

## **BILL ANALYSIS**

Senate Research Center  
84R19395 KEL-D

H.B. 700  
By: Giddings et al. (Seliger)  
Higher Education  
5/18/2015  
Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

The Texas B-On-time student loan program, interested parties note, was established as an incentive for students attending Texas public and private institutions of higher education to graduate in a timely manner and with good grades, with the incentive taking the form of loan forgiveness. In order to fund the program, public institutions of higher education are required to set aside a portion of undergraduate tuition, which is then collected and allocated back to the institutions in proportion to the amount collected, based on legislative appropriations and an institution's funding needs. Funding for private institutions is appropriated directly from general revenue, and the Texas Higher Education Coordinating Board (THECB) also sells general obligation bonds to fund the program.

According to the parties, the legislature generally appropriates only a portion of the amount collected in set-asides, with any unused funds forfeited by institutions and returned to THECB for reallocation to institutions still in need of funds to run the program. This reallocation results in the funds that an institution sends to the state being used to assist students at other institutions. Many institutions, the parties continue, suggest that they could provide financial aid services to their students more efficiently and effectively if they had full control. H.B. 700 seeks to address this situation.

H.B. 700 amends current law relating to the repeal of the Texas B-On-time student loan program.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 52.89(c), Education Code, as follows:

(c) Requires the Texas Higher Education Coordinating Board (THECB) to deposit to the credit of the fund any proceeds from the sale of bonds, excluding:

(1) Makes no change to this subdivision;

(2) proceeds from the sale of bonds issued by THECB under Section 56.464(b) (authorizing THECB to issue and sell general obligation bonds under Subchapter F, Chapter 52, for the purposes of this subchapter), as that subsection existed immediately before September 1, 2015, rather than proceeds from the sale of bonds issued by THECB under Section 56.464(b) to provide Texas B-On-time student loans.

SECTION 2. Amends Sections 52.90(a) and (b), Education Code, as follows:

(a) Requires THECB to make a loan from the fund to a student who qualifies for a loan under Subchapter C (Student Loans).

(b) Provides that loans from the fund are governed by Subchapter C, rather than loans from the fund are governed by Subchapter C of this chapter or Subchapter Q, Chapter 56, as appropriate, as if made under that subchapter, except to the extent of conflict with this subchapter.

Deletes existing text authorizing THECB to make a loan from the fund to a student who qualifies for a Texas B-On-time student loan under Subchapter Q, Chapter 56.

SECTION 3. Amends the heading to Section 52.91, Education Code, to read as follows:

Sec. 52.91. BONDS FOR FORMER TEXAS B-ON-TIME STUDENT LOAN PROGRAM.

SECTION 4. Amends Sections 52.91(a) and (c), Education Code, as follows:

(a) Requires THECB to deposit to the credit of the Texas B-On-time student loan account established under Section 56.0092, rather than Section 56.463, any proceeds from the sale of bonds issued by the board to fund Texas B-On-time student loans under Section 56.464(b), as that subsection existed immediately before September 1, 2015, other than accrued interest on the bonds, which shall be deposited to the credit of the interest and sinking fund related to the bonds.

Deletes existing Subdivision(a)(2) requiring THECB to deposit to the cred of the Texas B-On-time student loan account any proceeds from the sale of bonds issued by THECB to funnel Texas B-On-time student load, other than proceeds from the sale of the bonds that the board by resolution deposits to the student loan auxiliary fund under Section 52.89(c-1).

