

AN ACT

relating to the establishment of the Texas Competency-Based Education Grant Program for certain students enrolled in competency-based baccalaureate degree programs and to formula funding and dropped and repeated course restrictions for students enrolled in those degree programs at public institutions of higher education.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 56, Education Code, is amended by adding Subchapter T to read as follows:

SUBCHAPTER T. TEXAS COMPETENCY-BASED EDUCATION GRANT PROGRAM

Sec. 56.521. DEFINITIONS. In this subchapter:

(1) "Competency-based baccalaureate degree program" means a baccalaureate degree program under which academic credit is awarded based solely on a student's attainment of competencies. The term may include a program that is organized around traditional course-based units, including for online or other distance education, that a student must earn for degree completion.

(2) "Coordinating board" means the Texas Higher Education Coordinating Board.

(3) "Eligible institution" means:

- (A) a general academic teaching institution;
- (B) a private or independent institution of higher education;

1           (C) a public junior college authorized to offer  
2 baccalaureate degree programs under Subchapter L, Chapter 130; or

3           (D) a nonprofit, tax-exempt, regionally  
4 accredited college or university operating in accordance with a  
5 memorandum of understanding with this state under an executive  
6 order issued by the governor and offering competency-based,  
7 exclusively online baccalaureate degree programs.

8           (4) "Expected family contribution" means the amount of  
9 discretionary income that should be available to a student from the  
10 resources of the student and of the student's family, as determined  
11 by the coordinating board following the methodology prescribed by  
12 the United States Department of Education for the purpose of  
13 determining a student's eligibility for need-based student  
14 financial assistance.

15           (5) "General academic teaching institution," "private  
16 or independent institution of higher education," and "public junior  
17 college" have the meanings assigned by Section 61.003.

18           (6) "Program" means the Texas Competency-Based  
19 Education Grant Program established under this subchapter.

20           Sec. 56.522. PURPOSE. The purpose of the Texas  
21 Competency-Based Education Grant Program is to provide financial  
22 assistance to enable eligible students to enroll in  
23 competency-based baccalaureate degree programs at eligible  
24 institutions.

25           Sec. 56.523. ADMINISTRATION OF PROGRAM; PRIORITY FOR  
26 FINANCIAL NEED. (a) The coordinating board shall:

27           (1) administer the program;

1           (2) using the negotiated rulemaking procedures under  
2 Chapter 2008, Government Code, adopt rules for determining the  
3 allocation of funds under the program among eligible institutions;  
4 and

5           (3) adopt any other rules necessary to implement the  
6 program or this subchapter.

7           (b) The coordinating board shall consult with the student  
8 financial aid officers of eligible institutions in developing the  
9 rules adopted under Subsection (a).

10          (c) The total amount of grants awarded under the program may  
11 not exceed the amount available for the program from  
12 appropriations, gifts, grants, or other funds.

13          (d) In determining who should receive a grant under the  
14 program, the coordinating board and the eligible institutions shall  
15 give highest priority to awarding grants to students who  
16 demonstrate the greatest unmet financial need.

17          Sec. 56.524. INITIAL ELIGIBILITY FOR GRANT. (a) To be  
18 eligible initially for a grant under the program, a person must:

19           (1) be a resident of this state as determined by  
20 coordinating board rules;

21           (2) meet financial need requirements as defined by  
22 coordinating board rules, including a requirement that the person's  
23 expected family contribution for the academic year does not exceed  
24 the maximum expected family contribution established for this  
25 purpose by the coordinating board;

26           (3) be enrolled in a competency-based baccalaureate  
27 degree program at an eligible institution;

1           (4) not be receiving a TEXAS grant under Subchapter M,  
2 a tuition equalization grant under Subchapter F, Chapter 61, or any  
3 other state-funded student financial assistance for the same  
4 academic period; and

5           (5) comply with any additional nonacademic  
6 requirement adopted by the coordinating board under this  
7 subchapter.

8           (b) A person is not eligible to receive a grant under the  
9 program if the person has been granted a baccalaureate degree.

10           (c) A person's eligibility for a grant under the program  
11 ends on the earliest of the following dates:

12           (1) the fourth anniversary of the initial award of a  
13 grant under the program to the person, if at the time of the initial  
14 award the person had earned less than 60 semester credit hours or an  
15 equivalent number of competency units or credits toward the  
16 person's degree;

17           (2) the second anniversary of the initial award of a  
18 grant under the program to the person, if at the time of the initial  
19 award the person had earned 60 or more semester credit hours or an  
20 equivalent number of competency units or credits toward the  
21 person's degree; or

22           (3) the date the person receives a baccalaureate  
23 degree.

24           Sec. 56.525. CONTINUING ELIGIBILITY AND ACADEMIC  
25 PERFORMANCE REQUIREMENTS. (a) After initially qualifying for a  
26 grant under the program, a person may continue to receive a grant  
27 under the program during each semester or term in which the person

1 is enrolled at an eligible institution only if the person:

2 (1) meets the criteria for initial eligibility under  
3 Section 56.524(a);

4 (2) makes satisfactory academic progress toward a  
5 baccalaureate degree; and

6 (3) complies with any additional nonacademic  
7 requirement adopted by the coordinating board.

8 (b) If a person fails to meet any of the requirements of  
9 Subsection (a) after the completion of any semester or term, the  
10 person may not receive a grant under the program during the next  
11 semester or term in which the person enrolls. Unless the person's  
12 eligibility for a grant expires under Section 56.524(c), a person  
13 may become eligible to receive a grant under the program in a  
14 subsequent semester or term if the person:

15 (1) completes at least 12 semester credit hours or an  
16 equivalent number of competency units or credits in a semester or  
17 term during which the student is not eligible for a grant; and

18 (2) meets all the requirements of Subsection (a).

