

BILL ANALYSIS

Senate Research Center
83R4320 KSD-F

S.B. 680
By: West
Higher Education
3/14/2013
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The cost of higher education continues to rise, and students are leaving school with alarming amounts of student debt. Often, these debts become so overwhelming that students default on their student loans, which ruins their credit and, too often, sends them into bankruptcy.

Texas needs to encourage higher education students to be informed consumers. S.B. 680 requires the Texas Higher Education Coordinating Board (THECB) to select institutions with high, or higher trending, default rates to participate in a pilot program designed to target students who are more likely to default on their loans to provide those students with individualized attention at the beginning of their college career so as to help them make sound financial decisions when assembling loan packages to pay for higher education.

The bill allows THECB to contract with companies, such as the Texas Guaranteed Student Loan Corporation, to administer this pilot program. Institutional participants will include one general academic institution, one community college, one private or independent institution, and one career school or college.

It is a goal of this legislation that best practices learned from this pilot program can be applied statewide when the pilot expires in 2020.

As proposed, S.B. 680 amends current law relating to a pilot program to improve student loan default rates and financial aid literacy among postsecondary students.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Higher Education Coordinating Board in SECTION 1 (Section 61.0763, Education Code) and SECTION 2 of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter C, Chapter 61, Education Code, by adding Section 61.0763, as follows:

Sec. 61.0763. STUDENT LOAN DEFAULT PREVENTION AND FINANCIAL AID LITERACY PILOT PROGRAM. (a) Defines "career school or college" in this section.

(b) Requires the Texas Higher Education Coordinating Board (THECB), not later than January 1, 2014, to establish and administer a pilot program at selected postsecondary educational institutions to ensure that students of those institutions are informed consumers with regard to all aspects of student financial aid, including the consequences of borrowing to finance a student's postsecondary education; the financial consequences of a student's academic and career choices; and strategies for avoiding student loan delinquency and default.

(c) Requires THECB to select at least one institution from each of the following categories of postsecondary educational institutions to participate in the program:

(1) institutions of higher education;

(2) private or independent institutions of higher education; and

(3) career schools or colleges.

(d) Requires THECB, in selecting postsecondary educational institutions to participate in the pilot program, to give priority to institutions that have a student loan default rate of more than 20 percent or a negative trend in the institution's three-year student loan default rate as compared to the institution's cohort default rates reported by the United States Department of Education.

(e) Requires THECB to adopt rules for the administration of the pilot program, including rules governing the selection of postsecondary educational institutions to participate in the pilot program consistent with the requirements of Subsection (d).

(f) Authorizes THECB to contract with one or more entities to administer the pilot program according to criteria established by THECB rule.

(g) Requires THECB, not later than January 1 of each year, beginning in 2016, to submit a report to the governor, the lieutenant governor, and the speaker of the house of representatives regarding the outcomes of the pilot program, as reflected in the federal student loan default rates reported for the participating institutions.

(h) Provides that this section expires December 31, 2020.

SECTION 2. Requires THECB to adopt rules for the administration of Section 61.0763, Education Code, as added by this Act, as soon as practicable after this Act takes effect. Provides that, for that purpose, THECB is authorized to adopt the initial rules in the manner provided by law for emergency rules.

SECTION 3. Effective date: upon passage or September 1, 2013.