

1 **Calendar Year 2024 Late Refund Penalty Rate**
2 **Career Schools and Colleges**
3 **Discussion Paper**

4 **Background**

5 Texas Education Code §132.061(b) requires a career school or college to pay student refunds
6 within a 60-day period. A career school or college that fails to do so must pay a penalty. Section
7 132.061 also requires that the Texas Workforce Commission annually establish this penalty at a
8 level sufficient to act as a deterrent to the retention of refunds. On September 1, 1990, the annual
9 rate of the penalty payment was set at the prime interest rate plus 10 percent. This rate, which
10 was approximately 20 percent at the time, had no discernible impact on the timely repayment of
11 student refunds. Therefore, the rate was increased to 250 percent, effective January 1, 1992. An
12 example of how the late refund penalty rate is calculated follows:

- 13 • $\$1,800 \text{ refund} \times 2.5 = \$4,500 \text{ annual rate}$
14 • $\$4,500 \text{ annual rate} \div 365 = \$12.33 \text{ daily rate (effective the first day after the 60-day}$
15 refund period)

16 Penalties paid are used to repay any:

- 17 • remaining amount of the student's loans;
18 • tuition and fees paid by the Board; and
19 • cash payments made by the student.

20 Any money remaining after the above-mentioned payments have been made is deposited into the
21 Tuition Trust Account for the benefit of all students.

22 The current penalty rate expires on December 31, 2023, and the newly established rate is
23 effective on January 1, 2024.

24 Section 132.061 imposes no additional costs on schools operating in accordance with the law.

25 **Issue: Impact of the Rate**

26 The 250 percent rate has proven effective in encouraging career schools and colleges to pay
27 student refunds in the required timely manner. The sum of late refunds has steadily decreased
28 from approximately \$400,000 in 1991 to a negligible amount in recent years.

29 **Decision Point**

30 Staff seeks direction on maintaining the penalty rate for late refunds to students at the current
31 annual rate of 250 percent for Calendar Year 2024. This will ensure that career schools and
32 colleges continue to pay student refunds within the 60-day time frame required by statute.