

## **BILL ANALYSIS**

Senate Research Center  
79R709 KSD-D

S.B. 420  
By: Carona  
Government Organization  
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As Filed

### **AUTHOR'S/SPONSOR'S STATEMENT OF INTENT**

The Texas Guaranteed Student Loan Corporation (corporation) was created by the legislature in 1979 to administer the Federal Family Education Loan Program (FFELP) in Texas. FFELP is a federally funded program that encourages private lenders to make loans to students and their parents to help pay for the cost of postsecondary education. The corporation does not make loans; instead, the corporation guarantees the repayment of loans to lenders. The corporation is subject to the Sunset Act and will be abolished on September 1, 2005, unless continued by the legislature. As a result of its review of the corporation, the Sunset Advisory Commission recommended continuation of the corporation and several statutory modifications.

S.B. 420 continues the corporation until September 1, 2017, and makes the recommended statutory modifications.

### **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 57.12(a), Education Code, to provide that the Texas Guaranteed Student Loan Corporation (corporation) is Subject to Chapter 325, Government Code (Texas Sunset Act), and unless continued in existence as provided by that chapter, the corporation is abolished and this chapter expires September 1, 2017, rather than 2005.

SECTION 2. Amends Sections 57.13(a), (b), and (c), Education Code, as follows:

- (a) Provides that the corporation is governed by a board of 11 directors, rather than nine appointed directors, in accordance with this subsection.
- (b) Requires the governor, with the advice and consent of the senate, to appoint 10, rather than nine, members to the board, including, five, rather than four, members who must have knowledge of or experience in finance, including management of funds or business operations and four, rather than three, members who must be members of the faculty or administration of an eligible postsecondary educational institution as defined by Section 57.46, Education Code. Makes nonsubstantive changes.
- (c) Makes a nonsubstantive change.

SECTION 3. Amends Sections 57.131(a), (b), (c), and (d), Education Code, as follows:

- (a) Defines "Texas trade association." Deletes existing text prohibiting certain persons from being a member of the board or a corporation employee.
- (b) Prohibits certain persons from being a member of the board or a corporation employee employed in a "bona fide executive, administrative, or professional capacity," as that phrase is used for purposes of establishing an exemption to the overtime provisions of the Federal Fair Labor Standards Act of 1938 (29 U.S.C. Section 201 et seq.). Deletes existing text prohibiting the spouses of certain persons from being a

member of the board or a corporation employee who is exempt from the corporation's position classification schedule.

(c) Prohibits certain persons from being, rather than serving as, a member of the board or acting as general counsel to the board or the corporation.

(d) Makes a nonsubstantive change.

SECTION 4. Amends Subchapter B, Chapter 57, Education Code, by adding Section 57.1311, as follows:

Sec. 57.1311. TRAINING PROGRAM. Prohibits a person who is appointed to and qualifies for office as a member of the board from voting, deliberating, or being counted as a member in attendance at a meeting of the board until the person completes a training program that complies with this section. Sets forth requirements for the training program.

SECTION 5. Amends Section 57.14, Education Code, as follows:

Sec. 57.14. DIRECTORS' TERMS OF OFFICE. Makes conforming and nonsubstantive changes.

SECTION 6. Amends Section 57.141, Education Code, as follows:

Sec. 57.141. REMOVAL OF A BOARD MEMBER. (a) Provides that it is a ground for removal of an appointed member from the board that the member does not have at the time of taking office, rather than appointment, certain qualifications, or is ineligible for membership under, rather than violates a prohibition established by, Section 57.131, Education Code. Makes conforming and nonsubstantive changes.

(b) Makes nonsubstantive changes.

(c) Requires the president, if the president has knowledge that a potential ground for removal exists, to notify the presiding officer, rather than chairman, of the board of the potential ground. Requires the presiding officer to then notify the governor and the attorney general that a potential ground for removal exists. Sets forth additional notification requirements for the president in the event that the potential ground for removal involves the presiding officer. Makes conforming changes.

