

BILL ANALYSIS

Senate Research Center
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H.B. 2816
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Education
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Engrossed

DIGEST AND PURPOSE

Under current law, qualified scholarship funding corporations are authorized at the request of a city or cities to issue revenue bonds to acquire student loan notes guaranteed under the federal education loan program. In 1996, Congress amended law to authorize these non-profit corporations to change their tax status to that of a 501(c)(3) corporation, but retain the original tax exemptions on the bonds by transferring them to a taxable subsidiary. To enable a nonprofit corporation to transfer all of its bond obligations under the federal requirements of these amendments, current provisions regulating higher education authorities need to be amended. H.B. 2816 authorizes a governing body of a city or cities to create a nonprofit corporation as a higher education authority to issue revenue bonds and loan the proceeds to an entity that has assumed the obligations of the nonprofit corporation for the purpose of refunding the tax-exempt obligations.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 53.47, Education Code, by adding Subsection (h), to authorize the governing board of a city to authorize by ordinance or resolution the creation of a nonprofit corporation under this chapter to act on behalf of and as an instrumentality of the city solely to exercise the power specifically granted by this subsection. Authorizes a nonprofit corporation created under this subsection, on approval by the city, to issue revenue bonds for the sole purposes of paying the costs of issuing the bonds and loaning the proceeds of the bonds to an entity that has assumed the outstanding bond obligations of a nonprofit corporation for the limited purpose of refunding outstanding bonds originally issued as qualified scholarship funding bonds by a nonprofit corporation acting under Subsection (e) that subsequently made the election permitted by Section 150(d)(3), Internal Revenue Code of 1986, as amended, to cease status as a qualified scholarship funding corporation. Provides that refunding bonds issued under this section are solely the obligation of the issuing nonprofit corporation and are prohibited from constituting a debt or obligation of the city. Requires the governing body of the city to approve the articles of incorporation of the nonprofit corporation in the ordinance or resolution authorizing the creation of the nonprofit corporation and to approve any amendments to the articles of incorporation in the same manner. Authorizes the corporation to be incorporated in the manner provided by the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., V.T.C.S.). Requires the secretary of state to indicate on the certificate of incorporation that the nonprofit corporation is created under this chapter. Requires the board of directors of the nonprofit corporation to be selected or appointed in the manner specified by the articles of incorporation. Provides that the nonprofit corporation, in addition to the specific powers granted by this subsection, has all powers granted under the Texas Non-Profit Corporation Act that are necessary, incidental, or subordinate in carrying out the purposes of this subsection. Defines "qualified scholarship funding bond."

SECTION 2. Effective date: upon passage or September 1, 2001.