor and his daughter select scholarship recipients each year. Now they must enlist the help of three unrelated persons to aid in the selection process, so that the donor and his daughter are not controlling the selection process.
- The board of directors of an alumni association serves as the selection committee for a scholarship program established by the association. Now they must ensure that a majority of the persons serving on the selection committee consists of persons who are NOT members of the board of directors (or officers, employees, or members).

Solutions

The simplest solution may be to enlist local educators to sit on your selection committee. For all employer-sponsored programs, the OSAC in-house selection committee will select scholarship recipients. OSAC will help you in every way possible to create a selection process that complies with the new legislation AND suits your scholarship program goals.