

## **BILL ANALYSIS**

Senate Research Center  
87R7530 KJE-D

S.B. 1237  
By: Zaffirini  
Higher Education  
4/19/2021  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Texas currently has two major state-managed financial aid programs for students attending public institutions of higher education: the Toward Excellence and Success (TEXAS) Grant and Texas Educational Opportunity Grant (TEOG). Eligibility for these grants is limited to students enrolled in baccalaureate programs at four-year institutions and associate degree or certification programs at two-year institutions, respectively.

Consolidation of financial assistance programs has resulted in a "one size fits all" approach to state financial aid. This stands in contrast, however, with the growing diversity of college and university student populations. The risks of consolidation, then, are clear: Without flexibility, the efficacy of these programs will continue to diminish, and Texas' ability to graduate a large percentage of its population without student loan debt will be hamstrung. Wholesale changes may be required in the long-term to modernize these programs, but it also would be imprudent to act without data and demonstrated success.

S.B. 1237 would direct the Texas Higher Education Coordinating Board (THECB) to award grants for alternative financial aid plans to eligible institutions via a competitive grant application process. THECB would be authorized to use a portion, not to exceed three percent, of funds appropriated for TEXAS Grants and TEOG for this purpose. Grants, which THECB will ensure are awarded in a manner that reflects the state's geographic and demographic diversity, cannot be used for any function other than financial aid, and the population served still must be low-income students. What's more, S.B. 1237 would require THECB to report the effectiveness of alternative financial aid grants made via this program to the Legislature.

This program would not only provide institutions immediate flexibility in serving specific needs they have identified on their respective campuses, but also provide policymakers with data regarding the potential impact of future financial aid reforms.

As proposed, S.B. 1237 amends current law relating to authorizing the Texas Higher Education Coordinating Board to award grants to public institutions of higher education for alternative student financial assistance plans.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Texas Higher Education Coordinating Board in SECTION 1 (Section 61.07763, Education Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter C, Chapter 61, Education Code, by adding Section 61.07763, as follows:

Sec. 61.07763. GRANTS FOR ALTERNATIVE FINANCIAL AID PLANS. (a) Requires the Texas Higher Education Coordinating Board (THECB), using funds described by Subsection (d), to award grants to eligible institutions of higher education for the provision of student financial assistance in accordance with this section.

(b) Requires THECB to develop a competitive application process to award grants to eligible institutions of higher education under this section. Requires THECB, in awarding grants, to consider the potential of proposals to use financial aid funds to effectively achieve desired purposes and outcomes identified by THECB or targeted by a proposal. Requires THECB to make a reasonable effort to ensure that the selected institutions are geographically diverse and serve students that represent the demographic diversity of this state.

(c) Requires an institution of higher education, to be eligible to receive a grant under this section, to adopt a plan to provide financial assistance to students enrolled at the institution using the grant funds. Requires that the plan provide that only students who meet the financial need requirements as defined by THECB are eligible to receive financial assistance, and require a student receiving financial assistance to use the funds only for costs associated with attending the institution, as identified by the institution.

(d) Authorizes THECB to use a portion, not to exceed three percent, of the funds appropriated for the TEXAS grant program under Subchapter M (Toward Excellence, Access, & Success (TEXAS) Grant Program), Chapter 56 (Student Financial Assistance), and a portion, not to exceed three percent, of the funds appropriated for the Texas Educational Opportunity Grant Program under Subchapter P (Texas Educational Opportunity Grant Program), Chapter 56, for purposes of this section.

(e) Requires THECB to include in its annual report to the legislature on financial aid in this state a report on the effectiveness of the student financial assistance plans funded by grants awarded under this section and any recommendations for legislative or other action.

(f) Authorizes THECB to adopt rules as necessary to implement this section.

SECTION 2. Requires THECB to award grants under Section 61.07763, Education Code, as added by this Act, beginning with the 2023-2024 academic year.

SECTION 3. Requires THECB to include THECB's initial report required under Section 61.07763(e), Education Code, as added by this Act, in THECB's annual report to the legislature on financial aid in this state awarded during the 2023-2024 academic year.

SECTION 4. Effective date: September 1, 2021.