

SUBJECT: Allowing certain military personnel to receive Texas B-On-Time loans

COMMITTEE: Defense Affairs and State-Federal Relations — favorable, without amendment

VOTE: 6 ayes — Corte, Campbell, Berman, Leibowitz, Merritt, Noriega

0 nays

3 absent — Herrero, Hodge, P. Moreno

SENATE VOTE: On final passage, April 21 — 30-0

WITNESSES: (*On House companion, HB 1010 by Corte:*)  
For — None

Against — None

On — Lesa Moller, Texas Higher Education Coordinating Board

BACKGROUND: The 78th Legislature in 2003 enacted SB 4 by Zaffirini, which established the Texas B-on-Time (BOT) Loan Program. It offers no-interest loans to enable students who recently graduated from high school under the recommended high school curriculum or who received an associate degree from an eligible institution no earlier than May 1, 2005, to attend public and private universities in Texas. Loans made to students who graduate “on time” from a four-year university with a 3.0 grade-point-average are forgiven. Only students who are Texas residents are eligible for the loan. The loan program is administered by the Texas Higher Education Coordinating Board (THECB).

The Legislature sets in statute the fees and tuition charged by public higher education institutions. The statutory tuition rate for the 2004-05 academic year is \$48 per credit hour for Texas residents, which will increase to \$50 per credit hour in 2005-06 following a scheduled \$2 increase. In addition to the statutory rate, which all universities must charge, institutions charge “designated” tuition, which is set by each institution’s governing board and may vary within individual systems.

Prior to 2003, designated tuition could not exceed the statutory rate. This changed when the 78th Legislature enacted HB 3015 by Morrison, which deregulated designated tuition and allowed each public university's board of regents discretion to set designated tuition at an amount the board considers necessary for the institution's effective operation. Institutions must set aside for financial assistance to resident undergraduate students 20 percent of any increase in designated tuition above \$46 per semester credit hour. Five percent of that increase must be set aside for the BOT loan program.

Education Code, sec. 54.052 establishes the status of a student as resident or nonresident, and sec. 54.058 sets forth residency requirements for certain military personnel and their dependents. Military personnel, including reserve and National Guard forces, are authorized to pay resident (in-state) tuition and fees when they become members of Texas units of the branch in which they serve. The spouses and children of such military personnel also may pay in-state tuition. Out-of-state armed forces personnel, reservists, and guard members who merely are training in Texas, however, are required to pay nonresident tuition and fees. Nonresident tuition is based on the average of nonresident tuition rates in the five most populous states other than Texas.

**DIGEST:** SB 579 would extend eligibility for a BOT loan to dependent children of certain military personnel who reside in Texas or who are assigned to duty in Texas. To be eligible, a graduate of a high school operated by the United States Department of Defense (DOD) would have to have graduated no earlier than the 2002-03 school year and at the time of graduation have been a dependent of a member of the U.S. armed forces.

The provisions of the bill would apply beginning with loans awarded for the 2005-06 academic year. Loans awarded before then would be covered by the law in effect at that time. The THECB would be required to adopt rules to administer the provisions of the bill as soon as practicable after the bill took effect.

This 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, 2005.

SUPPORTERS  
SAY:

SB 579 appropriately would allow many children from military families to take advantage of the BOT loan program. Currently, in order for a student to be eligible for a BOT loan, he or she must be Texas resident who graduated from a Texas high school. This unfairly excludes military children who have moved to Texas after graduating from a high school operated by the DOD. These students should not be penalized because they were unable to graduate from a Texas high school due to the deployment of their parents elsewhere. Once they move to Texas, these students should be able to benefit from BOT loans in the same manner as other eligible students.

BOT loans would offer a strong incentive for students from military backgrounds to take full course loads and graduate on time. The loans are a good value for the state because revenue from loans repaid by borrowers who do not meet the forgiveness requirements can be used to fund future loans.

OPPONENTS  
SAY:

Current law stipulates that to be eligible for a BOT loan, a student must have graduated under the recommended or advanced high school curriculum. Because there is no similar requirement for students who graduate from a high school operated by the DOD, this bill would set a different eligibility standard for children of military personnel. The bill should limit eligibility to students who graduated from high schools operated by the DOD under a recommended or advanced high school curriculum or the equivalent.

NOTES:

According to the fiscal note, the bill would result in a cost to the state in fiscal 2006-07 of approximately \$145,000 in general-revenue related funds.

The House companion bill, HB 1010 by Corte, was left pending in the House Defense Affairs and State-Federal Relations Committee.

A related bill, HB 2335 by Corte, which would require the Texas Education Agency to pursue appropriate education reciprocity agreements with the DOD to determine if courses and curricula offered by these schools would transfer to Texas schools, passed the House on the Local,

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Consent, and Resolutions Calendar on April 29 and was considered in a public hearing on May 18 in the Senate Veteran Affairs and Military Installations Committee.