

File to Sen 3/20 (p 749)  
State Code 3/25

FILED MAR 19 1981

SENATE FILE  
BY VARN

428

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to the creation of a student aid recovery agency  
2 to be attached to the Iowa college student aid commission and  
3 establishing a fund.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 428

1 Section 1. NEW SECTION. 260C.1 STUDENT AID RECOVERY  
2 AGENCY.

3 1. As used in this chapter, "agency" means the student aid  
4 recovery agency created in subsection 2, and "commission"  
5 means the college student aid commission.

6 2. A student aid recovery agency is created. The agency  
7 may enter into agreements with the commission pursuant to  
8 chapter 28E. As part of a cooperative agreement under the  
9 provisions of chapter 28E, the commission shall permit the  
10 agency to retain a percentage of the moneys collected through  
11 the agency's activities for purposes of covering the  
12 administrative costs of the collection activities. Agreements  
13 between the commission and the agency may provide for but are  
14 not limited to the following:

15 a. Strengthening the financial stability of the  
16 commission.

17 b. Conducting collection activities on student loans for  
18 which the commission is the guaranteeing agency.

19 c. Assisting with the commission's outreach activities.

20 d. Marketing Iowa's higher education system.

21 Sec. 2. NEW SECTION. 260C.2 GOVERNING BOARD.

22 The agency shall be administered by a governing board  
23 consisting of seven members appointed by the governor and  
24 subject to senate confirmation. Members shall be  
25 knowledgeable about higher education and the programs students  
26 and families use to finance college and university expenses.  
27 Statewide higher education associations, agencies, and  
28 commissions interested in the purposes of the agency may  
29 submit the names of potential members to the governor, but the  
30 governor is not bound by the recommendations.

31 Sec. 3. NEW SECTION. 260C.3 BOARD REQUIREMENTS.

32 1. Members of the governing board shall be appointed by  
33 the appointing authority for staggered terms of six years  
34 beginning and ending as provided in section 69.19. Vacancies  
35 shall be filled in the same manner as the original

1 appointment. A person appointed to fill a vacancy shall serve  
2 only for the unexpired portion of the term.

3 2. Members of the board shall be reimbursed for actual and  
4 necessary expenses incurred while engaged in their official  
5 duties. Members may be paid a per diem at the rate specified  
6 in section 7E.6. Per diem and expense payments shall be made  
7 from funds available to the agency.

8 3. Members shall elect a chairperson and vice chairperson  
9 annually. A majority of the members of the board constitutes  
10 a quorum. The executive director shall serve as secretary to  
11 the board.

12 4. Meetings of the board shall be held at least quarterly  
13 at the call of the chairperson or at the request of a majority  
14 of the members of the board.

15 Sec. 4. NEW SECTION. 260C.4 DUTIES OF THE BOARD.

16 The governing board, within the limits of the funds  
17 available to it, shall:

18 1. Appoint an executive director to administer the board's  
19 activities and employ employees to carry out the activities of  
20 the agency. All persons appointed and employed in the agency  
21 are covered by the provisions of chapter 19A.

22 2. Approve a long-range plan designed to guide the agency  
23 in executing its purposes.

24 3. Execute contracts with public and private agencies to  
25 carry out the purposes of the agency.

26 4. Perform functions necessary to carry out the purposes  
27 of the agency, including the collection of student loans for  
28 which the commission is the guaranteeing agency.

29 5. Disseminate information developed as a result of its  
30 activities in forms usable by education personnel.

31 6. Establish advisory committees to assist the agency in  
32 carrying out its purposes. The advisory committees shall  
33 include as members representatives of state associations,  
34 agencies, and commissions interested in education in this  
35 state.

1 7. Annually report the results of its activities to the  
2 general assembly.

3 Sec. 5. NEW SECTION. 260C.5 FUND CREATED.

4 The student aid recovery agency fund is established in the  
5 office of treasurer of state to be administered by the student  
6 aid recovery agency. The governing board of the student  
7 recovery agency may accept gifts, grants, bequests, other  
8 moneys, and in-kind contributions to fund its start-up  
9 activities. It also may negotiate short-term loans for start-  
10 up activities and to sustain its operation. The governing  
11 board shall possess the authority to lend moneys from the fund  
12 to the college student aid commission. Notwithstanding  
13 section 8.33, moneys on deposit in the fund shall not revert  
14 to the general fund of the state at the close of any fiscal  
15 year. Interest on moneys in the fund shall be credited to the  
16 fund.

17 Sec. 6. NEW SECTION. 260C.6 ADMINISTRATIVE ACTIVITIES.

18 The agency shall be attached to the Iowa college student  
19 aid commission for administrative purposes.

20 EXPLANATION

21 The bill creates an agency called the student aid recovery  
22 agency. The agency may enter into agreements pursuant to  
23 chapter 28E with the college student aid commission. As part  
24 of a cooperative agreement under the provisions of chapter  
25 28E, the commission shall permit the agency to retain a  
26 percentage of the moneys collected through the agency's  
27 activities for the purposes of covering the administrative  
28 costs of the collection activities. The bill establishes a  
29 governing board, with members to be chosen by the governor and  
30 confirmed by the senate, and lists the board's requirements  
31 and duties.

32 The bill creates a fund in the office of the treasurer of  
33 state to be administered by the student aid recovery agency.  
34 The agency is to be attached to the Iowa college student aid  
35 commission for administrative purposes.

**SENATE FILE 428  
FISCAL NOTE**

A fiscal note for Senate File 428 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

SF 428 creates a quasi-state agency, the Student Aid Recovery Agency (SARA). SARA is created to assist the College Student Aid Commission as an agency for collecting guaranteed student loans (Stafford Loans). A 7-member governing board is created, as well as the Student Aid Recovery Agency Fund, in which the excess revenues would remain.

ASSUMPTIONS:

1. SARA would contract for the collection services initially, costing 22% of the funds recovered, and reducing the amount of contracting for the first several years of the program.
2. The Iowa College Student Aid Commission would contract with SARA to pay SARA 30% of funds collected, with 70% of the funds going to the federal Department of Education.
3. The total first year recoveries from loans would be \$6.4 million, and \$7 million the second year, with SARA collecting 25% the first year, and 40% the second year.
4. SARA administrative costs include 3% of collection agencies recoveries and 15% of SARA's recoveries.

FISCAL EFFECT:

|                          | <u>FY 1992</u> | <u>FY 1993</u> |
|--------------------------|----------------|----------------|
| <u>REVENUE</u>           |                |                |
| SARA collections         | \$ 1,600,000   | \$ 2,800,000   |
| Collection agencies      | 4,800,000      | 4,200,000      |
| Total                    | \$ 6,400,000   | \$ 7,000,000   |
| <u>EXPENDITURES</u>      |                |                |
| Federal Dept of Educ.    | \$4,480,000    | \$ 4,900,000   |
| Due to collect. agenc.   | 1,056,000      | 924,000        |
| SARA costs/coll agencies | 144,000        | 126,000        |
| SARA costs/SARA collect. | 240,000        | 420,000        |
| Total                    | \$5,920,000    | \$ 6,370,000   |
| <u>NET EFFECT</u>        | \$ 480,000     | \$ 630,000     |

Source: College Student Aid Commission

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(LSB 2400ss, SLL)

FILED MARCH 26, 1991

BY DENNIS PROUTY, FISCAL DIRECTOR