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HSB 208

EDUCATION

SF/HF

SENATE/HOUSE FILE

BY (PROPOSED DEPARTMENT OF
EDUCATION/COLLEGE STUDENT
AID COMMISSION BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to certain student loan funds under the control
2 of the college student aid commission, by adding an agency
3 operating account, and authorizing the commission to expend
4 moneys as authorized by the federal Higher Education Act of
5 1965.

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

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1 Section 1. Section 261.38, subsection 1, Code 1999, is
2 amended to read as follows:

3 1. The commission shall establish a loan reserve account
4 ~~from which any default on a guaranteed student loan shall be~~
5 paid and an agency operating account as authorized by the
6 federal Higher Education Act of 1965. The commission shall
7 credit to ~~this account~~ these accounts all moneys designated
8 ~~exclusively for the reserve fund~~ provided for the state
9 student loan program by the United States, the state of Iowa,
10 or any of their agencies, departments or instrumentalities, as
11 well as any funds accruing to the program which are not
12 required for current administrative expenses. The department
13 ~~of management shall determine the actuarially sound reserve~~
14 ~~requirement for the amount of guaranteed loans outstanding~~
15 commission may expend moneys in the loan reserve and agency
16 operating accounts as authorized by the federal Higher
17 Education Act of 1965.

18 Sec. 2. Section 261.38, subsection 2, Code 1999, is
19 amended by striking the subsection.

20 Sec. 3. Section 261.38, subsections 3, 4, and 5, Code
21 1999, are amended to read as follows:

22 3. The payment of any funds for the default on a
23 guaranteed student loan shall be solely from the loan reserve
24 account and agency operating accounts. The general assembly
25 shall not be obligated to appropriate any moneys to pay for
26 any defaults or to appropriate any moneys to be credited to
27 the loan reserve account. The commission shall not give or
28 lend the credit of the state of Iowa.

29 4. Funds Notwithstanding section 8.33, funds on deposit in
30 the loan reserve ~~account or in the administrative account and~~
31 operating accounts shall not revert to the state general fund
32 at the close of any fiscal year.

33 5. The treasurer of state shall invest any funds,
34 including those in the loan reserve account and operating
35 accounts, and, notwithstanding section 12C.7, the interest

1 income earned shall be credited back to the loan-reserve
2 appropriate account.

3 Sec. 4. Section 261.38, subsection 6, Code 1999, is
4 amended by striking the subsection.

5 Sec. 5. Section 261.38, subsection 7, unnumbered paragraph
6 1, Code 1999, is amended to read as follows:

7 The commission may ~~expend-funds-in-the-reserve-account-and~~
8 enter into agreements with the Iowa student loan liquidity
9 corporation in order to increase access for students to
10 education loan programs that the commission determines meet
11 the education needs of Iowa residents. The agreements shall
12 permit the establishment, funding, and operation of
13 alternative education loan programs, as described in section
14 144(b)(1)(B) of the Internal Revenue Code of 1986 as amended,
15 as defined in section 422.3, in addition to programs permitted
16 under the federal Higher Education Act of 1965. In accordance
17 with those agreements, the Iowa student loan liquidity
18 corporation may issue bonds, notes, or other obligations to
19 the public and others for the purpose of funding the
20 alternative education loan programs. This authority to issue
21 such bonds, notes, or other obligations shall be in addition
22 to the authority established in the articles of incorporation
23 and bylaws of the Iowa student loan liquidity corporation.

24 EXPLANATION

25 This bill reflects a change in federal law that prohibits
26 the state from asserting control over the loan reserve account
27 of the state student loan program, which is currently funded
28 with federal moneys. Current Code language provides that the
29 general assembly appropriates moneys from the loan reserve
30 account to the commission for state student loan program
31 operating costs.

32 The federal Higher Education Amendments of 1998, Pub. L.
33 No. 105-244, states that the guaranty agency, and the college
34 student aid commission, shall deposit all assets contained in
35 the current loan reserve account into a federal student loan

1 reserve fund. This fund, according to the federal law, is the
2 sole property of the federal government and the guaranty
3 agency may use moneys from the fund to pay lender claims or
4 pay into the agency operating fund.

5 The bill authorizes the college student aid commission to
6 establish a loan reserve account and an agency operating
7 account for the deposit of moneys provided by the state
8 student loan program by the United States and the state of
9 Iowa or any of their agencies, departments or
10 instrumentalities, as well as any funds accruing to the
11 program which are not required for current administrative
12 expenses. The bill permits the commission to expend moneys in
13 the loan reserve and agency operating accounts as authorized
14 by the federal Higher Education Act of 1965.

