

BILL ANALYSIS

Senate Research Center
80R6891 KEL-F

S.J.R. 57
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Finance
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

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

S.J.R. 57 proposes a constitutional amendment to increase THECB's bonding authority from \$400 to \$500 million in general obligation bonds to finance educational loans.

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 Article III, Texas Constitution, by adding Sections 50b-6 and 50b-6A, as follows:

Sec. 50b-6. (a) Authorizes the legislature by general law to authorize the Texas Higher Education Coordinating Board (THECB) or its successor or successors to issue and sell general obligation bonds of the State of Texas in an amount not to exceed \$500 million in order to finance educational loans to students in the manner provided by law. Provides that the bonds are in addition to the bonds issued under Sections 50b-4 and 50b-5 (Additional Student Loans), Article III, Texas Constitution, and under any other provision or former provision of this constitution authorizing similar bonds.

(b) Requires the bonds to be executed in the form, on the terms, and in the denominations, bear interest, and be issued in installments as prescribed by THECB or its successor or successors.

(c) Prohibits the maximum net effective interest rate to be borne by bonds issued under this section from exceeding the maximum rate provided by law.

(d) Authorizes the legislature to provide for the investment of bond proceeds and to establish and provide for the investment of an interest and sinking fund to pay the bonds. Requires income from the investment to be used for the purposes prescribed by the legislature.

(e) Provides that the first money coming into the treasury in each fiscal year that is not otherwise appropriated by this constitution is to be appropriated in an amount sufficient to pay the principal of and interest on any bonds issued under this section, under Sections 50b-4 and 50b-5 of this article, and under any other provision or former provision of this article authorizing similar bonds that mature or become due during the fiscal year, less any amount remaining in an interest and sinking fund established under said sections and provisions that is pledged to the payment of bonds or interest, notwithstanding any other provision of this article.

(f) Provides that bonds issued under this section are incontestable after approval by the attorney general, registration by the comptroller of public accounts, and delivery to the purchasers.

Sec. 50b-6A. Authorizes the legislature by general law to provide for THECB or its successor or successors to enter into bond enhancement agreements with appropriate entities with respect to any bonds issued under Section 50b-4, 50b-5, or 50b-6 of this article or under any other provision or former provision of this article authorizing similar bonds. Requires payments due from THECB under a bond enhancement agreement with respect to the principal of or interest on the bonds to be treated for purposes of this constitution as payment of said principal and interest. Authorizes the use of money appropriated for the purpose of paying the principal of and interest on the bonds as they mature or become due to make payments under a bond enhancement agreement authorized by this section with respect to the bonds.

SECTION 2. Requires this proposed constitutional amendment to be submitted to the voters at an election to be held November 6, 2007. Sets forth the required language for the ballot.