



TEXAS ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

April 19, 2017

XXX XXXXX  
Chief of Staff  
Representative XXXXX  
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Dear XX XXXXX,

The Texas Association of Student Financial Aid Administrators recently corresponded with you regarding 85(R) H.B. 653 that was proposed by the Texas Higher Education Coordinating Board (THECB). This communication is to provide more detail on why the association remains concerned about the potential ramifications of this bill on behalf of our community college members.

**Proposed Changes**

Our primary concern with this bill is in Sections 4 and 5 which read:

*SECTION 4. Section 56.406, Education Code, is amended to read as follows:*

*Sec. 56.406. GRANT USE. A person receiving a grant under this subchapter may use the money only to pay the amount of tuition and required fees and the cost of required textbooks at an eligible institution incurred by the student. The institution may disburse all or part of the proceeds of a grant under this subchapter to an eligible person only if the tuition and required fees incurred by the person at the institution have been paid.*

*SECTION 5. Sections 56.407(a), (c), and (g), Education Code, are amended to read as follows:*

*(a) The amount of a grant awarded to a student under this subchapter for a semester or other academic term is an amount not to exceed the lesser of:*

*1. The difference between:*

*A. The amount of tuition and required fees incurred by the student at an eligible institution for that semester or term plus a textbook stipend in an amount determined by the coordinating board; and*

*B. The amount of the Pell Grant for which the student is eligible, if any; or*

*2. The student's unmet financial need for that semester or term*

*(b) Except as provided by Subsection (a) (1), the amount of a grant under this subchapter may not be reduced by any gift aid for which the person receiving the grant is eligible, unless the total amount of a person's grant plus any gift aid received exceeds the student's financial need*

*(c) No text.*

*(d) No text.*

*(e) No text.*

*(f) No text.*

*(g) An institution may use other available sources of financial aid, other than a loan or work-study program to cover any difference in the amount of a grant under this subchapter and the actual amount of tuition and required fees at the institution.*



**Impact on Students**

SECTION 4 changes the amount of funds a student can receive per term under the TEOG program by limiting it to paying only for tuition, required fees and required textbooks. SECTION 5 provides the formula for calculating a TEOG award. See examples below of how this would affect a student’s funds available for attending:

**Current TEOG versus Proposed TEOG Calculations**

Student’s EFC	Tuition – Fees – Book (\$500 est) – 1 Term	Full-time Pell Grant Award (1 term)	Current TEOG Award - \$2832 Maximum/year	Current Net to Student	Proposed TEOG Award	Proposed Net to Student
0	\$1750	\$2908	\$1416	\$2574	\$0	\$1158
1000	\$1750	\$2433	\$1416	\$2099	\$0	\$683
2000	\$1750	\$1933	\$1416	\$1599	\$0	\$183
2500	\$1750	\$1683	\$1416	\$1349	\$67	\$0
<b>LESSER OF</b>	T/F/B Minus	Pell Award	Equals	TEOG Award		

As you can see, there is a drastic change in the funds available for paying for college. You might look at the table above and think that the student who has all of their tuition, fees and books paid for is set to go but reality would present a very different story. According to the (Center for Public Policy Priorities, 2013), Texas ranks 38<sup>th</sup> in the U.S. and the three poorest metropolitan areas in the U.S. are in Texas with poverty rates from 31.1% in Laredo to 34.3% in McAllen-Edinburg-Mission, TX. Dallas County is ranked number four in the country for poverty, with 75% of the DCCCD students being eligible for Pell Grants. A majority of community colleges in Texas have student populations where 60 – 75% will have a zero expected family contribution and qualify for the maximum Pell Grant.

In SECTION 4 of H.B. 653, the THECB eliminated the ability of TEOG to pay “any usual and customary cost of attendance”. Cost of attendance (COA) components are determined by law (Higher Education Act, Sec. 472). The (U.S. Department of Education, 2007) website defines COA as the sum of the following:

- The tuition and fees normally assessed for a student carrying the same academic workload.
- An allowance for books supplies, transportation and miscellaneous personal expenses.
- An allowance for room and board.
- For study-abroad programs approved for credit by the student’s home institution, reasonable costs associated with such study.
- For a disabled student, an allowance for expenses related to the student’s disability.
- For students engaged in a work experience through a cooperative education program, an allowance for reasonable cost associated with such employment.
- For students receiving loans, the fees required to receive them (for example, the loan fee for a Direct Loan or the origination fee and insurance premium for a FFEL).



