

SUBJECT: Amending the Texas B-On-time student loan program

COMMITTEE: Higher Education — favorable, without amendment

VOTE: 7 ayes — Branch, Patrick, Alonzo, Clardy, Darby, Murphy, Raney
0 nays
2 absent — Howard, Martinez

SENATE VOTE: On final passage, April, 25 — 30-0, on Local and Uncontested Calendar

WITNESSES: For — Leslie Helcamp, Center for Public Policy Priorities; (*Registered, but did not testify*: Melody Chatelle, United Ways of Texas; George Torres)
Against — None
On — Dan Weaver, Texas Higher Education Coordinating Board

BACKGROUND: The B-On-time program provides zero-interest, forgivable loans to college students. A college student must be enrolled full time to be eligible, among other requirements. The loans are forgiven if a student maintains at least a B grade point average and graduates within a certain number of years. The program is funded with tuition set-asides from each student at every institution of higher education. More than 10,200 students received a B-On-time loan in fiscal 2011.

DIGEST: SB 27 would remove community colleges from the list of higher education institutions whose students were eligible for B-On-time loans. The bill would require B-On-time students to be enrolled in a baccalaureate degree program.

Under the bill, the value of a B-On-time student loan for a semester or term would be no more than the average statewide tuition and required fees that a resident student enrolled full time in a baccalaureate degree program would be charged for that semester or term at general academic teaching institutions.

SB 27 would change the funding allocation of B-On-time loans from a system based on the number of B-On-time students enrolled at an institution to a limit based on the amount of that institution's contribution to the B-On-time loan fund. Private or independent institutions would receive B-On-time allocations only from the general revenue appropriations made for that academic year. The Texas Higher Education Coordinating Board would make rules to administer these changes.

The bill would take effect September 1, 2013. The bill only would apply to B-On-times loans awarded for the 2014-15 academic year forward.

**SUPPORTERS
SAY:**

SB 27 would make modifications to the B-On-time loan program that would ensure its long-term viability and would promote greater participation in the program. The bill would encourage and incentivize institutions to utilize the B-On-time program by earmarking each institution's B-On-time tuition set aside for that institution's use.

SB 27 would remove community colleges from the program. The B-On-time program requires students to be full time and the largely non-traditional student population attending public two-year institutions often cannot meet this requirement.

The bill also would address the concern expressed by some institutions that they lose money on tuition set asides because their B-On-time students are too few to use up that institution's total set aside. Those funds are then used by B-On-time students at other institutions.

Many college students would benefit from financial counseling when taking out loans and preparing to pay them off. In recognition, the author plans to offer an amendment to require the coordinating board and eligible institutions to educate students on eligibility for, conditions for forgiveness of, and preventing loan-default on B-On-time loans. Those institutions with a B-On-time default rate greater than the statewide average and those institutions with a B-On-time forgiveness rate of less than 50 percent would be required to provide this training to all loan recipients.

**OPPONENTS
SAY:**

By removing community colleges from B-On-time eligibility, SB 27 would cause them to lose millions in potential grant funds for their students. The bill should include a mechanism to make them whole, such

as additional funding for Texas Equal Opportunity Grants, which are designed specifically for community college students.