1	Calendar Year 2023 Late Refund Penalty Rate
2	for Career Schools and Colleges
3	Discussion Paper
4	
5	Background
6	Texas Education Code §132.061(e) requires a career school or college to pay student refunds
7	within a 60-day period; failure to do so requires the career school or college to pay a penalty.
8	Section 132.061 also requires that the Texas Workforce Commission annually establish this
9	penalty at a level sufficient to act as a deterrent to the retention of refunds. On September 1,
10	1990, the annual rate of the penalty payment was set at the prime interest rate plus 10 percent.
11	This rate, which was approximately 20 percent at the time, had no discernible impact on the
12	timely repayment of student refunds. Therefore, the rate was increased to 250 percent, effective
13	January 1, 1992. An example of how the late refund penalty rate is calculated follows:
14	• $$1,800$ refund x $2.5 = $4,500$ annual rate
15	• $$4,500$ annual rate $\div 365 = $12.33$ daily rate (effective the first day after the 60-day refund
16	period)
17	
18	Penalties paid are used to repay any:
19	• remaining amount of the students' loans;
20	• tuition and fees paid by the Board; and
21	• cash payments made by the student.
22	
23	Any money remaining after the above-mentioned payments have been made is deposited into the
24	Tuition Trust Account for the benefit of all students.
25	
26	The current penalty rate expires on December 31, 2022, and the newly established rate will be
27	effective January 1, 2023.
28	
29	Issue: Impact of the Rate
30	The 250 percent rate has proven effective in encouraging career schools and colleges to pay
31	student refunds in the required timely manner. The sum of late refunds has steadily decreased

- from approximately \$400,000 in 1991 to a negligible amount in recent years.

34 This provision imposes no additional costs on schools operating in accordance with the law.

## **Decision Point**

- 37 Staff seeks direction on maintaining the penalty rate for late refunds to students at the current
- annual rate of 250 percent for Calendar Year 2023. This will ensure that career schools and
- 39 colleges continue to pay student refunds within the 60-day time frame required by statute.