SECTION 7. Amends Sections 57.19(f) and (i), Education Code, to require the board to develop and implement policies that clearly separate the policymaking responsibilities of the board and the management responsibilities of the president and the staff of the corporation, rather than to adopt policies that clearly define the respective responsibilities of the governing body of the corporation and the staff of the corporation. Makes nonsubstantive changes.

SECTION 8. Amends Sections 57.20(a), (b), and (c), Education Code, as follows:

(a) Requires the corporation to maintain a system to promptly and efficiently act on complaints filed with the corporation and to maintain certain information regarding such complaints. Deletes existing text requiring the board to prepare and make available certain information of public interest.

(b) Requires the corporation to make information available describing its procedures for complaint investigation and resolution. Deletes existing text requiring the board to establish methods by which consumers are notified of certain information for the purpose of directing complaints to the board or corporation.

(c) Requires the corporation to periodically notify the complaint parties of the status of the complaint until final disposition of such. Deletes existing text requiring the corporation to keep an information file about certain complaints.

SECTION 9. Amends Section 57.21, Education Code, by adding Subsections (c) and (d), as follows:

(c) Requires each state agency that conducts higher education and financial aid outreach activities to enter into a memorandum of understanding with the corporation. Sets forth specific requirements for said memorandum.

(d) Requires the corporation to report to the legislature not later than December 1 of each even-numbered year regarding the level of demand for student financial aid for post-secondary education in this state.

SECTION 10. Amends Subchapter B, Chapter 57, Education Code, by adding Section 57.2105, as follows:

Sec. 57.2105. TECHNOLOGY POLICY. Requires the board to implement a policy requiring the corporation to use appropriate technological solutions to improve the corporation's ability to perform its functions and requires said policy to ensure that the public is able to interact with the corporation on the Internet.

SECTION 11. Amends Sections 57.491(c), (e), and (h), Education Code, as follows:

(c) Requires each licensing agency, annually, to prepare a list of the agency's licensees and submit the list to the corporation in hard copy or electronic form. Requires the corporation, using the submitted lists, to provide a list, rather than written list, of the names of certain persons to the appropriate licensing agencies. Makes conforming changes.

(e) Deletes existing text providing an exception to allow a licensee whose name is on said list to renew if the renewal is the first following the agency's receipt of the list including the licensee's name among those in default and makes nonsubstantive changes.

(h) Deletes existing text requiring a licensing agency to provide written notice of the nonrenewal policies established under Subsection (f) and makes nonsubstantive changes.

SECTION 12. Amends Sections 57.761(a), (b), and (c), Education Code, as follows:

(a) Requires the internal auditor to serve at the will of the board, and the internal auditor's budget, audit plans, and staffing levels, rather than the appointment of an internal auditor, to be approved by the board. Makes a conforming change.

(b) Requires the internal auditor to report to the board or a board committee designated by the board, rather than the president. Authorizes the board to require that the internal auditor submit, rather than submit directly, to the board certain reports specified by the board.

(c) Requires the internal auditor to consult with the board or board committee on a regular basis at board or committee meetings, rather than requiring the board or a board committee, as designated by the board, to meet with the internal auditor. Requires the internal auditor, at the meetings, to provide certain information to the board or committee.

SECTION 13. Repealers: Section 57.131(e) (Restrictions on Board Appointment, Membership, and Employment), Section 57.20(d) (Public Interest Information and Complaints), and Section 57.491(f) (Loan Default Ground for Nonrenewal of Professional or Occupational License), Education Code.

SECTION 14. Requires the governor, as soon as possible on or after the effective date of this Act, to appoint one additional member to the board of directors of the Texas Guaranteed Student Loan Corporation for a term expiring January 31, 2011, to ensure that the composition of the board complies with Section 57.13(b), Education Code, as amended by this Act.

SECTION 15. Makes application of the changes in law made by this Act to Section 57.131, Education Code, prospective.

SECTION 16. Effective date: September 1, 2005.