
DIGEST: SB 40 would have revised the Texas Guaranteed Student Loan Corporation (TGSLC) to allow it to continue to provide programs, services, and administrative functions to conform to modified federal student loan programs. The bill would have continued TGSLC's authorization to serve as the state's designated student loan guaranty agency and authorized it to continue to service the existing federal student loan portfolio.

The bill would have removed the comptroller from the board of directors and increased from four to five the number of members who had to be members of the faculty or administration of a postsecondary educational institution, for a total of 11 directors. The governor would have designated the chairman from among the board's membership.

The bill would have allowed board members to attend meetings by telephone conference call as long as a quorum was present at one of the physical locations of the meeting and the meeting was open and accessible to the public. The bill would have included conflict of interest requirements for board members. It would have required TGSLC to have an internal corporate career ladder, an ombudsman, and enhanced training for board members.

TGSLC would have been authorized to engage in other revenue-generating activities, including with the U.S. Department of Education, the state or any agency, instrumentality, or political subdivision of the state, eligible higher education institutions, or other eligible entities if the board had determined that the activity was consistent with the TGSLC's purpose and if revenue from the activity would have covered its costs and enabled TGSLC to support education services allowed by current law.

The state auditor would have been required periodically to review TGSLC's activities. SB 40 would have subjected TGSLC to the Texas Sunset Act, and unless continued, it would have been abolished September 1, 2013. TGSLC would have been required to report to the Legislature and the Legislative Budget Board by December 1 of each even-numbered year about the corporation's revenue-generating activities.

**GOVERNOR'S
REASON FOR
VETO:**

“Senate Bill 40 would make a number of changes to the enabling statute of the Texas Guaranteed Student Loan Corporation (TGSLC), a state-chartered nonprofit corporation that serves as the guarantor for subsidized student loans originated under the Federal Family Education Loan Program (FFELP). FFELP was terminated last year by the federal government.

“Many of the changes in Senate Bill 40, such as allowing TGSLC board members to attend meetings via teleconference or requiring TGSLC to appoint an ombudsman for internal complaints, are good for TGSLC and the state. However, their benefits are outweighed by other parts of the bill.

“Senate Bill 40 gives TGSLC much broader authority to enter into revenue-generating activities, but does so at a time when the TGSLC loan portfolio will shrink, limiting the resources available for new ventures and exposing TGSLC’s operating fund to additional risk.

“TGSLC also faces uncertainty at the federal level. TGSLC is a strong guarantor, but it would be unwise to commit scarce resources without additional clarity as to future policies regarding guarantors and the residual FFELP portfolio.

“Senate Bill 40 also contains language regarding the governor’s appointments to TGSLC that conflicts with TGSLC language in other bills that are moving toward passage in the special session.”

RESPONSE:

Sen. Judith Zaffirini, the bill’s author, said: “SB 40 represented a consensus-driven approach to ensuring that the Texas Guaranteed Student Loan Corporation (TG) was repurposed appropriately in light of the termination last year of the Federal Family Education Loan Program (FFELP).

“SB 40 contained numerous changes to the enabling statute of TG that would have been beneficial to the state, such as: (1) clarify that TG is subject to the open meetings and public information laws of the state, (2) require the training program for TG board members to include information regarding separation of policymaking and management responsibilities as well as any applicable ethics policies, and (3) clarify that TG may invest its operating funds only in accordance with the Texas Public Funds Investment Act.

“Current law allows TG to enter into any revenue-generating activity that the corporation deems as consistent with TG’s purposes if the activity is determined by the TG board to be (1) sufficient to cover the cost of the activity and (2) may contribute to a reduction in the insurance premium paid by students under Section 57.43 of the Education Code.

“The governor was ill-advised to veto SB 40 on the basis that it would give TG ‘broader authority to enter into revenue-generating activities.’ SB 40 required that the TG board (not the corporation) determine whether a revenue-generating activity

is consistent with TG’s purposes. SB 40 further required the TG board to determine whether revenue-generating activity was sufficient to cover the costs of the activity (including opportunity costs) and whether revenue from the activity would enable TG to support educational purposes.

“Moreover, under SB 40, revenue-generating activity would have been limited to contracts entered into by TG and any of the following: the U.S. Department of Education; any entity to which the U.S. Department of Education has awarded one or more contracts to provide services under Title IV of the Higher Education Act of 1965; and any state agency, political subdivision, or eligible institution of higher education that is eligible to participate in a program under Title IV of the Higher Education Act of 1965.

“Several other aspects of SB 40 would have addressed the governor’s additional concerns regarding TG’s limited resources and uncertainty ‘as to future policies regarding guarantors and the residual FFELP portfolio.’ Under SB 40, for example, TG was required to be reviewed by the Texas Sunset Commission in 2013 rather than in 2017, which would have allowed TG a two-year window to operate under its repurposed enabling statute before coming under further scrutiny by the Legislature. In addition, under SB 40, TG was required to submit a written report to the Texas Legislature and Legislative Budget Board not later than December 1 of each even-numbered year regarding participation in revenue generating activities. This bill also required the State Auditor to conduct a periodic review of TG to ensure compliance and consistency with its enabling statute.

“I am deeply disappointed that Governor Rick Perry ignored the will of an overwhelming majority of the Senate and House of Representatives in issuing a veto of SB 40. My staff worked closely with all stakeholders in developing this legislation, including the governor’s office staff, legislative leadership, and the higher education community.”

Rep. Bill Callegari, the House sponsor, had no comment on the veto.

NOTES:

SB 40 passed the House on the Local, Consent, and Resolutions Calendar and was not analyzed in a *Daily Floor Report*.