

BILL ANALYSIS

Senate Research Center

S.J.R. 50
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Higher Education
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Texas Higher Education Coordinating Board (THECB) administers the Hinson-Hazelwood College Student Loan Program (loan program), which was adopted in 1965 and uses general obligation bonds to finance low-interest loans to eligible students seeking an undergraduate, graduate, or professional education at public and private institutions of higher education in Texas. The loan program is intended for students with insufficient resources to finance a college education.

Currently, the Texas Constitution caps (in aggregate) the amount of general obligation bond authority available to THECB for the loan program. Every four to six years, THECB must seek a constitutional amendment to effectively reset the available bonding capacity to meet ongoing student loan demand. Additionally, current statute limits THECB's ability to issue authorized general obligation bonding of more than \$125 million each fiscal year. Together, these limitations create barriers for meeting the demand for low-interest loans to help students attend college.

Access to low-interest student loans is critical for students attending universities and colleges in Texas. For more than 45 years, THECB has used general obligation bonding authority approved by voters to offer very low-interest student loans to Texas students. The loan program has never required state general revenue funds for repayment of its bonds. The current rate offered by the loan program's college access loan program is six percent.

Authorizing THECB to a share of the private activity bond capacity will assure that the allocations made for the purpose of student loans continue to be utilized for the benefit of students; will effectively increase the annual student loan capacity from the current \$125 million to \$250 million, which is a 100 percent increase; and will allow long-term stability for the loan program.

As proposed, S.J.R. 50 proposes a constitutional amendment providing for the issuance of general obligation bonds to finance educational loans to students and for authority to enter into bond enhancement agreements with respect to general obligation bonds issued for that purpose.

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 Section 50b-7, as follows:

Sec. 50b-7. **ADDITIONAL STUDENT LOANS.** (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 for the purpose of financing educational loans to students in the manner provided by law in a principal amount of outstanding bonds that must at all times be equal to or less than the aggregate principal amount of state general obligation bonds previously authorized

for those purposes by any other provision or former provision of this constitution authorizing similar bonds.

(b) Requires that the bonds 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 that income from the investment be used for the purposes prescribed by the legislature.

(e) Provides that, while any of the bonds issued under this section or interest on the bonds is outstanding and unpaid, there is appropriated out of the first money coming into the treasury in each fiscal year, not otherwise appropriated by this constitution, the amount sufficient to pay the principal of and interest on the bonds that mature or become due during the fiscal year, less any amount remaining in an interest and sinking fund established under this section at the end of the preceding fiscal year that is pledged to the payment of the bonds or interest.

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

SECTION 2. Requires that the proposed constitutional amendment be submitted to the voters at an election to be held November 8, 2011. Sets forth the required language of the ballot.