

BILL ANALYSIS

S.B. 4
By: Zaffirini
Higher Education
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Many families have incomes in a middle range so that they do not qualify for financial aid, yet cannot afford to pay for college. S.B. 4 provides zero-interest student loans for students who maintain a certain grade point average and graduate from college within four years. The loans can also be used to pay for junior college or technical college. The loans are forgiven under certain conditions.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Higher Education Coordinating Board in SECTION 1 (Sections 56.453 and 56.457, Education Code) and SECTION 5 of this bill.

ANALYSIS

SECTION 1. Amends Chapter 56, Education Code, by adding Subchapter Q, as follows:

SUBCHAPTER Q. TEXAS B-ON-TIME LOAN PROGRAM

Sec. 56.451. DEFINITIONS. Defines “coordinating board,” “eligible institution,” and “general academic teaching institution.”

Sec. 56.452. PROGRAM NAME; PURPOSE. (a) Provides that the student loan program authorized by this subchapter is known as the Texas B-On-time loan program, and an individual loan awarded under this subchapter is known as a Texas B-on-time loan.

(b) Provides that the purpose of this subchapter is to provide no-interest loans to eligible students to enable those students to attend all public and private or independent institutions of higher education in this state.

Sec. 56.453. ADMINISTRATION OF PROGRAM; RULES. (a) Requires the Texas Higher Education Coordinating Board (THECB) to administer the Texas B-On-time loan program, determine the repayment and other terms of a Texas B-On-time loan, and, in consultation with the student financial aid officers of eligible institutions, adopt any rules necessary to implement the program or this subchapter.

(b) Authorizes THECB to charge and collect a loan origination fee from a person who receives a Texas B-On-time loan to be used by THECB to pay for the operating expenses for making loans under this subchapter.

(c) Prohibits the total amount of Texas B-On-time loans awarded from exceeding the amount available in the Texas B-On-time student loan account under Section 56.463.

Sec. 56.454. PERSONS NOT ELIGIBLE. (a) Provides that a person is not eligible to receive a Texas B-On-time loan if the person has been granted a baccalaureate degree.

(b) Prohibits a person from receiving a Texas B-On-time loan for more than 150 semester credit hours or the equivalent.

Sec. 56.455. INITIAL ELIGIBILITY FOR LOAN. Provides that, to be eligible initially for a Texas B-On-time loan, a person must meet certain criteria.

Sec. 56.456. CONTINUING ELIGIBILITY AND ACADEMIC PERFORMANCE

REQUIREMENTS. (a) Authorizes a person, after initially qualifying for a Texas B-On-time loan, to continue to receive a Texas B-On-time loan for each semester or term in which the person is enrolled at an eligible institution only if the person meets certain criteria.

(b) Prohibits a person, if the person fails to meet any of the requirements of Subsection (a) after the completion of any semester or term, from receiving a Texas B-On-time loan for the next semester or term in which the person enrolls. Authorizes a person to become eligible to receive a Texas B-On-time loan in a subsequent semester or term if the person meets certain criteria.

(c) Provides that a person who is eligible to receive a Texas B-On-time loan continues to remain eligible to receive the Texas B-On-time loan if the person enrolls in or transfers to another eligible institution.

(d) Provides that a person who qualifies for and subsequently receives a Texas B-On-time loan, who receives an undergraduate certificate or associate degree, and who, not later than the 12th month after the month the person receives the certificate or degree, enrolls in a program leading to a higher-level undergraduate degree continues to be eligible for a Texas B-On-time loan to the extent other eligibility requirements are met.

Sec. 56.457. WAIVER OF COURSE LOAD REQUIREMENT. (a) Requires THECB to adopt rules to allow a person who is otherwise eligible to receive a Texas B-On-time loan, in the event of a hardship or other good cause, to receive a Texas B-On-time loan while enrolled in a number of semester credit hours that is less than the number of semester credit hours required under Section 56.455 or 56.456, as applicable.

(b) Prohibits THECB from allowing a person to receive a Texas B-On-time loan while enrolled in fewer than six semester credit hours.

Sec. 56.458. LOAN USE. Authorizes a person receiving a Texas B-On-time loan to use the money to pay for any usual and customary costs of attendance at an eligible institution incurred by the student, including tuition, fees, books, and room and board.

Sec. 56.459. LOAN AMOUNT. (a) Provides that the amount of a Texas B-On-time loan for a semester or term for a student enrolled full-time at an eligible institution other than an institution covered by Subsection (b), (c), or (d) is an amount determined by THECB as the average statewide amount of tuition and required fees that a resident student enrolled full-time in an undergraduate degree program would be charged for that semester or term at general academic teaching institutions.

(b) Provides that the amount of a Texas B-On-time loan for a student enrolled full-time at a private or independent institution of higher education is an amount determined by THECB as the average statewide amount of tuition and required fees that a resident student enrolled full-time in an undergraduate degree program would be charged for that semester or term at general academic teaching institutions.

(c) Provides that the amount of a Texas B-On-time loan for a student enrolled full-time at a public technical institute is the amount determined by THECB as the average statewide amount of tuition and required fees that a resident student enrolled full-time in an associate degree or certificate program would be charged for that semester or term at public technical institutes.

(d) Provides that the amount of a Texas B-On-time loan for a student enrolled full-time at a public junior college is the amount determined by THECB as the average statewide amount of tuition and required fees that a student who is a resident of the junior college district and is enrolled full-time in an associate degree or certificate program would be charged for that semester or term at public junior colleges.

(e) Requires THECB, not later than January 31 of each year, to publish the amounts of each loan established by THECB for each type of institution for the academic year beginning the next fall semester.

