

- SUBJECT:** Creating the Texas B-On-time Loan Program
- COMMITTEE:** Higher Education — favorable, without amendment
- VOTE:** 8 ayes — Morrison, F. Brown, Chavez, Giddings, Goolsby, Mercer, Nixon, Smithee
- 0 nays
- 1 absent — J. Jones
- SENATE VOTE:** On final passage, May 8 — 31-0
- WITNESSES:** No public hearing
- BACKGROUND:** The Texas Higher Education Coordinating Board (THECB) administers grant and loan programs for higher education institutions, including the TEXAS Grant program and the Hinson-Hazlewood loan program. The TEXAS Grant program provides grants to eligible students at public and private higher education institutions for a period of up to six years. These grants are intended to provide financial assistance to low-income students. The average family income for TEXAS Grant recipients ranges from about \$25,000 to \$40,000 per year, depending on the level of demand for the program.
- The Hinson-Hazlewood program provides low-interest loans to Texas residents. Under Education Code, ch. 52, THECB has authority to issue general obligation bonds to support the Hinson-Hazlewood program.
- DIGEST:** SB 4 would establish the Texas B-On-time Loan Program to provide no-interest college loans for eligible students to attend Texas public and private higher education institutions. THECB would have to administer the program, determine loan repayment and other terms, and, in consultation with participating institutions, adopt rules necessary to implement the program. Operating expenses would be funded by a loan origination fee charged to loan recipients. The total amount of loans could not exceed the amount available in a Texas B-On-time account in general revenue.

Anyone who had completed a baccalaureate degree would not be eligible for the program, and a person could not receive a B-On-time loan for more than 150 semester hours or the equivalent. To be eligible for a B-On-time loan, a person would have to be a Texas resident and a graduate of a public or accredited private high school who graduated no earlier than the 2002-03 school year under the recommended or advanced high school program or who received an associate degree from an eligible institution before May 1, 2005. The student would have to be enrolled for a full course load at an undergraduate institution and be eligible for federal financial aid, except that the person would not have to meet any financial need requirement applicable to a particular financial aid program. The person also would have to comply with any additional nonacademic requirements adopted by THECB.

After initially qualifying for a loan, a student would have to make satisfactory academic progress toward a degree in the first academic year and complete at least 75 percent of the semester credit hours with a cumulative grade-point average of 2.5 on a four-point scale or the equivalent on all coursework previously attempted at institutions of higher education, if the person was enrolled in any academic year after the first year. A person who did not meet these requirements would not qualify for a B-On-Time loan for the next semester or term but could become eligible again in subsequent semesters if he or she met these requirements.

Students who qualified for a B-On-time loan would remain eligible if they transferred to a different institution, and those who received an undergraduate certificate or associate degree would retain eligibility for a loan at a higher education institution for 12 months.

THECB would have to adopt rules to allow a person who was eligible for a B-On-time loan, in the event of hardship or other good cause, to receive a loan while taking fewer than the minimum number of required hours, but a person could not receive a loan for taking fewer than six hours.

B-On-time loans could be used for any usual and customary costs, including tuition, fees, books, and room and board. THECB would have to determine the loan amount as the average of tuition and required fees at comparable institutions, including general academic teaching institutions, private or independent institutions, and public technical institutes.

By January 31 of each year, THECB would have to publish the amounts of each loan for each type of institution. If, in any academic year, the amount of available funding was insufficient to meet demand, THECB would have to allocate funds to eligible institutions in proportion to the number of full-time equivalent undergraduate students enrolled at each institution. Each institution would have to award the money allocated for B-On-time loans according to financial need.

THECB would have to distribute to each eligible institution and each school district a copy of the rules governing the loan program. Each school district would have to notify its students, teachers, counselors, and parents about the program and its eligibility requirements.

Loan payments could be deferred as long as a student remained continually enrolled in an undergraduate degree or certificate program at an eligible institution. Loans would be forgiven if the student received an undergraduate degree or certificate with a cumulative grade-point average of at least 3.0 on four-point scale within four calendar years for a four-year institution. For engineering, architecture, or other programs that require more than four years to complete, students would be allowed five calendar years. Students at junior colleges or technical institutes would have to finish within two years.

SB 4 would establish the Texas-B-On-time account in general revenue, which would consist of gifts, grants, and legislative appropriations, tuition set-asides, and other money required by law to be deposited into the account.

THECB could issue and sell general obligation bonds as authorized by Education Code, ch. 52, to help fund the loan program. The program also could also be funded by legislative appropriations, gifts, and grants. The board would have to repay bonds using legislative appropriations and funds collected as loan repayments. Repayment of Hinson-Hazlewood loans could not be used to fund the Texas B-On-time loan program.

Each higher education institution would have to set aside 5 percent of the amount of designated tuition in excess of the amount that would have been charged for the same semester or term in the 2002-03 academic year and would have to deposit that amount in the Texas-B-On-time general revenue account.

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, 2003. THECB would have to award Texas B-On-time loans beginning with the 2003 fall semester.

**SUPPORTERS
SAY:**

SB 4 would help middle-income students pay for higher education and would create an incentive for them to maintain good grades and complete their education expeditiously. It would help students and families cope with rising higher education costs by providing low-interest loans to families who otherwise might not qualify for this aid. While the program would create an increasing cost to the state as students completed their educations and qualified to have loans forgiven, these costs would be offset by the reduced costs when students completed their educations within appropriate time frames and began to contribute to the economy as taxpaying citizens.

SB 4 contains sufficient controls to ensure that loans would be distributed on the basis of funding availability to students and families who needed them most. If sufficient funds become available to help students and families with higher incomes, those students should have the opportunity to benefit from the program as well. SB 4 would resemble other state grant and loan programs by allowing students to attend the public, private, or independent institution of their choice, regardless of need.

**OPPONENTS
SAY:**

SB 4 would commit the state to ever-increasing costs to fund college expenses for families that should be able to obtain financial support from private sources. Students from families with higher incomes could qualify for this program, since the bill would not limit financial eligibility to a particular income cap. The state should not commit funds to this program when so many other needs are unmet.

**OTHER
OPPONENTS
SAY:**

The proposed loan program should be limited to students attending public higher education institutions. State funds should not be used to subsidize the price of tuition at private or independent institutions.

NOTES:

The fiscal note projects the cost of the program at \$10.4 million in general revenue during fiscal 2004-05 and \$77.2 million through fiscal 2008.