

BILL ANALYSIS

Senate Research Center
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S.B. 2995
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Education K-16
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Financial aid displacement occurs when a student receives combined state-based financial aid (e.g., TEXAS Grant) and private gift aid in amounts that exceed their demonstrated financial need and, as a result, has their state-based financial aid reduced. This practice is authorized under Section 56.307, Education Code, in regards to TEXAS Grants, and is required under 19 TAC Rule Section 22.11(d).

Financial aid displacement is widespread and can have severe financial impacts on individual students; across the seven higher education systems in Texas this practice affected over 1,800 students who had their TEXAS Grants reduced, on average, by \$2,277. Institutions currently provide students notice of this practice, but this information is often nested in "terms & conditions" forms or "financial responsibility" statements on the institution's website that are inaccessible to students, especially those that are first-generation. Additionally, each institution provides this information to students at different points during the financial aid process and provides vastly different information.

Texas students deserve timely, uniform, and comprehensive information regarding financial aid displacement. Legislation increasing transparency for students is required to ensure young Texans can navigate the financial aid process with the security of mind knowing all of the facts are right in front of them.

The committee substitute for S.B. 2995 will require the Texas Higher Education Coordinating Board (THECB) to promulgate a uniform financial aid displacement notice that will include a prescribed message that informs students of this practice and advises them to reach out to institutions to seek more information. It will also include a list of the most common causes of financial aid displacement.

Institutions will be required to include on their applications the financial aid displacement notice promulgated by THECB and additional information relating to: financial aid processes at the institution, timelines for the financial aid process, and recommended best practices for students to maximize their financial aid while ensuring they are prepared for financial aid displacement.

As proposed, S.B. 2995 amends current law relating to the displacement of student financial aid at a public institution of higher education.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Higher Education Coordinating Board in SECTION 1 (Section 56.0094, Education Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter A, Chapter 56, Education Code, by adding Section 56.0094, as follows:

Sec. 56.0094. FINANCIAL AID DISPLACEMENT. (a) Defines "coordinating board" and "gift aid."

(b) Requires the Texas Higher Education Coordinating Board (THECB) to develop a financial aid displacement advisory for use by institutions of higher education under this section that contains a statement bordered by a line one point in weight in a font not less than 14 points in size in a certain form and a list of the reasons for which the amount of gift aid a student is awarded might be revised or reduced under Chapter 56 (Student Financial Assistance). Sets forth the required language of the statement.

(c) Requires an institution of higher education to send the financial aid displacement advisory developed under Subsection (b) to a student not later than the seventh day after the date on which the student is admitted to the institution. Authorizes the advisory to be sent by text message, e-mail, or mail.

(d) Requires an institution of higher education, not earlier than the 30th day before or later than the 30th day after the institution revises or reduces the amount of gift aid a student will receive under this chapter for a school year, to send to the student a financial aid reduction notice identifying the gift aid that will be or has been revised or reduced, the amount by which the gift aid will be or has been revised or reduced, and the reason the gift aid will be or has been revised or reduced.

(e) Requires an institution of higher education to annually report to THECB in a manner provided by THECB rule a report on the revision or reduction of gift aid at the institution under this chapter during the preceding academic year. Requires that the report include certain information, disaggregated by race and sex.

(f) Requires THECB to annually submit to the legislature and post on THECB's Internet website a report on the revision or reduction of gift aid under this chapter during the preceding academic year. Requires that the report include certain information, disaggregated by race and sex.

(g) Requires THECB to adopt rules necessary to implement this section.

SECTION 2. Provides that Section 56.0094, Education Code, as added by this Act, applies beginning with the 2025–2026 academic year.

SECTION 3. Effective date: upon passage or September 1, 2025.