

BILL ANALYSIS

Senate Research Center

S.B. 1640
By: Williams
Finance
6/20/2007
Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, the Texas Higher Education Coordinating Board has authorization to issue \$400 million in general obligation bonds to finance educational loans through the Hinson-Hazlewood College Student Loan Program (program). The program provides low-interest loans to eligible students seeking undergraduate, graduate, or professional education through public and independent institutions of higher education in Texas. There is \$250 million in general obligation bonds remaining and that amount is projected to be exhausted by spring of 2009.

S.B. 1640 authorizes the issuance of up to \$500 million in general obligation bonds to finance education loans through the program and authorizes veterans to use their Hazlewood and veteran's federal education benefits concurrently. This bill also allows the Texas Higher Education Coordinating Board (THECB) to create new interest and sinking funds and establish new reserves, so as to free up more money to make student loans and authorizes THECB to transfer funds between the Texas Opportunity Plan fund and the student loan auxiliary fund.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to any state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 52.01, Education Code, as follows:

Sec. 52.01. ADMINISTRATION. Requires the Texas Higher Education Coordinating Board (THECB), or its successors, to administer the student loan program authorized by this chapter pursuant to Sections 50b-4, 50b-5, and 50b-6, Article III, Texas Constitution and any former provision of the Texas Constitution authorizing bonds to finance educational loans to students. Deletes existing text referring to Sections 50b, 50b-1, 50b-2, and 50b-3, Article III, Texas Constitution.

SECTION 2. Amends Section 52.501(4), Education Code, to redefine "bond."

SECTION 3. Amends Section 52.81(2), Education Code, to redefine "bond."

SECTION 4. Amends Section 52.82(a), Education Code, to authorize THECB to authorize by resolution the issuance of general obligation bonds in total aggregate amounts not to exceed \$500 million under Section 50b-6, Article III, Texas Constitution. Makes a conforming change.

SECTION 5. Amends Section 52.87, Education Code, to make conforming changes.

SECTION 6. (a) Amends Section 52.17, Education Code, by amending Subsections (a), (c), and (d), and adding Subsection (a-1), as follows:

(a) Requires a sufficient portion of certain funds received by THECB each fiscal year to be deposited in the state treasury in the Texas college interest and sinking fund or a THECB interest and sinking fund to pay the interest and principal coming due during the next fiscal year on all outstanding bonds issued under this chapter that are secured by money in, as applicable, the Texas college interest and sinking fund or a THECB interest and sinking fund, and to establish and maintain

any reserves required by the THECB resolution authorizing the issuance of bonds. Deletes existing text relating to establishing and maintaining a certain reserve in the fund.

(a-1) Authorizes THECB, with respect to any bonds that remain outstanding under this chapter (Student Loan Program), to take certain actions, subject to the terms of the applicable THECB resolution authorizing the issuance of those bonds.

(c) Makes conforming and nonsubstantive changes.

(d) Authorizes the resolution authorizing the issuance of bonds to provide for the deposit of not more than 36 months', rather than 24 months', interest.

(b) Amends Section 52.19, Education Code, to make a nonsubstantive change.

(c) Amends Section 52.541(c), Education Code, to authorize THECB to transfer funds between the Texas Opportunity Plan Fund and the student auxiliary fund and among the separate accounts established under this section within those funds under certain circumstances.

(d) Amends Section 52.82(c), Education Code, to require THECB, if it has determined that the bonds will be sold by competitive bid, to prescribe the manner of giving notice of the sale.

(e) Repealer: Sections 52.14 (Sale of Bonds), 52.15 (Competitive Bids), and 52.32(d) (relating to the legislature's intent for the Texas Opportunity Plan Fund), Education Code.

SECTION 7. Amends Section 54.203, Education Code, by amending Subsection (e) and adding Subsection (e-1), as follows:

(e) Provides that the exemption from fees provided for in Subsection (a) (relating to exemptions from certain college fees for certain veterans and dependents of veterans) does not apply to a person who at the time of registration is entitled to receive education benefits under federal legislation if the value of those benefits received in a semester or other term is equal to or exceeds the value of the exemption for the same semester or other term. Entitles a person, if the value of federal benefits received in a semester or other term does not equal or exceed the value of the exemption for the same semester or other term, to receive both the federal benefit and the exemption in the same semester or other term. Prohibits the combined amount of the federal benefit plus the amount of the exemption in the same semester or other term from exceeding the cost of tuition and fees for that semester or other term. Makes conforming and nonsubstantive changes.

(e-1) Creates subsection from existing text. Prohibits a person from receiving an exemption under this section (Veterans, Dependents, Etc.), rather than providing that a person is not eligible the exemption, if the person is in default on a loan made or guaranteed for education purposes by the State of Texas.

SECTION 8. Makes application of Section 54.203(e), Education Code, as amended by this Act, and Section 54.203(e-1), Education Code, as added by this Act, prospective to the 2007 fall semester.

SECTION 9. Provides that Sections one through five of this Act takes effect on the date on which the constitutional amendment proposed by the 80th Legislature, Regular Session, 2007, providing for the issuance of \$500 million in general obligation bonds to finance educational loans to students and authorizing bond enhancement agreements with respect to general obligation bonds issued for that purpose takes effect. Provides that if that amendment is not approved by the voters, Sections 1 through 5 of this Act have no effect.