

## **BILL ANALYSIS**

S.B. 1760  
By: Watson  
Higher Education  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Texas' economic future depends on an educated workforce. Today 80 percent of high-growth, high-demand jobs require some education beyond high school. Texas must enroll a minimum of 430,000 additional students in public universities—an increase of more than 35 percent—just to keep up in the 21st century economy according to the Texas Higher Education Coordinating Board. However, students are facing more obstacles than ever in trying to fund their postsecondary education. Students have become more reliant on loans compared to students in other states: 61 percent in Texas rely on loans compared to 49 percent of students in other states. The cost of higher education has risen dramatically in the last several years while financial aid has declined. Tuition at Texas public universities and colleges increased by 112 percent from 2003 to 2007, and the gap between actual college costs and aid received by Texas students increased by 71 percent from 2001 to 2006.

Last session, the 80th Legislature authorized the Prepaid Higher Education Tuition Board to establish by rule a Save and Match Program as part of the Texas Tuition Promise Fund. Currently, the Save and Match Program is limited to households below the state household median income of \$44,861. The program was not funded nor have any funds been contributed to the fund by outside sources.

S.B. 1760 requires the Prepaid Higher Education Tuition Board to develop and implement the Texas Save and Match Program to assist qualifying beneficiaries under the state's prepaid tuition plans and college savings plans and to the treatment of a beneficiary's assets under prepaid tuition plans and college savings plans in determining eligibility for student financial assistance and other assistance programs.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the Prepaid Higher Education Tuition Board in SECTIONS 1 and 7 of this bill.

### **ANALYSIS**

S.B. 1760 amends the Education Code to require the Prepaid Higher Education Tuition Board to develop and implement the Texas Save and Match Program under which the board opens a matching account for each eligible beneficiary, as provided by this bill, and matches money paid by a purchaser under a prepaid tuition contract under the prepaid higher education tuition program or the Texas tomorrow fund II on behalf of the beneficiary, or contributed to a savings trust account by an account owner under the Higher Education Savings Plan on behalf of the beneficiary with matching contributions or a matching purchase of tuition units, using money appropriated by the legislature for the program and any contributions made by any person to the beneficiary's matching account.

S.B. 1760 conditions a beneficiary's initial eligibility to participate in the program on the beneficiary, at the time a prepaid tuition contract is entered into on the beneficiary's behalf under the prepaid higher education tuition program or the Texas tomorrow fund II or a savings trust account is opened on the beneficiary's behalf under the Higher Education Savings Plan, being either a resident of Texas or a dependent of a resident; being younger than seven years of age; and having a household adjusted gross income, for the most recently completed tax year, that is not more than 400 percent of the federal poverty level. The bill requires the board, in determining whether a beneficiary is initially eligible to participate in the program, to solicit the necessary information from the individual who enters into a prepaid tuition contract or opens a savings account on the beneficiary's behalf at the time the individual enters into the contract or agreement with the board and in the manner prescribed by board rule.

S.B. 1760 authorizes an eligible beneficiary to participate in the program for not more than five calendar years if the beneficiary continues to meet the prescribed criteria. The bill provides that the five-year period may be consecutive or nonconsecutive. The bill requires the board to prescribe procedures for verifying a participating beneficiary's continued eligibility. The bill authorizes a participating beneficiary to receive a matching grant or a purchase of matching tuition units to the beneficiary's matching account in any particular calendar year only if at least \$100 is paid under a prepaid tuition contract or is contributed to the beneficiary's savings trust account during that year. The bill establishes that contributions or purchases in excess of \$500 in any calendar year are not eligible for a match under the program. The bill authorizes withdrawals from a matching account to be used only for qualified higher educational expenses of the participating beneficiary for whom the matching account is established. The bill requires funds in a matching account to be disbursed directly to providers of qualified higher education services and prohibits such funds from being disbursed directly to the beneficiary. The bill authorizes tuition units in a participating beneficiary's matching account to be redeemed only by the board or by a qualified institution of higher education in the manner prescribed by the board on behalf of the participating beneficiary. The bill requires any funds or unused tuition units in a matching account that are not withdrawn or redeemed by the participating beneficiary before the beneficiary's 30th birthday to be forfeited and returned to a pool of matching funds maintained by the board.

S.B. 1760 requires the board to develop a variable formula based on adjusted annual household income to determine the amount of matching funds or matching purchases of tuition units to which eligible participating beneficiaries are entitled under the program in a year. The bill requires the board, depending on the availability of funds, for each dollar contributed to a participating beneficiary's savings trust account or paid by a purchaser under a prepaid tuition contract on behalf of the beneficiary in a calendar year, to match the contribution or purchase using the following guidelines:

- \$2, if the beneficiary's household adjusted income for the most recently completed tax year is less than or equal to 200 percent of the federal poverty level;
- \$1, if the beneficiary's household adjusted income for the most recently completed tax year is more than 200 percent of the federal poverty level but not more than 300 percent of the federal poverty level; or
- 50 cents, if the beneficiary's household adjusted income for the most recently completed tax year is more than 300 percent of the federal poverty level but not more than 400 percent of the federal poverty level.