(f) Requires THECB, if in any academic year the amount of money in the Texas B-On-time student loan account is insufficient to provide the loans to all eligible persons in amounts specified by this section, to determine the amount of available money and to allocate that amount to eligible institutions in proportion to the number of full-time equivalent undergraduate students enrolled at each institution. Requires each institution to use the money allocated to award Texas B-On-time loans to eligible students enrolled at the institution selected according to financial need.

Sec. 56.460. NOTIFICATION OF PROGRAM; RESPONSIBILITIES OF SCHOOL

DISTRICTS. (a) Requires THECB to distribute to each eligible institution and to each school district a copy of the rules adopted under this subchapter.

(b) Requires each school district to notify its middle school students, junior high school students, and high school students, those students' teachers and counselors, and those students' parents or guardians of the Texas B-On-time loan program and the eligibility requirements of the program.

Sec. 56.461. LOAN PAYMENT DEFERRED. Provides that the repayment of a Texas B-On-time loan received by a student under this subchapter is deferred as long as the student remains continuously enrolled in an undergraduate degree or certificate program at an eligible institution.

Sec. 56.462. LOAN FORGIVENESS. Requires a student who receives a Texas B-On-time loan to be forgiven the amount of the student's loan if the student is awarded an undergraduate certificate or degree at an eligible institution with a cumulative grade point average of at least 3.0 on a four-point scale or the equivalent within a certain amount of time based on the type of institution attended and the type of degree earned.

Sec. 56.463. TEXAS B-ON-TIME STUDENT LOAN ACCOUNT. (a) Provides that the Texas B-On-time student loan account is an account in the general revenue fund. Provides that the account consists of gifts and grants and legislative appropriations received under Section 56.464, tuition set aside under Section 56.465, and other money required by law to be deposited in the account.

(b) Provides that money in the Texas B-On-time student loan account may be used only as provided by this subchapter.

Sec. 56.464. FUNDING. (a) Authorizes THECB to solicit and accept gifts and grants from any public or private source for the purposes of this subchapter.

(b) Authorizes THECB to issue and sell general obligation bonds under Subchapter F, Chapter 52, for the purposes of this subchapter.

(c) Authorizes the legislature to appropriate money for the purposes of this subchapter.

Sec. 56.465. TUITION SET ASIDE FOR PROGRAM. (a) Provides that the governing board of each institution of higher education shall cause to be set aside five percent of the amount of the tuition charged to a student at the institution under Section 54.0513 that is in excess of the amount that would have been charged to the student under the section for the same semester or term in the 2002-2003 academic year.

(b) Provides that the amount of tuition set aside under Subsection (a) shall be deposited to the credit of the Texas B-On-time student loan account established under Section 56.463.

SECTION 2. Amends Section 52.82(d), Education Code, to prohibit the total amount of bonds issued by THECB in a state fiscal year from exceeding \$125, rather than \$100, million.

SECTION 3. Amends Section 52.89, Education Code, by amending Subsection (c) and adding Subsection (c-1), as follows:

(c) Requires THECB to deposit to the credit of the student loan auxiliary fund any proceeds from the sale of bonds, excluding proceeds from the sale of bonds issued by THECB under Section 56.464(b) to provide Texas B-On-time student loans.

(c-1) Authorizes proceeds from the sale of bonds issued by THECB under Section 56.464(b) to provide Texas B-On-time student loans, notwithstanding Subsection (c), to be deposited to the credit of the student loan auxiliary fund by resolution of THECB.

SECTION 4. Amends Subchapter F, Chapter 52, Education Code, by amending Section 52.90 and adding Section 52.91, as follows:

Sec. 52.90. (a) Authorizes THECB to make a loan from the student loan auxiliary fund to a student who qualifies for a Texas B-On-time student loan under Subchapter Q, Chapter 56.

(b) Makes a conforming change.

(c) Makes a nonsubstantive change.

Sec. 52.91. BONDS FOR TEXAS B-ON-TIME STUDENT LOAN PROGRAM. (a) Requires THECB to deposit to the credit of the Texas B-On-time student loan account established under Section 56.463 any proceeds from the sale of bonds issued by THECB to fund Texas B-On-time student loans under Section 56.464(b), other than accrued interest on the bonds, which shall be deposited to the credit of the interest and sinking fund related to the bonds; and any proceeds from the sale of the bonds that THECB by resolution deposits to the student loan auxiliary fund under Section 52.89(c-1).

(b) Authorizes THECB by rule to establish as provided by Section 52.03 one or more interest and sinking funds to be used for any purpose relating to the Texas B-On-time student loan program established under Subchapter Q, Chapter 56.

(c) Requires THECB to repay bonds issued by THECB to fund the Texas B-On-time student loan program using legislative appropriations and money collected by THECB as repayment for Texas B-On-time student loans awarded by THECB. Prohibits THECB from using money collected by THECB as repayment for student loans awarded by THECB under Subchapter C to repay bonds issued by the board for the Texas B-On-time student loan program under Section 56.464(b).

SECTION 5. (a) Requires THECB and the eligible institutions to award loans under the Texas B-On-time loan program established under Subchapter Q, Chapter 56, Education Code, as added by this Act, beginning with the 2003 fall semester.

(b) Requires THECB to adopt the initial rules for awarding loans under the Texas B-On-time loan program established under Subchapter Q, Chapter 56, Education Code, as added by this Act, as soon as practicable after the effective date of this Act. Authorizes THECB to adopt those initial rules in the manner provided by law for emergency rules.

SECTION 6. Effective date: upon passage or September 1, 2003.

EFFECTIVE DATE

This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2003.