

SUBJECT: \$400 million of general revenue bonds to finance student loans

COMMITTEE: Financial Institutions — committee substitute recommended

VOTE: 6 ayes — Averitt, Solomons, Elkins, Grusendorf, Marchant, Juan Solis
0 nays
3 absent — Denny, Ehrhardt, Pitts

SENATE VOTE: On final passage, April 8 — 30-0

WITNESSES: *(On House companion bill, HB 3044:)*
For — None

Against — None

On — Don Brown, Texas Higher Education Coordinating Board; Sharon Cobb, Texas Higher Education Coordinating Board

BACKGROUND: Texas voters have approved a total of \$960 million in general obligation bonds since 1965 for the state's Hinson-Hazlewood College Student Loan Program. The latest vote, in 1995, authorized \$300 million in bonds. All but \$150 million of the bonds authorized have been sold. The Texas Higher Education Coordinating Board plans to sell the remaining \$150 million of authorized bonds by the year 2000.

Education Code sec. 52.82 (d) prohibits the coordinating board from issuing more than \$100 million in bonds a year. The bonds are subject to review and approval of the Bond Review Board.

Art. 3, sec. 49, of the Texas Constitution prohibits state debt, but voters have amended the article numerous times to authorize debt in the form of general obligation bonds. Repayment of debt from general obligation bonds is guaranteed by the state, and payments are made from the first money coming into the treasury each year.

Several student loan programs are administered through the Texas Opportunity Plan Fund by the coordinating board under the umbrella of the Hinson-Hazlewood College Student Loan Program. The Hinson-Hazlewood program is self-supporting, using money from student loan repayments, federal interest subsidies, lenders allowance and depositor interest to offset state borrowing costs.

The amendments for the Hinson-Hazlewood Program are found in Art. 3, sec. 50b, adopted in 1965, for \$85 million in general obligation bonds for loans to Texas residents who attend public or private institutions of higher education in Texas; \$200 million authorized in 1969, by sec. 50b-1; \$75 million in 1989, by sec. 50b-2; \$300 million in 1991, by sec. 50b-3; and \$300 million in 1995, by sec. 50b-4.

DIGEST: CSSB 184 would authorize the Texas Higher Education Coordinating Board to issue up to \$400 million in general obligation bonds to fund loans to Texas residents attending institutions of higher education in Texas, if SJR 16 is approved by state voters.

**SUPPORTERS/
OPPONENTS
SAY:** See analysis of SJR 16.

NOTES: The committee substitute made technical corrections to the version finally passed in the Senate.