

**SUBJECT:** \$400 million in bonds for student loans

**COMMITTEE:** Financial Institutions — favorable, without amendment

**VOTE:** 8 ayes — Marchant, Carona, Elkins, Giddings, Grusendorf, Gutierrez, Patterson, Romo

0 nays

1 absent — Hudson

**WITNESSES:** For — Carol McDonald, Independent Colleges and Universities, Inc.

Against — None

On — Kenneth Ashworth, Mack C. Adams and James McWhorter, Texas Higher Education Coordinating Board

**BACKGROUND:** Since 1965 Texas voters have approved amendments to the Texas Constitution (Art. 3, sec. 50b) to authorize a total of \$660 million in general obligation bonds to support the state's Hinson-Hazlewood College Student Loan Program. In 1965 an initial authorization of \$85 million was approved, in 1969, \$200 million, in 1989, \$75 million, and in 1991, \$300 million. All but \$50 million of the bond authorization has been issued. The Coordinating Board has stated it cannot meet anticipated loan demand without issuing new bonds.

Art. 3, sec. 49, of the Texas Constitution prohibits the Legislature from creating state debt, but voters have amended the article numerous times to authorize debt in the form of general obligation bonds. Repayment of debt from general obligation bonds is guaranteed by the state, and payments are made from the first money coming into the Treasury each fiscal year.

Under the Hinson-Hazlewood program the Texas Higher Education Coordinating Board may issue general obligation bonds for loans to Texas residents who attend public or private institutions of higher education in Texas. The Hinson Hazlewood program is self-supporting, using money

from student loan repayments and investment income to offset state borrowing costs.

**DIGEST:** HB 686 would authorize the Texas Higher Education Coordinating Board to issue up to \$400 million in general obligation bonds to fund loans to Texas residents attending institutions of higher education in Texas, if HJR 50 is approved by state voters.

**SUPPORTERS/  
OPPONENTS  
SAY:** See analysis of HJR 50.