

- SUBJECT:** Revising financial-aid cap for higher-education grant recipients
- COMMITTEE:** Higher Education — favorable, without amendment
- VOTE:** 6 ayes — Rangel, F. Brown, Farabee, J. Jones, Uher, West
0 nays
3 absent — Goolsby, Morrison, E. Reyna
- WITNESSES:** For — Christopher Diaz; Larry L. Earvin, Huston-Tillotson College;
Registered but did not testify: Holly Eaton, Texas Classroom Teachers Association; Kathy Hutto, Baylor University; Carol McDonald, Independent Colleges and Universities of Texas
Against — None
- BACKGROUND:** The Tuition Equalization Grant Program, created by the Legislature in 1971, is intended to bridge the gap between tuition rates at public and private colleges and universities. Education Code, sec. 61.221 authorizes the state to provide tuition equalization grants (TEGs), based on financial need, to Texas residents enrolled in any approved private college or university in Texas. Sec. 61.227 limits the amount of the grant in any one year to 50 percent of the average state appropriation in the biennium preceding the biennium in which the grant is made for a full-time student or the equivalent at public senior colleges and universities, as determined by the Texas Higher Education Coordinating Board. The maximum TEG for the current biennium is \$3,380.
- The TEXAS Grant Program, created by the 76th Legislature, provides need-based grants, equal to the statewide average of tuition and fees, to recent high school graduates who completed the recommended or advanced high school curriculum. Currently, students from households earning about \$25,000 or less qualify for the program.
- Education Code, sec. 56.307(h) limits the total amount of grants that a student can receive in an academic year through the TEXAS Grant and TEG programs to the maximum TEG amount specified in sec. 61.227.

DIGEST: HB 1576 would amend the Education Code to allow a student to receive both a TEXAS Grant and a TEG up to the maximum amount allowed for both grants, but not to exceed the tuition and required fees charged to the student for that academic year.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2001. The change would apply beginning with the 2001-02 academic year.

SUPPORTERS SAY: HB 1576 would increase the affordability and accessibility of higher education to many of the state's neediest students, thus helping to "close the gaps in participation," as recommended by the Coordinating Board. Current law restricts the amount of grant money that an economically disadvantaged student can receive through the TEXAS Grant and TEG programs to the amount of the maximum TEG grant (currently \$3,380). Thus, the receipt of a TEXAS Grant does not increase the recipient's total financial aid package, but rather offsets the amount of the TEG that the student would have been awarded otherwise.

For example, before the creation of the TEXAS Grant program, a qualified student entering a private university in fall 1999 could have received a TEG of \$3,380. Now, however, if the same student received \$2,500 through the TEXAS Grant program, he or she could receive only \$880 from the TEG. HB 1576 would remedy this inequity by allowing a qualified student to receive the maximum amount of the TEG plus the TEXAS Grant, as long as the total did not exceed the student's tuition and required fees for that academic year. In the example above, the student would receive a total of \$5,880 through the two grants, rather than only \$3,380.

This change would help the state's neediest qualified students achieve their higher education goals. Financial aid officers at private institutions would have the flexibility to create financial aid packages with the maximum benefit for these students, thus increasing the probability that the students would complete their degree programs. According to the Texas Guaranteed Student Loan Corp. (TGSLC), about 56 percent of students at four-year private universities in Texas receive some type of financial aid. Furthermore, loans comprise 68 percent of all student financial aid in Texas, compared to 59 percent nationally. The TGSLC has found that loans are not as effective

as grants in removing financial barriers to higher education for low-income families, who have little discretionary income and are reluctant to take on additional debt.

According to a study by the Congressional Advisory Committee on Student Financial Assistance, excessive unmet need forces many low-income students to choose levels of enrollment and financing alternatives that are not conducive to academic success, persistence, and degree completion. For example, economically disadvantaged students often must seek off-campus employment, reduce the number of hours they can study and prepare for class, and ultimately risk a decline in their academic performance. HB 1576 would help fulfill two of the TEXAS Grant program's key objectives: encouraging economically disadvantaged students to pursue higher education and help retain those students until they graduate.

HB 1576 particularly would benefit Texas students attending historically black colleges (HBCs) in Texas. Students receiving TEXAS Grants would have the benefit of strong academic preparation from their high schools. In addition, since the HBCs are among the least expensive of Texas' private higher education institutions, their students could expect to see all or a substantial portion of their tuition and fees covered by a combination of TEG and the TEXAS Grant funds.

The bill is limited in scope and would have no impact on the allocation of TEXAS Grant funds among the institutions eligible to participate in the program. According to the bill's fiscal note, it would result in no fiscal implication to the state.

**OPPONENTS
SAY:**

HB 1576 would allow certain students to "double dip" into both the TEXAS Grant and TEG, thus limiting the amount of TEG grants available for other needy students. TEXAS Grants are now available to qualified students from households earning about \$25,000 or less. HB 1576 would allow these students to receive the maximum available grant money through both programs. As a result, less TEG money would be left for students with financial need but whose family incomes exceeded \$25,000.