

## **BILL ANALYSIS**

Senate Research Center

S.B. 1504  
By: Zaffirini  
Higher Education  
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As Filed

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

When the legislature terminated the B-On-time Student Loan Program in 2015, it allowed whatever funds remained in the program's account to be appropriated based on a formula favoring institutions where B-On-time was "underutilized," meaning the percentage of students on a campus receiving B-On-time loans was less than the percentage that institution represented of the statewide tuition set aside pool. While understandable given that tuition set asides were the primary funding mechanism for B-On-time, that choice does not align with any existing state strategies for promoting access, affordability, or excellence in higher education.

The overarching goal of the state's higher education plan, 60x30TX, is to have at least 60 percent of Texans between the ages of 25–34 holding a certificate or degree by the year 2030. The completion goal of the plan is to have at least 550,000 students in that year complete a certificate, associate, bachelor's, or master's degree from an institution of higher education in Texas. The only way Texas will reach the completion goal is if more students graduate, particularly at-risk students (i.e., Pell Grant eligible students and/or academically underprepared students).

The current Operations Support formula incentivizes general academic institutions to increase student and course enrollments, offer more upper-level courses, and offer more costly programs such as doctoral programs. This formula funding is allocated to institutions based on enrollments on the 12th class day. If a student drops a course after the 12th class day, the institution receives the same amount of state funding. Accordingly, there are no built-in incentives for institutions to graduate students.

To align with state goals and best use existing resources, S.B. 1504 would allow the remaining funds in the B-On-time account—some \$126.8 million—to be disbursed to universities using a performance-based methodology that allocates funding based on a three-year average of the number of bachelor's degrees conferred on at-risk students.

As proposed, S.B. 1504 amends current law relating to the allocation of funds remaining in the B-On-time student loan account following the abolition of that account.

### **RULEMAKING AUTHORITY**

Rulemaking authority previously granted to the Texas Higher Education Coordinating Board is rescinded in SECTION 1 (Section 56.0092, Education Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 56.0092, Education Code, as follows:

(a) Provides that the Texas B-On-time student loan account consists of:

(1) makes no changes to this subdivision;

(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), for Subsection (e), and for discharging any

other remaining obligations under the former Texas B-On-time student loan program;

(3) makes no changes to this subdivision;

(4) bond proceeds deposited under Section 52.91(a) (relating to deposit of bond sale proceeds to the Texas B-On-time student loan account); and

(5) makes no changes to this subdivision.

(b) Authorizes money in the Texas B-On-time student loan account to be used to pay, rather than to be used only to pay, any costs of the Texas Higher Education Coordinating Board (THECB) 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 or for purposes of Subsection (e).

(c) Makes no changes to this subsection.

(d) Provides that the Texas B-On-time student loan account is abolished on September 1, 2021, rather than on September 1, 2020, and authorizes any remaining money in the account to 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 performance-based methodology that allocates funding among eligible institutions based on a three-year average of the number of bachelor's degrees conferred on at-risk student. Deletes existing text relating to a formula for appropriation determined and adopted by THECB.

(f) Makes no changes to this subsection, which defines "eligible institution."

(g) Defines "at-risk student" to mean an undergraduate student of an institution of higher education:

(1) whose score on the Scholastic Assessment Test (SAT) or the American College Test (ACT), excluding the optional essay component, is less than the national mean score of students' scores on that test; or

(2) who has previously received a grant under the federal Pell Grant program or met the Expected Family Contribution (EFC) criterion for a grant under that program.

SECTION 2. Effective date: upon passage or September 1, 2019.