

STORAGE NAME: h2213.ed

DATE: April 12, 1999

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
EDUCATION APPROPRIATIONS
ANALYSIS**

BILL #: HB 2213 (PCB ED 99-02)

RELATING TO: Creation of the Student Loan Guaranty Administrative Fund

SPONSOR(S): Education Appropriation

COMPANION BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

(1) EDUCATION APPROPRIATIONS YEAS 13 NAYS 0

(2)

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(5)

I. SUMMARY:

This legislation creates the Student Loan Guaranty Administrative Fund within the Department of Education. The bill provides that funds shall be deposited to the trust fund pursuant to s.240.4595 Florida Statutes from the Student Loan Guaranty Reserve Fund for administration of the Guaranteed Student Loan program. Federal law and regulations require that funds for administration of the Guaranteed Student Loan Program be accounted for separately from funds reserved for guaranteeing the loans. The bill also provides for future review and termination or re-creation of the fund.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Federal funds to guarantee student loans for the Guaranteed Student Loan Program and funds to administer the program are deposited in the same Trust Fund. The unencumbered cash balance as of July 1, 1998 for the student Loan Guaranty Reserve Fund was \$91.8 million. Roughly \$22 million of this amount was used for administration. The federal government now requires that funds used for administration and funds reserved to guarantee loans be accounted for in separate trust funds.

B. EFFECT OF PROPOSED CHANGES:

This bill creates a new trust fund for funds used to administer the Guaranteed Student Loan Program. The federal government now requires that funds for administration of the program be kept separate from funds used to guarantee the student loans. Funds shall be credited to the newly created Guaranteed Student Loan Administrative Fund from loan processing and issuance fees, administrative fees, administrative cost allowances, account maintenance fees, default aversion fees, amounts remaining from collection of default loans, amounts borrowed from the Student Loan Guaranty Reserve Fund and other amounts specified by the Higher Education Act of 1965, as amended, and federal regulation. It is estimated that roughly \$9.2 million will be transferred from the Student Loan Guaranty Reserve Fund to the Student Loan Guaranty Administrative Fund for administration of the Guaranteed Student Loan Program.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

N/A

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

N/A

(3) any entitlement to a government service or benefit?

N/A

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

- a. Does the bill increase anyone's taxes?

N/A

- b. Does the bill require or authorize an increase in any fees?

N/A

- c. Does the bill reduce total taxes, both rates and revenues?

N/A

- d. Does the bill reduce total fees, both rates and revenues?

N/A

- e. Does the bill authorize any fee or tax increase by any local government?

N/A

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

- (1) Who evaluates the family's needs?

N/A

- (2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

S. 240.424, F.S. through 240.4595, F.S.

E. SECTION-BY-SECTION ANALYSIS:

Section 1, creates Section 240.595, F.S., which provides for the creation of the Student Loan Guaranty Administrative Fund in the Department of Education. Provides that any balance at the end of a fiscal year be retained in the trust fund and be available for carrying out trust fund purposes. In addition review and termination of the fund is provided.

Section 2, authorizes transfer of funds for administration from the Student Loan Guaranty Reserve Fund to the new trust fund.

Section 3, provides for an effective date of July 1, 1999 if the bill passes by three-fifths vote of each chamber.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

Creation of the trust fund allows the federal government to differentiate between funds for administration of the Guaranteed Student Loan Program from reserve funds to guarantee the student loans. Roughly \$9.2 million is estimated to be transferred from the Reserve Fund to the Administrative Fund if this bill passes.

3. Long Run Effects Other Than Normal Growth:

N/A

4. Total Revenues and Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

N/A

2. Direct Private Sector Benefits:

N/A

3. Effects on Competition, Private Enterprise and Employment Markets:

N/A

D. FISCAL COMMENTS:

N/A

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

N/A

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C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

N/A

V. COMMENTS:

On April 9, 1999 the Education Appropriations Committee considered PCB ED 99-02 and passed it unanimously.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON EDUCATION APPROPRIATIONS:

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