S.B. 1760 requires a matching account opened on behalf of a beneficiary under these provisions to be accounted separately from the beneficiary's prepaid tuition contract balance or savings trust account balance. The bill requires, to the extent possible, money or tuition units in a participating beneficiary's matching account to be withdrawn or redeemed before money is withdrawn or tuition units are redeemed. The bill establishes that information relating to the beneficiary of a matching account, including personally identifiable information regarding the beneficiary, is confidential and is not subject to disclosure under state public information

statutes. The bill requires the board, to the extent possible, to provide the balance of the matching account opened on the beneficiary's behalf with any periodic statement provided by the board.

S.B. 1760 prohibits money or tuition units in a beneficiary's matching account from being considered as available to the beneficiary, or otherwise included in the beneficiary's household income or financial resources, for purposes of determining the beneficiary's eligibility for a TEXAS grant or any other state-funded student financial assistance.

S.B. 1760 authorizes the board to establish pilot projects under the program in an effort to incentivize participation in the prepaid higher education tuition program, the Higher Education Savings Plan, and the prepaid tuition unit undergraduate education program, including projects that incentivize participation by awarding additional matching grants based on a beneficiary's achievement of specified academic goals, offering additional seed matching grants on the opening of a savings trust account or the purchase of a prepaid tuition contract, and providing incentives for employers to contribute matching funds to the program. The bill defines "beneficiary," "board," "participating beneficiary," and "program."

S.B. 1760 authorizes the board to accept gifts, grants, and donations from any public or private source for the purposes of these provisions. The bill requires the board to adopt rules for the administration of the Texas Save and Match Program.

S.B. 1760 requires the board to waive the amount of any enrollment fee charged by the board for a new account under the Higher Education Savings Plan for any beneficiary whose household adjusted gross income for the most recently completed tax year is not more than 200 percent of the federal poverty level.

S.B. 1760 amends the Health and Safety Code to prohibit the Health and Human Services Commission (HHSC), for purposes of determining whether a child meets family income and resource requirements for eligibility for the child health plan, from considering as income or resources a right to assets held in or a right to receive payments or benefits under any fund or plan established under the prepaid higher education tuition program, the Higher Education Savings Plan, the Texas tomorrow fund II, or the Texas Save and Match Program, including an interest in a savings trust account, prepaid tuition contract, or related matching account or any qualified tuition program of any state that meets the federal law requirements for qualified tuition programs of higher education savings entities.

S.B. 1760 amends the Human Resources Code to prohibit HHSC, for purposes of determining the amount of financial assistance granted to an individual for the support of dependent children or determining whether the family meets household income and resource requirements for financial assistance, from considering the right to assets held in or the right to receive payments or benefits under any fund or plan established under Prepaid Higher Education Tuition Program, the Higher Education Savings Plan, the Texas Tomorrow Fund II, or the Texas Save and Match Program, including an interest in a savings trust account, prepaid tuition contract, or related matching account or any qualified tuition program of any state that meets the federal law requirements for qualified tuition programs of higher education savings entities.

S.B. 1760 prohibits HHSC, except as otherwise provided, in determining eligibility and need for medical assistance, from considering as assets or resources a right to assets held in or a right to receive payments or benefits under prepaid higher education tuition program, the Higher Education Savings Plan, the Texas tomorrow fund II, or the Texas Save and Match Program, including an interest in a savings trust account, prepaid tuition contract, or related matching account or any qualified tuition program of any state that meets the federal law requirements for qualified tuition programs of higher education savings entities. The bill authorizes HHSC in determining eligibility and need for medical assistance for an applicant who may be eligible on the basis of eligibility for medical assistance for the aged, blind, or disabled under federal law, to

consider as assets or resources a right to assets held in or a right to receive payments or benefits under any fund, plan, or tuition program described above. The bill requires HHSC to seek a federal waiver authorizing HHSC to exclude, for purposes of determining the eligibility of such an applicant, the right to assets held in or a right to receive payments or benefits under any fund, plan, or tuition program if the fund, plan, or tuition program was established before the 21st birthday of the beneficiary of the fund, plan, or tuition program.

S.B. 1760 requires the Prepaid Higher Education Tuition Board to adopt rules as required by provisions relating to the Texas Save and Match Program not later than November 1, 2009. The bill requires a state agency, if before implementing any provision of this bill it determines that a waiver or authorization from a federal agency is necessary for implementation of that provision, to request the waiver or authorization and authorizes the agency to delay implementing that provision until the waiver or authorization is granted

S.B. 1760 repeals Section 54.7521, Education Code, relating to the Texas Save and Match Program.

**EFFECTIVE DATE**

September 1, 2009.