

## **BILL ANALYSIS**

Senate Research Center  
82R20065 KSD-F

H.B. 2911  
By: Branch (Patrick)  
Higher Education  
5/16/2011  
Engrossed

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

Currently, higher education loan authorities in Texas finance guaranteed student loans through a combination of tax-exempt and taxable bonds. They receive authority provided through the state's private activity bonding allocation process. A recent change in federal law now makes the federal government the only issuer of guaranteed students loans. In response to this change in federal law, the higher education loan authorities seek to make alternative education loans using the existing private activity bonding allocation and to change the method of allocating private activity bond authority.

H.B. 2911 amends current law relating to guaranteed student loans and alternative education 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 the heading to Section 53B.47, Education Code, to read as follows:

Sec. 53B.47. GUARANTEED STUDENT LOANS AND ALTERNATIVE EDUCATION LOANS; BONDS FOR THE PURCHASE OF EDUCATION LOAN NOTES.

SECTION 2. Amends Sections 53B.47(a), (b), (c), (d), (f), and (h), Education Code, as follows:

(a) Authorizes an authority, upon approval of the city or cities which created the same, to issue revenue bonds or otherwise borrow money to obtain funds to purchase or to make guaranteed student loans or alternative education loans. Requires that such bonds be payable from and secured by a pledge of revenues derived from or by reason of the ownership of guaranteed student loans or alternative education loans and investment income after deduction of such expenses of operating the loan program as may be specified by the bond resolution or trust indenture.

(b) Authorizes an authority to cause money to be expended to make or purchase for its account guaranteed student loans that are guaranteed by the Texas Guaranteed Student Loan Corporation, other guaranteed student loans, or alternative education loans that are executed by or on behalf of students who meet certain criteria.

(c) Requires the authority to contract with a nonprofit corporation, organized under the laws of this state, whereby such corporation will provide the reports and other information required for continued participation in the federally guaranteed loan program provided by the Higher Education Act of 1965, as amended, or in an alternative education loan program.

(d) Requires that nothing in this section be construed as a prohibition against establishing policies to limit the purchase of guaranteed student loans or alternative education loans

executed by students attending school in a certain geographical area or by students who are residents of the area, rather than to limit the purchase of guaranteed student loans to guaranteed student loans executed by students attending school in a certain geographical area or by students who are residents of the area.

(f) Authorizes a nonprofit corporation, whether acting at the request of a city or cities under Subsection (e) or acting as a servicer or administrator for another corporation that purchases or makes guaranteed student loans or alternative education loans, or that on its own behalf issues securities or otherwise obtains funds to purchase or make guaranteed student loans or alternative education loans, to perform certain actions, including exercising the powers granted by Chapters 20 (General Provisions) and 22 (Nonprofit Corporations), Business Organizations Code, and any provision of Title 1 (General Provisions), Business Organizations Code, applicable to a nonprofit corporation, rather than the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., V.T.C.S.).

(h) Provides that an alternative education loan may be made under this section only by or on behalf of a qualified alternative education loan lender.

SECTION 3. Amends Sections 1372.033(a) and (d), Government Code, as follows:

(a) Deletes existing text defining "additional need," "annual need," "floor allocation," "remaining amount to be allocated," "Texas eligible loan," "Texas loan," and "total amount to be allocated." Redefines, in this section, "qualified nonprofit corporation" and "student loan bond allocation."

(d) Entitles each qualified nonprofit corporation that applies for a student loan bond allocation in compliance with all applicable application requirements for a program year to receive a student loan bond allocation for that year, rather than entitling each qualified nonprofit corporation that applies for a student loan bond allocation in compliance with all applicable application requirements to receive a floor allocation except as provided by this section. Deletes existing text entitling each applicant, if the total amount to be allocated is less than the sum of the floor allocations for all of the applicants, to a proportion of the total amount to be allocated equal to the proportion its floor allocation bears to the total of the floor allocation for all of the applicants. Deletes existing text providing that a qualified nonprofit corporation whose annual need is zero is not entitled to apply for a student loan bond allocation.

SECTION 4. Repealers: Sections 1372.033(c) (relating to a statement that must be included in an application for a student loan bond allocation), (e) (relating to entitling each applicant with additional to a certain proportion of the remaining amount if there is a remaining amount to be allocated), and (f) (relating to entitling an applicant to 50 percent of the remaining amount to be allocated, if an applicant's share of the remaining amount to be allocated is greater than 50 percent), Government Code.

SECTION 5. Provides that the change in law made by this Act to Section 1372.033 (Priorities for Reservations Among Certain Issuers of Qualified Student Loans), Government Code, applies to the allocation of the available state ceiling under that section beginning with the 2011 program year under Chapter 1372 (Private Activity Bonds and certain Other Bonds), Government Code.

SECTION 6: Effective date: upon passage or September 1, 2011.