(c) Requires THECB to repay bonds described by Subsection (a) using proceeds from the bonds, legislative appropriations, and money collected by THECB as repayment for Texas B-On-time student loans awarded by THECB under Section 56.0092(c) for a semester or term occurring before the 2020 fall semester, rather than requires THECB to repay bonds issued by THECB to fund the Texas B-On-time student loan program using legislative appropriations and money collected by the board as repayment for Texas B-On-time student loans awarded by THECB. Authorizes THECB to also repay the bonds by using tuition set aside under Section 56.465 (Tuition Set Aside for Program), as that section existed immediately before September 1, 2015, for a semester or term occurring before the 2015 fall semester, rather than to repay bonds issued by THECB for the Texas B-On-time student loan program. Prohibits THECB from repaying the bonds with money collected by the board as repayment for student loans awarded by THECB under Subchapter C, rather than prohibits THECB from repaying the bonds with money collected by the board as repayment for student loans awarded by THECB under Subchapter C to repay bonds issued by THECBfor the Texas B-On-time student loan program under Section 56.464(b). Makes a nonsubstantive changes.

SECTION 5. Amends Section 54.0065(a), Education Code, as follows:

(a) Provides that a qualified student is eligible for a rebate of a portion of the undergraduate tuition the student has paid if the student:

(1) is awarded a baccalaureate degree from a general academic teaching institution within:

(A) four calendar years after the date the student initially enrolled in the institution or another postsecondary educational institution if:

(i) the institution awarding the degree is a four-year institution; and

(ii) the student is awarded a degree other than a degree in engineering, architecture, or any other program determined by THECB to require more than four years to complete; or

(B) five calendar years after the date the student initially enrolled in the institution or another postsecondary educational institution if:

(i) the institution awarding the degree is a four-year institution; and

(ii) the student is awarded a degree in engineering, architecture, or any other program determined by THECB to require more than four years to complete, rather than the period prescribed by Section 56.462(1)(A) (requiring a student who receives a Texas B-On-time loan to be forgiven the amount of the student's loan if the student is awarded a baccalaureate degree at an eligible institution with a cumulative grade point average of at least 3.0 on a four-point scale or the equivalent within four calendar years after the date the student initially enrolled in an institution of higher education or private or independent institution of higher education if the student is awarded a degree other than a degree in engineering, architecture, or any other program determined by THECB to require more than four years to complete) or (B) (requiring a student who receives a Texas B-On-time loan to be forgiven the amount of the student's loan if the student is awarded a baccalaureate degree at an eligible institution with a cumulative grade point average of at least 3.0 on a four-point scale or the equivalent within five calendar years after the date the student initially enrolled in an institution of higher education or private or independent institution of higher education if the student is awarded a degree in engineering, architecture, or any other program determined by THECB to require more than four years to complete), as applicable, to qualify for forgiveness of a Texas B-On-time loan; and

(2) has attempted no more than three hours in excess of the minimum number of semester credit hours required to complete the degree program:

(A) including:

(i) transfer credits; and

(ii) course credit earned exclusively by examination, except that, for purposes of this subsection, only the number of semester credit hours earned exclusively by examination in excess of nine semester credit hours is treated as hours attempted; and

(B) excluding:

(i) course credit that is earned to satisfy requirements for a Reserve Officers' Training Corps (ROTC) program but that is not required to complete the degree program; and

(ii) course credit, other than course credit earned exclusively by examination, that is earned before graduating from high school.

SECTION 6. Amends Subchapter A, Chapter 56, Education Code, by adding Section 56.0092, as follows:

Sec. 56.0092. TEXAS B-ON-TIME STUDENT LOAN ACCOUNT; FORMER LOAN PROGRAM CONTINUED IN EFFECT FOR CERTAIN ACADEMIC YEARS ONLY.

(a) Provides the Texas B-On-time student loan account previously established by former Section 56.463 continues as an account in the general revenue fund. Provides that the account consists of:

(1) gifts and grants;

(2) any legislative appropriations received for the purpose of awarding Texas B-On-time student loans to students who qualify and establish eligibility for the loans as described by Subsection (c) and for discharging any other remaining obligations under the former Texas B-On-time student loan program;

(3) tuition set aside under Section 56.465, as that section existed immediately before September 1, 2015, for a semester or term occurring before the 2015 fall semester;

(4) bond proceeds deposited under Section 52.91(a) (requiring THECB to deposit to the credit of the Texas B-On-time student loan account established under Section 56.463 any proceeds from the sale of bonds issued by the board to fund Texas B-On-time student loans under Section 56.464(b)); and

(5) any other money in the account on September 1, 2015.