15 The bill strikes a subsection that permits the commission
16 to exceed the full-time equivalent positions authorized and
17 expend moneys in the loan reserve account in excess of the
18 amounts appropriated by the general assembly, in order to
19 maintain loan guarantee operations. The subsection stricken
20 also requires the commission to notify the chairpersons and
21 ranking members of the standing appropriations committees of
22 the general assembly and the co-chairpersons and ranking
23 members of the education appropriations subcommittee of the
24 proposed adjustment or transfer.

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THOMAS J. VILSACK
GOVERNOR

SALLY J. PEDERSON
LT. GOVERNOR

IOWA COLLEGE STUDENT AID COMMISSION
GARY W. NICHOLS, EXECUTIVE DIRECTOR

February 19, 1999

Members of the General Assembly:

The Iowa College Student Aid Commission is proposing revisions to section 261 of the *Iowa Code*. The revisions are needed to conform with amendments to the Federal Higher Education Act of 1965 that became effective last October.

The amended Higher Education Act requires guaranty agencies to establish two funds; a Student Loan Reserve Fund and an Agency Operating Fund. The Act stipulates that the Student Loan Reserve Fund is the property of the U.S. Department of Education. It may be used only for purchasing defaulted student loans and paying default reduction fees. The Operating Fund is to be used to pay administrative expenses for application processing, loan disbursements, enrollment and repayment management, default aversion, collection, training, financial aid awareness, outreach, compliance monitoring and other student financial aid related activities.

The proposed legislation was developed in consultation with representatives from the Attorney General's Office and Department of Management. It amends the *Iowa Code* to reflect the new financial system required by Federal law and authorizes the Commission to expend moneys in the loan reserve and agency operating accounts as authorized by the federal Higher Education Act of 1965.

For further information, please call me at 242-5067.

Sincerely,

Gary W. Nichols
Executive Director

GWN:mjp

MAR 15 1999
APPROPRIATIONS

HOUSE FILE 691
BY COMMITTEE ON EDUCATION

(SUCCESSOR TO HSB 208)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to vocational-technical tuition grants and
2 certain student loan funds under the control of the college
3 student aid commission, adding an agency operating account,
4 and authorizing the commission to expend moneys as authorized
5 by the federal Higher Education Act of 1965.

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

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HF 691

1 Section 1. Section 261.17, subsection 3, unnumbered
2 paragraph 1, Code 1999, is amended to read as follows:

3 A qualified full-time student may receive vocational-
4 technical tuition grants for not more than four semesters,
5 ~~eight-quarters~~ or the trimester or quarter equivalent of two
6 full years of study. ~~The amount of a vocational-technical~~
7 ~~tuition grant to a~~ A qualified part-time student enrolled in a
8 course of study including at least three semester hours but
9 fewer than twelve semester hours or the trimester or quarter
10 equivalent ~~shall be equal to the amount of a tuition grant~~
11 ~~that would be paid to a full-time student times a number which~~
12 ~~represents the number of hours in which the part-time student~~
13 ~~is actually enrolled divided by twelve semester hours; may~~
14 receive vocational-technical tuition grants for not more than
15 eight semesters or the trimester or quarter equivalent of two
16 full years of full-time study.

17 Sec. 2. Section 261.17, subsection 4, Code 1999, is
18 amended to read as follows:

19 4. a. The amount of a vocational-technical tuition grant
20 to a qualified full-time student shall not exceed the lesser
21 of six hundred dollars per year or the amount of the student's
22 established financial need.

23 b. The amount of a vocational-technical tuition grant to a
24 qualified part-time student enrolled in a course of study
25 including at least three semester hours but fewer than twelve
26 semester hours or the trimester or quarter equivalent shall be
27 equal to the amount of a vocational-technical tuition grant
28 that would be paid to a full-time student, except that the
29 commission shall prorate the amount in a manner consistent
30 with the federal Pell grant program proration.

31 Sec. 3. Section 261.38, subsection 1, Code 1999, is
32 amended to read as follows:

33 1. The commission shall establish a loan reserve account
34 ~~from which any default on a guaranteed student loan shall be~~
35 paid and an agency operating account as authorized by the

1 federal Higher Education Act of 1965. The commission shall
2 credit to ~~this-account~~ these accounts all moneys designated
3 ~~exclusively-for-the-reserve-fund~~ provided for the state
4 student loan program by the United States, the state of Iowa,
5 or any of their agencies, departments or instrumentalities, as
6 well as any funds accruing to the program which are not
7 required for current administrative expenses. The department
8 ~~of-management-shall-determine-the-actuarially-sound-reserve~~
9 ~~requirement-for-the-amount-of-guaranteed-loans-outstanding~~
10 commission may expend moneys in the loan reserve and agency
11 operating accounts as authorized by the federal Higher
12 Education Act of 1965.

