

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 1670

SPONSOR: Senator Casas

SUBJECT: Student Loan Operating Trust Fund

DATE: March 10, 1999 REVISED: _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|--------------|----------------|-----------|------------------|
| 1. | <u>McKee</u> | <u>Hadi</u> | <u>FP</u> | <u>Favorable</u> |
| 2. | _____ | _____ | _____ | _____ |
| 3. | _____ | _____ | _____ | _____ |
| 4. | _____ | _____ | _____ | _____ |
| 5. | _____ | _____ | _____ | _____ |

I. Summary:

This bill creates the Student Loan Operating Trust Fund within the Department of Education for the purposes required by the federal government under Public Law 105-244. This trust fund will be exempt from termination pursuant to Section 19(f) of Article III of the State Constitution.

II. Present Situation:

The Department of Education is a guaranty agency for the Federal Family Education Loan Program. Provisions of the Higher Education Amendments of 1998 (Public Law 105-244) require that guaranty agencies establish a "Federal Fund" and an "Operating Fund." The Department of Education will use an existing trust fund as the Federal Fund, but must create a new trust fund to serve as the Operating Fund.

III. Effect of Proposed Changes:

This bill creates the Student Loan Operating Trust Fund within the Department of Education to meet the requirements of Public Law 105-244. The trust fund will be exempt from termination pursuant to Section 19(f) of Article III of the State Constitution.

There will be no changes to the administration of the Federal Family Education Loan Program; however, the federal government is requiring a different accounting process than the one currently used by guaranty agencies, including the Florida Department of Education.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

This trust fund is exempt from termination pursuant to Section 19(f) of Article III of the State Constitution.

D. Other Constitutional Issues:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The Department of Education (DOE) currently has one trust fund which is used for the guaranty program; federal law now requires that two trust funds be used. For this reason, DOE must establish a new trust fund to serve as the "Operating" fund required by Public Law 105-244.

According to this federal law, the agency must deposit into this trust fund the following revenues: loan processing and issuance fees; an administrative allowance; account maintenance fees; default aversion fees; a portion of collections of defaulted loans; amounts borrowed from the Federal Fund; and other receipts as specified in the Department's regulations.

Pursuant to federal requirements, permissible uses of this trust fund include: application processing, loan disbursement, enrollment and repayment status management, default aversion, collection activities, school and lender training, financial aid awareness and outreach activities, compliance monitoring, and other student financial aid related activities, as selected by the guaranty agency.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
