

## **BILL ANALYSIS**

C.S.H.B. 700  
By: Giddings  
Higher Education  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

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 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 the coordinating board for reallocation to institutions still in need of funds to run the program. This reallocation results in the funds 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. C.S.H.B. 700 seeks to address this situation.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 700 repeals Education Code provisions relating to the Texas B-On-time student loan program but continues certain of those provisions in effect solely for the purposes of awarding Texas B-On-time student loans to certain eligible students and discharging any other remaining obligations under the program.

C.S.H.B. 700 amends the Education Code to continue the Texas B-On-time student loan account as an account in the general revenue fund, consisting of gifts and grants; any legislative appropriations received for the purpose of awarding Texas B-On-time student loans to certain eligible students and for discharging any other remaining obligations under the former program; tuition set aside, as provided by applicable law as it existed immediately before September 1, 2015, for a semester or term occurring before the 2015 fall semester; certain bond proceeds; and any other money in the account on September 1, 2015.

C.S.H.B. 700 limits the use of money in the account to paying any costs of the Texas Higher Education Coordinating Board related to loans awarded under the program for a semester or term occurring before the 2020 fall semester. The bill prohibits the coordinating board, beginning with the 2015 fall semester, from awarding an initial Texas B-On-time student loan. The bill authorizes the coordinating board, for a semester or term occurring before the 2020 fall semester, to award a subsequent loan to an eligible student who received an initial loan before the 2015–2016 academic year. The bill authorizes students to qualify for a loan and establish continued eligibility, as applicable, under statutory provisions relating to the program as those provisions existed immediately before September 1, 2015, and authorizes the coordinating board to make loans using any money available for the purposes of the former program.

C.S.H.B. 700 abolishes the Texas B-On-time student loan account on September 1, 2020, and limits the appropriation of any remaining money in the account to eligible institutions in accordance with a formula, adopted by coordinating board rule, that the coordinating board determines fairly allocates the appropriated amount to those eligible institutions at which the program was underutilized. The bill identifies the conditions under which the program is considered to have been underutilized by students of an institution and requires the coordinating board to base its 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 program.

C.S.H.B. 700 lowers the tuition set aside for resident undergraduate student assistance from not less than 20 percent of any designated tuition charged to a resident undergraduate student in excess of \$46 per semester credit hour to not less than 15 percent of such amount, applicable beginning with tuition charged for the 2015 fall semester. The bill's repeal of the tuition set aside for the Texas B-On-time student loan program applies beginning with tuition charged for that same semester.

C.S.H.B. 700 repeals the following provisions of the Education Code:

- Sections 52.89(c-1) and 52.91(b)
- Section 56.307(l)
- Subchapter Q, Chapter 56

### **EFFECTIVE DATE**

September 1, 2015.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 700 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED	HOUSE COMMITTEE SUBSTITUTE
SECTION 1. Section 52.89(c), Education Code, is amended.	SECTION 1. Same as introduced version.
SECTION 2. Sections 52.90(a) and (b), Education Code, are amended.	SECTION 2. Same as introduced version.

SECTION 3. The heading to Section 52.91, Education Code, is amended.

SECTION 4. Sections 52.91(a) and (c), Education Code, are amended.

SECTION 5. Section 54.0065(a), Education Code, is amended.

SECTION 6. Subchapter A, Chapter 56, Education Code, is amended by adding Section 56.0092 to read as follows:

Sec. 56.0092. TEXAS B-ON-TIME STUDENT LOAN ACCOUNT; FORMER LOAN PROGRAM CONTINUED IN EFFECT FOR CERTAIN ACADEMIC YEARS ONLY. (a) The Texas B-On-time student loan account previously established by former Section 56.463 continues as an account in the general revenue fund. 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); and

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

(b) 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 loan program as provided by Subsection (c) for a semester or term occurring before the 2020 fall semester.

(c) The coordinating board may award an initial Texas B-On-time student loan to an eligible student for the 2015-2016 academic year only.

The coordinating board may 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 2016-2017 academic year.

SECTION 3. Same as introduced version.

SECTION 4. Same as introduced version.

SECTION 5. Same as introduced version.

SECTION 6. Subchapter A, Chapter 56, Education Code, is amended by adding Section 56.0092 to read as follows:

Sec. 56.0092. TEXAS B-ON-TIME STUDENT LOAN ACCOUNT; FORMER LOAN PROGRAM CONTINUED IN EFFECT FOR CERTAIN ACADEMIC YEARS ONLY. (a) The Texas B-On-time student loan account previously established by former Section 56.463 continues as an account in the general revenue fund. 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); and

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

(b) 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) Beginning with the 2015 fall semester, the coordinating board may not award an initial Texas B-On-time student loan under the Texas B-On-time student loan program.

The coordinating board may 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.

For Texas B-On-time student loans to be awarded as described by this subsection:

(1) students may qualify and establish initial or continued eligibility, as applicable, under Subchapter Q as that subchapter existed immediately before September 1, 2015; and  
(2) the coordinating board may make loans using any money available for the purposes of the former Texas B-On-time student loan program.

(d) On September 1, 2020, 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) An appropriation under Subsection (d) must be made in accordance with a formula, adopted by coordinating board rule, that the coordinating board determines fairly allocates the appropriated amount to those eligible institutions at which the Texas B-On-time student loan program was underutilized. 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. The coordinating board shall base the coordinating board'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) In this section, "eligible institution" means a general academic teaching institution described by Section 56.451(2)(A) or a medical and dental unit described by Section 56.451(2)(B), as those paragraphs existed immediately before September 1, 2015.

No equivalent provision.

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

(d) On September 1, 2020, 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) An appropriation under Subsection (d) must be made in accordance with a formula, adopted by coordinating board rule, that the coordinating board determines fairly allocates the appropriated amount to those eligible institutions at which the Texas B-On-time student loan program was underutilized. 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. The coordinating board shall base the coordinating board'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) In this section, "eligible institution" means a general academic teaching institution described by Section 56.451(2)(A) or a medical and dental unit described by Section 56.451(2)(B), as those paragraphs existed immediately before September 1, 2015.

SECTION 7. Section 56.011(a), Education Code, is amended to read as follows:

(a) The governing board of each institution of higher education shall cause to be set aside not less than 15 [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. The funds set aside under this section by an institution shall be used to provide financial assistance for resident undergraduate students enrolled in the institution.

SECTION 7. The following provisions of the Education Code are repealed:

- (1) Sections 52.89(c-1) and 52.91(b);
- (2) Section 56.307(l); and
- (3) Subchapter Q, Chapter 56.

SECTION 8. 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.

No equivalent provision.

SECTION 9. This Act takes effect September 1, 2015.

SECTION 8. Same as introduced version.

SECTION 9. (a) 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) The repeal by this Act of Section 56.465, Education Code, applies beginning with tuition charged for the 2015 fall semester.

SECTION 10. Section 56.011(a), Education Code, as amended by this Act, applies beginning with tuition charged for the 2015 fall semester. 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.

SECTION 11. Same as introduced version.