(b) Provides that money in the Texas B-On-time student loan account may be used only to pay any costs of the coordinating board related to loans awarded under the Texas B-On-time student loan program as provided by Subsection (c) for a semester or term occurring before the 2020 fall semester.

(c) Prohibits THECB from awarding an initial Texas B-On-time student loan under the Texas B-On-time student loan program beginning with the 2015 fall semester. Authorizes THECB to award, for a semester or term occurring before the 2020 fall semester, a subsequent Texas B-On-time student loan to an eligible student who received an initial Texas B-On-time student loan before the 2015-2016 academic year. Provides that for Texas B-On-time student loans to be awarded as described by this subsection:

(1) students may qualify and establish continued eligibility, as applicable, under Subchapter Q as that subchapter existed immediately before September 1, 2015; and

(2) THECB may make loans using any money available for the purposes of the former Texas B-On-time student loan program.

(d) Provides that, on September 1, 2010, the Texas B-On-time student loan account is abolished, and any remaining money in the account may be appropriated only to eligible institutions in the manner provided by Subsection (e).

(e) Requires an appropriation under Subsection (d) to be made in accordance with a formula, adopted by THECB rule, that THECB determines fairly allocates the appropriated amount to those eligible institutions at which the Texas B-On-time student loan program was underutilized. Provides that, for purposes of this subsection, the Texas B-On-time student loan program is considered to have been underutilized by students of an institution in any period if the institution's percentage of the total amount of tuition set aside by all institutions under the program during the period was greater than the institution's percentage of all students who received a Texas B-On-time student loan under the program for the same period. Requires THECB to base the THECB's determination on a period of academic years occurring before the 2015-2016 academic year that the

coordinating board considers representative of eligible institutions' student participation in the Texas B-On-time student loan program.

(f) Defines "eligible institution."

SECTION 7. Amends Section 56.011(a), Education Code, as follows:

(a) Requires the governing board of each institution of higher education to cause to be set aside not less than 15 percent, rather than 20 percent, of any amount of tuition charged to a resident undergraduate student under Section 54.0513 in excess of \$46 per semester credit hour. Requires the funds set aside under this section by an institution to be used to provide financial assistance for resident undergraduate students enrolled in the institution.

SECTION 8. Repealers: Section 52.89(c-1) (authorizing the proceeds from the sale of bonds issued by the board under Section 56.464(b) to provide Texas B-On-time student loans to be deposited to the credit of the fund by resolution of THECB), Section 52.91(b) (authorizing THECB by resolution to establish as provided by Section 52.03 one or more interest and sinking funds to be used for any purpose relating to the Texas B-On-time student loan program established under Subchapter Q, Chapter 56), Section 56.307(l) (relating to a reduction in the amount of a TEXAS grant under Subsection (i-1)), and Subchapter Q (Texas B-On-Time Loan Program) , Chapter 56, Education Code.

SECTION 9. (a) Provides that, notwithstanding any other law, Subchapter Q, Chapter 56, Education Code, as that subchapter existed immediately before the effective date of this Act, is continued in effect solely for the purposes of:

(1) awarding Texas B-On-time student loans as provided by Section 56.0092(c), Education Code, as added by this Act; and

(2) discharging any other remaining obligations under the former Texas B-On-time student loan program.

(b) Provides that the repeal by this Act of Section 56.465, Education Code, applies beginning with tuition charged for the 2015 fall semester.

SECTION 10. Provides that Section 56.011(a), Education Code, as amended by this Act, applies beginning with tuition charged for the 2015 fall semester. Provides that tuition charged for an academic period before that term or semester is covered by the law in effect immediately before the effective date of this Act, and the former law is continued in effect for that purpose. Makes application of this Act prospective.

SECTION 11. Effective date: September 1, 2015.