



Texas Guaranteed Student Loan Corporation

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H.B. 2274 B. Cook, et al. (Carona)

Summary

The Legislature created the Texas Guaranteed Student Loan Corporation (TG) in 1979 to administer the Federal Family Education Loan Program in Texas. This program, better known as FFELP, is a federal program that encourages private lenders to make loans to students and their parents to help pay for the cost of postsecondary education. TG does not make loans; instead it guarantees the repayment of loans to lenders. In fiscal year 2004, TG guaranteed 516,000 loans totaling more than \$2.8 billion. As a public, nonprofit corporation, TG receives no state appropriations. Instead, TG is funded by the federal government for the loans it guarantees and services. TG operates on an annual budget of \$74 million and with a staff of 578 employees.

House Bill 2274 continues TG for 12 years and contains the Sunset Commission's recommendations to improve TG's accountability to its Board and its interaction with state agencies. The Legislature adopted all of the Sunset Commission's recommendations. The list below summarizes the major provisions of H.B. 2274, and a more detailed discussion follows.

Sunset Provisions

1. Continue the Texas Guaranteed Student Loan Corporation for 12 Years, and Increase the Size of TG's Board to 11 Members.
2. Require TG's Internal Auditor to Report to the Board of Directors.
3. Require Relevant State Agencies to Coordinate With TG on Outreach Activities Tied to Financial Aid for Higher Education, and Direct TG to Report to the Legislature on the Demand for Financial Aid in Texas.
4. Require State Licensing Agencies to Provide TG With Lists of Licensees So That TG Can Better Identify Individuals With Defaulted Student Loans.

Sunset Provisions

1. Continue the Texas Guaranteed Student Loan Corporation for 12 Years, and Increase the Size of TG's Board to 11 Members.

House Bill 2274 continues TG as the entity responsible for administering the Federal Family Education Loan Program in Texas. The bill also increases TG's Board to 11 members. Under this change, the Governor will appoint 10 of the 11 members, including five members with knowledge or experience in finance, four members from the faculty or administration of a postsecondary educational institution, and one member who is a full-time student enrolled at a postsecondary educational institution. The Comptroller of Public Accounts will continue to serve as a permanent, ex officio, voting member of the Board.

2. Require TG's Internal Auditor to Report to the Board of Directors.

House Bill 2274 requires TG's Internal Auditor to report to the Board, instead of to TG's President. The Board may opt to have the Internal Auditor report to a designated subcommittee of the Board. Under this provision, TG's Board will have the authority to hire and fire the Internal Auditor and will approve the Internal Auditor's budget, staffing level, and audit plans. TG's President will continue to provide administrative day-to-day support. The Internal Auditor will also continue to work closely with TG's President and senior management team to address audit-related activities.

3. Require Relevant State Agencies to Coordinate With TG on Outreach Activities Tied to Financial Aid for Higher Education, and Direct TG to Report to the Legislature on the Demand for Financial Aid in Texas.

House Bill 2274 requires all state agencies that conduct higher education and financial aid outreach to enter into a memorandum of understanding with TG. This provision ensures that TG and the state agencies will coordinate their activities to make the most of limited resources and avoid duplication of efforts. Requiring TG to report to the Legislature in December of each even-numbered year will ensure that the Legislature has the most up-to-date information about the demand for student financial aid in Texas before the start of each legislative session.

4. Require State Licensing Agencies to Provide TG With Lists of Licensees So That TG Can Better Identify Individuals With Defaulted Student Loans.

This provision requires state agencies that issue professional or occupational licenses to prepare a list of their licensees and provide that list to TG annually. TG will use the lists to identify individuals with defaulted student loans guaranteed by TG, and will then notify the appropriate licensing agency of any matches. The licensing agency will deny the license renewal application of any licensee with a defaulted student loan until the licensee remedies the default or enters into a repayment agreement with TG.

Fiscal Implication Summary

This legislation will not have a fiscal impact to the State.