13 Sec. 4. Section 261.38, subsection 2, Code 1999, is
14 amended by striking the subsection.

15 Sec. 5. Section 261.38, subsections 3, 4, and 5, Code
16 1999, are amended to read as follows:

17 3. The payment of any funds for the default on a
18 guaranteed student loan shall be solely from the loan reserve
19 account and agency operating accounts. The general assembly
20 shall not be obligated to appropriate any moneys to pay for
21 any defaults or to appropriate any moneys to be credited to
22 the loan reserve account. The commission shall not give or
23 lend the credit of the state of Iowa.

24 4. Funds Notwithstanding section 8.33, funds on deposit in
25 the loan reserve ~~account-or-in-the-administrative-account~~ and
26 operating accounts shall not revert to the state general fund
27 at the close of any fiscal year.

28 5. The treasurer of state shall invest any funds,
29 including those in the loan reserve ~~account~~ and operating
30 accounts, and, notwithstanding section 12C.7, the interest
31 income earned shall be credited back to the ~~loan-reserve~~
32 appropriate account.

33 Sec. 6. Section 261.38, subsection 6, Code 1999, is
34 amended by striking the subsection.

35 Sec. 7. Section 261.38, subsection 7, unnumbered paragraph

1 1, Code 1999, is amended to read as follows:

2 The commission may ~~expend-funds-in-the-reserve-account-and~~
3 enter into agreements with the Iowa student loan liquidity
4 corporation in order to increase access for students to
5 education loan programs that the commission determines meet
6 the education needs of Iowa residents. The agreements shall
7 permit the establishment, funding, and operation of
8 alternative education loan programs, as described in section
9 144(b)(1)(B) of the Internal Revenue Code of 1986 as amended,
10 as defined in section 422.3, in addition to programs permitted
11 under the federal Higher Education Act of 1965. In accordance
12 with those agreements, the Iowa student loan liquidity
13 corporation may issue bonds, notes, or other obligations to
14 the public and others for the purpose of funding the
15 alternative education loan programs. This authority to issue
16 ~~such~~ bonds, notes, or other obligations shall be in addition
17 to the authority established in the articles of incorporation
18 and bylaws of the Iowa student loan liquidity corporation.

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EXPLANATION

20 This bill reflects a change in federal law that prohibits
21 the state from asserting control over the loan reserve account
22 of the state student loan program, which is currently funded
23 with federal moneys. Current Code language provides that the
24 general assembly appropriates moneys from the loan reserve
25 account to the college student aid commission for state
26 student loan program operating costs.

27 The bill also authorizes the commission to issue
28 vocational-technical tuition grants to qualified part-time
29 students equal to the grant amount received by a full-time
30 student, but prorated in a manner consistent with the federal
31 Pell grant program. Currently, the vocational-technical
32 tuition grant amount issued to part-time students is equal to
33 the amount paid to a full-time student times a number number
34 of hours in which the part-time student is enrolled, divided
35 by 12 semester hours.

1 The federal Higher Education Amendments of 1998, Pub. L.
2 No. 105-244, states that the guaranty agency, and the college
3 student aid commission, shall deposit all assets contained in
4 the current loan reserve account into a federal student loan
5 reserve fund. This fund, according to the federal law, is the
6 sole property of the federal government and the guaranty
7 agency may use moneys from the fund to pay lender claims or
8 pay into the agency operating fund.

9 The bill authorizes the college student aid commission to
10 establish a loan reserve account and an agency operating
11 account for the deposit of moneys provided by the state
12 student loan program by the United States and the state of
13 Iowa or any of their agencies, departments or
14 instrumentalities, as well as any funds accruing to the
15 program which are not required for current administrative
16 expenses. The bill permits the commission to expend moneys in
17 the loan reserve and agency operating accounts as authorized
18 by the federal Higher Education Act of 1965.

19 The bill strikes a subsection that permits the commission
20 to exceed the full-time equivalent positions authorized and
21 expend moneys in the loan reserve account in excess of the
22 amounts appropriated by the general assembly, in order to
23 maintain loan guarantee operations. The subsection stricken
24 also requires the commission to notify the chairpersons and
25 ranking members of the standing appropriations committees of
26 the general assembly and the co-chairpersons and ranking
27 members of the education appropriations subcommittee of the
28 proposed adjustment or transfer.

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