

BILL ANALYSIS

Senate Research Center
84R10810 KEL-F

H.B. 3245
By: Crownover (Hancock)
Higher Education
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The North Texas Higher Education Authority (NTHEA) was founded in 1978 with the support and governmental sponsorship of both the cities of Arlington and Denton. In March 2010, the Affordable Care Act eliminated the role NTHEA played in ensuring access to federal education loans. Today, the federal government serves as the sole provider of federal student loans. Although NTHEA holds nearly \$1 billion in Federal Family Education Loan Program loans, it is no longer engaged in the acquisition of newly funded federal education loans. As such NTHEA, through the work of its nonprofit, sister organization, Higher Education Servicing Corporation (HESC), which services and administers its loan portfolios, is in the process of winding down its bond portfolios.

As part of this “wind down” effort, the NTHEA board, which is currently made up of seven members with three appointed by each city and the executive director of HESC, seeks to simplify its organizational structure by allowing NTHEA to be sponsored by only one governmental entity instead of two. Due to the fact that NTHEA and HESC are located in Arlington, it is natural that the board seeks to keep Arlington as its sole sponsoring entity.

H.B. 3245 will allow the NTHEA to withdraw from acting on behalf of the City of Denton upon its request.

H.B. 3245 amends current law relating to qualified nonprofit corporations acting for and on behalf of two or more cities.

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 Subchapter C, Chapter 53B, Education Code, by adding Section 53B.48, as follows:

Sec. 53B.48. QUALIFIED NONPROFIT CORPORATION ACTING FOR OR ON BEHALF OF TWO OR MORE CITIES. (a) Authorizes a qualified nonprofit corporation described by Section 53B.47(e) (authorizing the governing body of a city or cities to request a qualified nonprofit corporation to exercise the powers enumerated and provided in this section for and on its behalf) that has agreed to exercise the powers enumerated under Section 53B.47 (Guaranteed Student Loans and Alternative Education Loans; Bonds for the Purchase of Education Loan Notes) for and on behalf of two or more cities to withdraw from acting for and on behalf of any of those cities if the governing body of the applicable city consents to the withdrawal and rescinds its earlier request that the nonprofit corporation act for and on behalf of the city. Provides that a nonprofit corporation that completes a withdrawal described by this subsection continues to act under the authority of Section 53B.47(e) for and on behalf of the remaining city or cities.

(b) Provides that, following the qualified nonprofit corporation's withdrawal under this section from acting for and on behalf of a city:

(1) the applicable city is no longer:

(A) entitled to participate in the appointment or removal of a member of the board of directors of the nonprofit corporation under Section 53B.47(e); or

(B) authorized or required to participate in the approval of the issuance of revenue bonds or other borrowings by the nonprofit corporation under Section 53B.47(a) (authorizing an authority, upon approval, of the city or cities which created the same, issue revenue bonds or otherwise borrow money to obtain funds to purchase or to make guaranteed student loans or alternative education loans); and

(2) members of the board of directors of the nonprofit corporation who were appointed by that city are no longer considered to be qualified directors of the nonprofit corporation.

(c) Authorizes a qualified nonprofit corporation that withdraws from acting for and on behalf of a city to change the size of its board of directors to reflect the withdrawal, provided that its bylaws at all times require at least three directors. Provides that the governing body or bodies of the city or cities for and on behalf of which the nonprofit corporation continues to act retain the power to:

(1) appoint and remove the directors of the nonprofit corporation as provided by Section 53B.47(e); and

(2) approve the issuance of revenue bonds or other borrowings by the nonprofit corporation as provided by Section 53B.47(a).

SECTION 2. Effective date: upon passage or September 1, 2015.