

**SUBJECT:** Allowing federal financial aid to supplement a TEXAS Grant

**COMMITTEE:** Higher Education — favorable, without amendment

**VOTE:** 8 ayes — Rangel, F. Brown, Farabee, Goolsby, J. Jones, Morrison, E. Reyna, West  
0 nays  
1 absent — Uher

**WITNESSES:** None

**BACKGROUND:** The 76th Legislature enacted HB 713 by Cuellar, establishing the Toward EXcellence, Access, and Success (TEXAS) Grant program. The grant amount is based on the average cost of tuition and fees at public universities, community colleges, and technical institutes, currently \$2,650. Education Code, sec. 56.307(j) prohibits the use of federal Pell Grants and student loans from being used to bridge the gap between the actual tuition and fees charged a student and the amount the student receives under a TEXAS Grant.

**DIGEST:** HB 3054 would authorize an institution of higher education to use other available sources of financial aid, including a loan or Pell Grant, to cover any difference in the amount of a TEXAS Grant and the actual amount of tuition and required fees at the institution.

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. It would apply to student financial aid beginning with the 2001-02 academic year.

**SUPPORTERS SAY:** HB 3054 would provide a much-needed change to the TEXAS Grant program by allowing universities and colleges to use federal financial aid programs, such as the Pell Grant and federal loans, to cover tuition and fee costs not covered by the TEXAS Grant. It would allow seamless integration of the TEXAS Grant into the student financial aid packaging process and

better use of other grant funds for needy students, and it would prevent delays due to time-consuming recalculations of a student's financial aid package.

The purpose of federal financial aid is to help needy students pay for their educational costs. Not allowing federal Pell Grants or loans to be used to bridge the gap between actual tuition and fee charges and the TEXAS Grant award forces an institution to use other grants that could be used for other students who are not eligible for TEXAS Grant awards but who still deserve financial aid consideration. A limited amount of other grant money is available, and every dollar used to bridge this gap means one less dollar available for those other students.

Federal financial-aid funds provide about 72 percent of all student aid in Texas each year. The maximum Pell Grant for the 2001-02 academic year is \$3,700. The TEXAS Grant program serves only a small percentage of needy students and is administered separately by the institution from other financial aid programs. It has grade-point-average and curriculum requirements. The income eligibility level is low and does not capture many students who still need financial assistance.

Under HB 3054, a student who received the TEXAS Grant award of \$2,650 also could receive a Pell Grant up to \$3,700, for a total of \$6,350 in financial aid. Under current law, Pell Grant money and federal loans cannot be used. Most students are awarded financial aid months in advance of being billed for tuition and fees. If there is a gap between actual tuition and the TEXAS Grant, other institutional monies have to be added, and the repackaging causes delays in the student's receipt of aid. If changes to the student's aid package are needed, funds have to be reduced to make room for the addition of other grant money. Any changes to a loan require the original loan to be canceled and redone, causing further delay in the financial aid package.

According to the House Higher Education Committee's interim report to the 77th Legislature, the cost of participating in higher education has risen steadily, outpacing inflation and many potential students' ability to pay. The nationwide average cost of obtaining a college degree rose by about 4

percent in the 1998-99 academic year, increasing at twice the rate of inflation.

Tuition and fees have increased dramatically at Texas' public higher education institutions. Students increasingly are absorbing the costs of their higher education while the state has decreased its share of the responsibility. The Higher Education Committee recommended expanding funding for TEXAS Grants to involve more students in higher education. Although HB 3054 would not increase funding for the TEXAS Grant program, it would allow maximizing of federal funds to supplement the program, thereby giving students the assistance they need to further their education.

OPPONENTS  
SAY:

No apparent opposition.

NOTES:

A similar bill, HB 1576 by Telford, relating to the amount of financial aid students could receive under the TEXAS Grant program and the Tuition Equalization Grant program, passed the House by 146-0-2 on March 29 and has been referred to the Senate Education Committee. HB 3050 by Rangel, which would establish the TEXAS Grant II program for community and technical college students, was reported favorably as substituted by the House Higher Education Committee on March 27.

The House-passed version of SB 1 by Ellis, the general appropriation bill for fiscal 2002-03, would increase funding for the TEXAS Grant program by \$50 million, to \$145.3 million. The Senate-passed version would increase funding by \$300 million, by expanding the program to include students with a household income of up to \$75,000.