19 (c) For the purpose of this section, a person makes  
20 satisfactory academic progress toward a baccalaureate degree only  
21 if the person completes at least 12 semester credit hours or an  
22 equivalent number of competency units or credits in each semester  
23 or term in which the person is enrolled.

24 (d) The coordinating board shall adopt rules to allow a  
25 person who is otherwise eligible to receive a grant under the  
26 program to receive a grant if the student's completion rate falls  
27 below the satisfactory academic progress requirements of this

1 section in the event of a hardship or for other good cause shown,  
2 including:

3 (1) a showing of a severe illness or other  
4 debilitating condition that may affect the person's academic  
5 performance; or

6 (2) a showing that the person is responsible for the  
7 care of a sick, injured, or needy person and that the person's  
8 provision of care may affect the person's academic performance.

9 Sec. 56.526. GRANT USE. A grant awarded under the program  
10 may be applied only to the payment of tuition and required fees at  
11 an eligible institution.

12 Sec. 56.527. GRANT AMOUNT. (a) The amount of a grant  
13 awarded under the program to a full-time undergraduate student  
14 equivalent enrolled at an eligible institution for an academic year  
15 may not exceed the lesser of:

16 (1) the difference between the amount of tuition and  
17 required fees charged to the student by the institution for that  
18 academic year and the amount of any other gift aid, including state  
19 or federal grants or scholarships, awarded to the student for that  
20 academic year; or

21 (2) \$500.

22 (b) The coordinating board may adopt rules that allow the  
23 coordinating board to increase or decrease, in proportion to the  
24 number of semester credit hours or competency units or credits in  
25 which a student is enrolled, the amount of a grant award to a  
26 student who is enrolled in a number of semester credit hours or  
27 competency units or credits in excess of or below 12 semester credit

1 hours or an equivalent number of competency units or credits.

2 Sec. 56.528. GRANT NOT TO AFFECT ADMISSION. An eligible  
3 institution may not deny admission to or enrollment in the  
4 institution based on a person's eligibility to receive a grant  
5 under the program or a person's receipt of a grant under the  
6 program.

7 SECTION 2. Section 51.907, Education Code, is amended by  
8 adding Subsection (b-1) to read as follows:

9 (b-1) This section does not apply to a student enrolled in a  
10 competency-based baccalaureate degree program, as defined by  
11 Section 56.521.

12 SECTION 3. Section 61.059, Education Code, is amended by  
13 adding Subsection (s) to read as follows:

14 (s) Notwithstanding any other law, the board may not exclude  
15 from being counted in the hours reported to the Legislative Budget  
16 Board for formula funding contact hours or semester credit hours  
17 for a student's enrollment in a course for which the student has  
18 previously generated formula funding if the student is enrolled in  
19 a competency-based baccalaureate degree program, as defined by  
20 Section 56.521.

21 SECTION 4. Section 61.0595, Education Code, is amended by  
22 adding Subsection (f-1) to read as follows:

23 (f-1) In the formulas established under Section 61.059, the  
24 board shall include without consideration of Subsection (a) or (e)  
25 of this section funding for semester credit hours earned by a  
26 student who is enrolled in a competency-based baccalaureate degree  
27 program, as defined by Section 56.521.

1 SECTION 5. Subchapter C, Chapter 61, Education Code, is  
2 amended by adding Section 61.088 to read as follows:

3 Sec. 61.088. DROPPED OR REPEATED COURSES UNDER  
4 COMPETENCY-BASED BACCALAUREATE DEGREE PROGRAM. The board by rule  
5 shall develop standards for and limitations on dropping or  
6 repeating courses by students enrolled in a competency-based  
7 baccalaureate degree program, as defined by Section 56.521.

8 SECTION 6. Section 51.907(b-1), Education Code, as added by  
9 this Act, applies beginning with the fall 2023 semester.

10 SECTION 7. (a) The Texas Higher Education Coordinating  
11 Board shall adopt rules to administer Subchapter T, Chapter 56,  
12 Education Code, as added by this Act, as soon as practicable after  
13 the effective date of this Act.

14 (b) The Texas Higher Education Coordinating Board shall  
15 begin allocating funds to eligible institutions under Subchapter T,  
16 Chapter 56, Education Code, as added by this Act, for the first  
17 academic year for which money is appropriated for that purpose,  
18 except that the coordinating board may not allocate funds under  
19 that subchapter for an academic year before the 2024-2025 academic  
20 year.

21 SECTION 8. The changes in law made by this Act to Sections  
22 61.059 and 61.0595, Education Code, apply beginning with funding  
23 recommendations made under Section 61.059, Education Code, for the  
24 state fiscal biennium beginning September 1, 2025.

25 SECTION 9. The Texas Higher Education Coordinating Board  
26 shall adopt rules under Section 61.088, Education Code, as added by  
27 this Act, as soon as practicable after this Act takes effect.



1           SECTION 10. This Act takes effect immediately if it  
2 receives a vote of two-thirds of all the members elected to each  
3 house, as provided by Section 39, Article III, Texas Constitution.  
4 If this Act does not receive the vote necessary for immediate  
5 effect, this Act takes effect September 1, 2023.

---

President of the Senate

---

Speaker of the House

I certify that H.B. No. 4005 was passed by the House on April 25, 2023, by the following vote: Yeas 116, Nays 31, 1 present, not voting.

---

Chief Clerk of the House

I certify that H.B. No. 4005 was passed by the Senate on May 16, 2023, by the following vote: Yeas 26, Nays 5.

---

Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

---

Governor