



**ARIZONA STATE SENATE**  
*Fifty-First Legislature, First Regular Session*

**AMENDED**  
FACT SHEET FOR H.B. 2489

bonds; financing; student loans

Purpose

Allows a corporation to issue bonds and refund bonds to finance student loans under certain circumstances and makes other changes regarding the issuance of revenue bonds and Industrial Development Authorities.

Background

Legislation enacted in 1968 authorized municipalities and counties to cause the formation of an Industrial Development Authority (IDA). IDAs, which are incorporated as Arizona nonprofit corporations, are political subdivisions of the state and are authorized to issue revenue bonds and use the proceeds from the sale of bonds to finance certain types of projects. Federal tax law exempts interest on obligations of states or their political subdivisions from federal income taxation under certain circumstances prescribed by the Internal Revenue Code.

All principal and interest of bonds issued by a corporation must be payable solely out of the revenues, proceeds and receipts derived from the corporation's sale of property, loan repayments or lease rentals, or out of the proceeds of bonds issued, or of any revenues, proceeds and receipts specified in the proceedings of the Board of Directors under which bonds must be authorized to be issued. The proceedings under which such bonds are to be issued must require the approval of the governing body of each issuance of bonds (A.R.S. § 35-721).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

***Authorized Powers for Issuance of Student Loan Programs for Corporations***

1. Authorizes corporations to issue bonds and refund bonds to finance student loans for qualifying student loan programs.
2. Authorizes a corporation, in furtherance of a student loan program, to have the power to:
  - a) determine the nature of student loan programs for eligible students or their parents for which the corporation will issue bonds;
  - b) enter into contracts for any or all student loan program functions;
  - c) enter into contracts for origination, administration or servicing of student loans;

- d) assign a qualified educational institution or institutions, or eligible lenders as the agent for accomplishing its purposes;
- e) make loans with proceeds of the sale of its bonds to any eligible student, parent of an eligible student, educational institution or lender in accordance with an agreement between the corporation and other parties;
- f) acquire, purchase and make commitments to purchase student loans with proceeds from the sale of its bonds from any educational institution or eligible lender in accordance with a specific agreement between the corporation and other parties.
- g) Receive and accept loans, grants, guarantees or insurance with respect to student loans and student loan programs from any public agency or any other source.
- h) establish guidelines governing the actions of qualified educational institutions and lenders participating in the loan program;
- i) perform acts incidental to and that it deems necessary to execute certain granted powers.

#### ***Limitation of Corporate Powers***

- 3. Prohibits a corporation from issuing bonds to finance qualifying student loans unless the corporation has approved a plan for the student loan program to be financed by the bonds and has submitted the plan for review and approval by the state program representative.
- 4. Requires a corporation to follow the plan as submitted and approved except for insubstantial deviations determined by the corporation's Board of Directors to be necessary for the successful issuance of the bonds and operation of the program.
- 5. Requires the plan submitted to the state program representative to establish at least:
  - a) the criteria for participation in the program by educational institutions, eligible lenders and eligible students;
  - b) the general terms of the student loans and the program; and
  - c) any other information reasonably requested by the state program representative.
- 6. Specifies that a corporation that approves a plan for issuing student loan bonds and a student loan program to be financed by the bonds is a student loan corporation for statutory purposes.

#### ***Industrial Development Authority Authorization***

- 7. Authorizes IDAs to exercise powers and issue revenue bonds to finance applicable student loans so that the state's student loan program is available for eligible students at educational institutions as a student loan program of general application in the state and approved by the state.
- 8. Requires the state program representative to approve or disapprove a submitted plan, regardless of a hearing, not later than 30 days after receipt of the plan.
- 9. Requires the state program representative to promptly notify the corporation that submitted the plan of the approval or disapproval of the plan.

10. Stipulates that if the state program representative does not notify the corporation that submitted the plan of the approval or disapproval within 45 days after receiving the plan, the plan is deemed approved.
11. Constitutes that approval of a plan means a finding by the state program representative that:
  - a) the origination or acquisition of student loans by the corporation or its agent or agents, a qualified educational institution or an eligible lender to eligible students or their parents will assist the students in attending an educational institution and financing the student's education;
  - b) adequate provision has been or will be made for the payment of the principal of or interest on any bonds issued by the corporation to finance the loan program;
  - c) adequate provision has been made for the payment of the reasonable expenses of the administration of the loan program; and
  - d) the proposed procedures for application of the bond proceeds, the collection of payments, interest charges and any other matters concerning the administration of the loan program are in conformance with the law.

*Miscellaneous*

12. Defines applicable terms.
13. Becomes effective on the general effective date.

Amendments Adopted by the ED Committee

- Specifies that a qualified educational institution is any accredited postsecondary institution eligible under title IV of the Higher Education Act of 1965 that awards any postsecondary degree or program.

House Action

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| FI                   | 2/11/13 | DPA | 8-0-0-0  |
| HEWD                 | 2/13/13 | DP  | 7-0-0-1  |
| 3 <sup>rd</sup> Read | 2/26/13 |     | 59-0-1-0 |

Senate Action

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| ED  | 3/07/13 | DPA | 9-0-0-0 |
| FIN | 3/13/13 | DP  | 6-0-1-0 |

Prepared by Senate Research  
March 18, 2013  
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