

BILL ANALYSIS

Senate Research Center
86R17203 MM-F

C.S.S.B. 1504
By: Zaffirini
Higher Education
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Committee Report (Substituted)

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. (Original Author's/Sponsor's Statement of Intent)

C.S.S.B. 1504 amends current law relating to the abolition of the B-On-time student loan account and the allocation of funds remaining in 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 Sections 56.0092(d), (e), and (f), Education Code, as follows:

(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, notwithstanding Subsection (b) (relating to a limitation on the use of money in the B-On-time student loan 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, adopted by Texas Higher Education Coordinating Board (THECB) rule, that allocates the appropriated amount to eligible institutions based on the average number of bachelor's degrees awarded by each institution to at-risk students in the three most recent academic years for which information is available, rather than requiring an appropriation under Subsection (d) to be made in accordance with a formula, adopted by THECB rule, that THECB determines fairly allocates the appropriated amount to those eligible institutions at which the Texas B-On-time student loan program was underutilized. Deletes existing text relating to determination of underutilization.

(f) Defines:

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

(A) 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; or

(B) whose total score on the SAT or the ACT, excluding the optional essay test, is less than the national mean of students' scores on the applicable test.

(2) Creates this subdivision from existing text and defines "eligible institution."

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