

SUBJECT: Denial or suspension of professional licenses for student loan defaulters

COMMITTEE: Higher Education — favorable, without amendment

VOTE: 7 ayes — Rangel, F. Brown, Farabee, J. Jones, Morrison, Uher, West

0 nays

2 absent — Goolsby, E. Reyna

WITNESSES: None

BACKGROUND: Education Code, sec. 57.491 sets forth the guidelines that allow for the nonrenewal of professional or occupational licenses for individuals who default on their Texas Guaranteed Student Loans.

DIGEST: HB 1755 would add Occupations Code, ch. 56 to allow punitive action by licensing authorities against certain individuals who defaulted on their student loans. The bill would apply to the Texas Board of Chiropractic Examiners, the State Board of Dental Examiners, the Texas State Board of Pediatric Medical Examiners, and the Texas State Board of Medical Examiners.

The bill would allow these licensing authorities to deny a person's application for a license or license renewal, suspend the person's license, or take other disciplinary action if they received information from a governmental entity that administered a student loan, student loan repayment, or scholarship program that such a person had defaulted on a student loan or breached a student loan repayment contract or scholarship contract. A determination by such an administering entity would create a rebuttable presumption that the person had committed the default or breach.

Any action taken by the licensing authority could be rescinded if the administering entity notified the licensing authority that the person against whom action had been taken had:

- ! entered into an agreement with the administering entity to repay the student loan;
- ! performed the service obligation;

- ! paid damages required by the student loan repayment contract or scholarship contract; or
- ! had taken other corrective action to cure the default or breach.

The action could be reinstated by the licensing authority if it received information that the person had defaulted on or breached the agreement entered into with the administering entity.

The 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, 2001.

SUPPORTERS
SAY:

HB 1755 would provide for actions against health professionals who defaulted on loans from the Texas Guaranteed Student Loan Corporation, the National Health Service Corps Scholarship (NHSC) and Loan Repayment programs, and the Health Education Assistance Loan Program (HEAL). In FY 2000, a total of 276 persons in the health profession field defaulted on their education loans or scholarship contracts, at an estimated cost to the state of \$18 million. Although such defaulters were excluded from participating in Medicare and Medicaid, no other sanctions were levied against them.

HB 1755 would help boost collection efforts and prevent defaults on these loans. Such defaults have resulted in significant expense to taxpayers as well as to the state and federal government. HB 1755 would be a significant deterrent to default since scholarship and loan recipients would be aware that their default could result in licensure suspension or denial. Health professionals also would be deterred by the negative publicity generated through such action.

By enacting HB 1755, Texas would bring penalties in line with a number of other states. New York, Maryland, Tennessee, and Washington already have laws in place that provide for disciplinary action against health care professionals who default on federal or state loans and service-conditional scholarship or loan repayment obligations.

Defaulters would not be practicing health professionals had these programs not been available to help finance their education. While it would not be possible to “repossess” the education these health professionals have

obtained, it would be possible to repossess the results of their education. HB 1755 would do so by allowing the state's licensing authorities to restrict these individuals' ability to practice in this state.

HB 1755 would provide health care professionals with adequate notice and an opportunity to cure their default. Although HB 1755 would allow licensing authorities to take action against individuals who are in default, the bill also would allow rescission of the action once corrective measures were taken by the defaulter. Also, a health care professional could rebut the findings of the administering entity. Finally, before taking action against licensees, the licensing authorities would continue their current practice of notifying individuals that they were in default and would provide them with an opportunity to cure the default.

OPPONENTS
SAY:

HB 1755 would not require the licensing authorities to provide adequate notice to health care professionals who were in default of their loans or who had breached their student loan repayment contracts or scholarship contracts. These individuals should be given more notice of their default, have an opportunity for a hearing regarding the default, and ample opportunity to cure the default before action would be taken by the licensing authority. Similar provisions currently are set forth in Education Code, secs. 57.491(h) and (i).