

**SUBJECT:** Establishing the Texas New Horizons Scholarship Trust Fund

**COMMITTEE:** Higher Education — committee substitute recommended

**VOTE:** 5 ayes — Rangel, Bailey, Cuellar, Kamel, Rabuck  
0 nays  
3 absent — Solis, Dunnam, E. Reyna

**SENATE VOTE:** On final passage, April 16 — voice vote (Cain, Ellis, Gallegos, Luna, Moncrief, Truan, West, Whitmire registered nay)

**WITNESSES:** None

**BACKGROUND :** The 74th Legislature established the Rural Scholarship Fund and the Urban Scholarship Fund. Local telephone exchange companies contribute money from unclaimed telephone deposits to the funds for scholarships for needy students. Students living in rural areas can only receive scholarships funded by their local telephone companies.

**DIGEST:** SB 576 would eliminate the Urban Scholarship Fund and establish the Texas New Horizons Scholarship Fund. The Higher Education Coordinating Board would issue the fund's scholarships to eligible students attending public institutions of higher education.

To be eligible for a scholarship, a student would have to be a Texas resident, be enrolled for at least one-half of a full course load, meet minimum academic standards, and establish financial need. Eligibility would also be based on the student's socioeconomic background, the property wealth of the student's school district, and considerations involving whether the student would be the first generation to attend or graduate from an institution of higher education; demonstrated responsibility in school, family, and community; and was a resident of a rural or urban area. Other factors that would be considered would include the student's performance on standardized tests and in comparison to students from similar socioeconomic backgrounds.

To be eligible to participate in the program, an institution would have to match state funds with local funds.

The fund would be established outside the treasury but held in trust by the comptroller. Money in the fund could be spend without appropriation only to fund the scholarship program. Interest and income from the assets of the trust fund would be credited to the fund. The comptroller would annually transfer any portion of the amount delivered by local exchange companies in excess of \$2 million to the fund.

CSSB 576 would take effect September 1, 1997. The coordinating board would adopt rules for awarding scholarships by December 1, 1997.

**SUPPORTERS  
SAY:**

SB 576 would allow scholarship funds contributed by telephone companies to be most effectively used and best serve the needs of Texas' students. Although the Urban Scholarship Fund has served a certain population, many students are excluded from its coverage. Many economically depressed areas are not covered by the urban fund's parameters, and the students residing in these areas are as equally deserving as those from the state's inner cities.

SB 576 would ensure that scholarship dollars were distributed fairly throughout the state under the jurisdiction and oversight of the Higher Education Coordinating Board. The board is extremely capable of administering the program in a fair and equitable manner and would ensure that the scholarships were placed where they would be of most benefit.

The criteria established by the bill would ensure that money from the fund was distributed to the same type of students served by the urban fund. The socioeconomic indicators used to identify scholarship recipients would provide scholarships to students from a variety of backgrounds.

**OPPONENTS  
SAY:**

SB 576 would divert scholarship funds targeted at communities where they are intended to benefit local students with financial need and distribute them throughout the state. The bill would abolish the Urban Scholarship Fund, an important instrument for providing access to higher education for Texas' urban student population.

At a time when funding for higher education is hotly debated and students are losing scholarship dollars at an alarming rate, removing a valuable scholarship program such as this one would be unwise. Although the New Horizons Scholarship Trust Fund is an admirable venture, it should not be established at the expense of the urban fund. Both funds could be established simultaneously, providing more opportunities for students to gain access to higher education.

**OTHER  
OPPONENTS  
SAY:**

SB 576 would deal arbitrarily with the management of scholarship funds in Texas. If the New Horizons Scholarship Trust Fund is a worthy project, it should receive the money from the Rural Scholarship Fund in addition to that of the urban fund, and allow a more centralized, comprehensive approach to funding scholarships for needy students.

**NOTES:**

The committee substitute added and clarified specifications for eligibility for scholarships and deleted limitations on criteria for awarding scholarships before September 1, 1998.