### **Impact on Students of Decreasing TEOG Awards**

1. Limiting TEOG awards to the lesser of tuition, fees and books minus Pell would reduce the total aid amount to the point of potentially forcing students to not attend college; and/or incur additional loan debt to cover educational expenses. TEOG awards currently assist these students in covering other costs such as child-care, residence hall charges, off-campus rent, food, etc.
2. A large percentage of students at two-year institutions are non-traditional and many are employed with competing financial priorities. The financial assistance they receive beyond their Pell Grant is often what allows them the resources to attend full-time, if at all.
3. Students would no longer have a stable TEOG award amount as part of their aid package as the TEOG would fluctuate according to hours enrolled and actual related charges. This will have a negative impact on the students' ability to plan for meeting college costs and could negatively influence retention rates.
4. The community college is the life-blood of the area they are located within. This can contribute to long-term economic issues for the areas we serve.
5. Student loans would be the next source of assistance these students seek to meet their educational goals.

On page 5 of the **60X30TX plan** the THECB states:

“Sadly, economic disadvantage is the best indicator in determining an individual’s likelihood of attaining education past high school. For the state to remain competitive in the future, its two- and four-year colleges will need to make substantial efforts to reach out to students from all backgrounds”.

At community colleges in Texas the TEOG is the largest state aid program designed to assist our students. H.B. 653 would limit our ability to help meet the 60X30TX plan.

### **Impact on the Aid Process**

1. The majority of community colleges are able to automate their financial aid awarding or packaging process by using the rules provided by the federal or state governments. This facilitates our ability to inform students timely so that they can make a true comparison of college costs. These “parameters” also allow awards to be adjusted up or down with changing enrollments.

For instance: An award that is static like a Pell Grant can be adjusted for enrollment status (full-time,  $\frac{3}{4}$  time, or  $\frac{1}{2}$  time) easily. That is how TEOG currently operates. The proposed TEOG rules would require colleges to reprogram (if they have the technology resources) to calculate the students actual tuition and fees plus add the THECB stipend amount for books, then compare them to a student’s Pell award to determine the amount of TEOG a student could receive. This amount would then have to be posted as a TEOG award in their Student Information System and “forced” to credit a student account. ***These changes will delay the financial aid process for students.*** When colleges are already instructed to get awards out to students as soon as possible, this bill will have the opposite impact as processes become manual as we try to maintain our compliance. Colleges also have federal requirements to provide a way for eligible students to obtain or purchase the



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books and supplies applicable to a payment period (34 CFR 668.164(m)) by the seventh day of the payment period (U.S. Department of Education, 2016). Delays will put our compliance at risk.

2. We also have packaging philosophies that allow us to tailor the available aid to meet the needs of our particular student populations. Our goal is to always use the available resources to benefit the greatest number of students. We would assume that this is consistent with that of the THECB. A college's philosophy would be designed with the demographics of their students in mind.

For instance: If the college was located in an area where students were from a very disadvantaged population, their philosophy might be to make awards from multiple funds to assist their students. This could be a combination of Pell Grant, TEOG, TPEG, work-study, or others depending on the student. Typically, there may only be two federal or state grant awards in this package. Some institutions may decide that they will only allow one federal or state award to each student to make their funds go further.

The point is that every college is different and we are already trying to stretch funds for their maximum benefit to our students. It may change the order and the amount of a TEOG award, but there will be little impact on the overall student population as colleges adjust their packaging philosophies to meet the needs of their students.

### **Another Option**

If the goal is to meet the educational needs of the highest number of needy students possible, rather than take a sledge hammer to crack a nut, it would be much easier to leave the process as it is but reduce the amount of the awards across the board. This would not require systematic changes at the colleges, provide some level of consistency for our student populations, and extend the same amount of the state financial aid dollars to more needy students.

### **Summary**

In our view, this legislation would limit the neediest students from receiving funds to cover their "true" cost of attendance. The simple formula proposed by the THECB places all students into a similar category while aid administrators understand that each student's situation is unique to them. This bill will impact our ability to help students persist in attaining their educational goals. The TEOG program is trying to assist those students who are needy, but also achieving academically which is a worthy goal. To renew their award a student must be making satisfactory academic progress by achieving a 2.5 cumulative GPA. These students are being successful beyond the expectations of some, but not beyond the hopes and dreams of their parents and families. The changes in this bill could be devastating to some students and maybe not to others. We guarantee that each community college could provide examples of students who will not return, and this may not be the only reason, but it will have unintended consequences.

We respectfully ask that you consider our comments and reconsider your support for H.B. No 653.



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### **References**

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