

SUBJECT: Eliminating tuition set-asides for certain student loan repayment programs

COMMITTEE: Higher Education — favorable, without amendment

VOTE: 8 ayes — Zerwas, Howard, Alonzo, Crownover, Martinez, Morrison,
Raney, C. Turner

0 nays

1 absent — Clardy

WITNESSES: For — None

Against — None

On — Henry De La Garza, Office of the Attorney General; (*Registered, but did not testify*: Lesa Moller, Texas Higher Education Coordinating Board)

BACKGROUND: The Education Code authorizes tuition set-asides at medical schools (sec. 61.539) and public law schools (sec. 61.9731) to help fund, respectively, the physician education loan repayment program and a loan repayment program for attorneys at the Office of the Attorney General.

While both programs may be funded through means including tuition set-asides, gifts, and grants, the physician education loan repayment program also may be funded through legislative appropriations.

DIGEST: HB 2396 would eliminate tuition set-asides for both the physician education loan repayment program and the loan repayment program for attorneys at the Office of the Attorney General.

These changes would take effect for any tuition charged for the fall 2015 semester. Any tuition charged before that date would be subject to the tuition set-asides for the two programs.

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, 2015.

**SUPPORTERS
SAY:**

HB 2396 would increase transparency by helping keep tuition money at the institutions where students gain their education instead of redistributing it to graduates from other schools.

The bill would eliminate the collection of tuition set-asides for the physician education loan repayment program because the revenue collected is in excess of awards made, and the account has accumulated a large balance. The bill would not greatly impact this fund, which receives the bulk of its funding from other sources, such as a portion of a tobacco products tax.

The funding process to use set-asides for the Office of the Attorney General (OAG) lawyers loan repayment program lacks transparency and should be eliminated. While the Office of the Attorney General relies on this program to recruit and retain attorneys, other measures such as salary increases or other incentives could be more effective.

**OPPONENTS
SAY:**

HB 2396 would limit the funding options for two programs that have served the state well. The Legislature should be looking for ways to expand the physician education loan repayment program rather than to eliminate a source of its funding. The state has an ongoing need to attract medical school students to serve in parts of the state experiencing a shortage of medical care providers, and the program helps address those needs.

Because the OAG lawyers loan repayment program cannot be funded with legislative appropriations, eliminating tuition set-asides essentially would dismantle the program. The Office of the Attorney General uses this program to recruit and retain skilled attorneys who otherwise could make large salaries at law firms. Eliminating set-asides could make it difficult to compete for top talent.

While the House budget proposal does not contain funds for the OAG loan repayment program, the Senate version would authorize an appropriation of about \$372,000 for loan repayment assistance during fiscal 2016-17.

**OTHER
OPPONENTS
SAY:**

The Legislature should either make an allocation authorizing the coordinating board to make full use of the tuition set-asides that are collected for the OAG loan repayment program, or the Legislature should eliminate the tuition set-asides but allow the program to be funded through legislative appropriations.

NOTES:

According to the Legislative Budget Board, the bill would have a negative fiscal impact of \$881,000 in general revenue in fiscal 2016-17.