

**SUBJECT:** Special purpose scholarships under the Texas Tomorrow Fund

**COMMITTEE:** Higher Education — committee substitute recommended

**VOTE:** 7 ayes — Rangel, Solis, Bailey, Cuellar, Dunnam, Kamel, Rabuck  
1 nay — E. Reyna  
1 absent — Rodriguez

**WITNESSES:** For — None  
Against — None  
On — Jeff Cole, Comptroller's Office

**BACKGROUND :** In 1995, the 74th Legislature established the Texas Tomorrow Fund to allow individuals or groups to prepay higher education tuition and fees at prices that are locked in at the time payments begin. Private entities also can purchase tuition scholarships to be awarded by the Texas Prepaid Higher Education Tuition Board to economically needy students meeting certain academic criteria. The board has established a nonprofit direct-support organization (DSO) to receive gifts, grants, and loans to purchase scholarships. Scholarships may be terminated if the student is convicted of certain offenses.

**DIGEST:** CSHB 2055 would allow prepaid higher education tuition scholarships to be awarded to students who meet either economic or academic requirements established by the tuition board or by the DSO consistent with the board's rules. The tuition board would establish guidelines for receiving money from the private sector, including guidelines for accepting contributions subject to an agreement that the funds be awarded for a specific use or purpose, or subject to conditions placed on the award of scholarships, such as the satisfaction of academic, economic, or other requirements. Specific purpose scholarships would be exempt from the requirement that scholarships be distributed equitably throughout the state and could be terminated if the board determined that the student had violated a condition placed on the scholarship.

The bill also would allow public funds appropriated for that purpose to be used for scholarships, including use as matching funds for privately funded scholarships.

CSHB 2055 would take effect September 1, 1997. The tuition board would have to adopt guidelines for receiving money from the private sector and awarding specific use or purpose scholarships by January 1, 1998.

**SUPPORTERS  
SAY:**

CSHB 2055 would expand the ability of the Texas Tomorrow Fund program to help finance higher education for the students of Texas. Allowing the state and local governments to contribute to the Texas Tomorrow Fund would demonstrate the commitment state government and the citizens of Texas have to providing affordable higher education for students from all income levels. The public funds could draw down significant private matching dollars, encouraging increased private contributions to the fund and providing tuition scholarships for a greater number of students.

A similar program enacted by the State of Florida has been very successful. In 1990, Florida appropriated \$1.2 million, with the full amount matched by private contributions. By 1995, a legislative appropriation of \$1 million drew \$3 million in private donations.

The Texas Tomorrow Fund mainly benefits middle class Texans who can afford to prepay tuition. Authorizing the DSO to award scholarships on behalf of the state would allow the benefits of the program to be shared with children from low-income families. Giving children an early guarantee of college tuition can be a highly motivating factor, increasing students' chances of succeeding in high school and college.

CSHB 2055 would not be financially burdensome for the state. The bill would commit no state funds to the Texas Tomorrow Fund program, and the fiscal note anticipates no significant fiscal impact for the state. Instead, the bill would provide future legislatures with an additional option in the funding of higher education. CSHB 2055 would provide a fiscally

conservative tool that could expand access to higher education for all Texas' students.

OPPONENTS  
SAY:

The scholarship component of the Texas Tomorrow Fund was established to enable high-performing low-income students increased opportunities for higher education. Middle- and upper-income families can afford to use the program to lock-in tuition rates. By removing the stipulation that recipients of scholarships meet both academic *and* economic requirements, CSHB 2055 would greatly increase the number of individuals eligible for the program, diluting its purpose. The bill would allow use of public funds to award scholarships to students who were academically outstanding, but whose parents could afford college tuition themselves, defeating the very purpose of the program. Funding for higher education is scarce, and the Legislature should not create another way to subsidize higher education for middle-income and wealthy students.

The state and local governments should not directly contribute to the Texas Tomorrow Fund by funding pre-paid tuition scholarships. Despite rising costs, Texas has one of the country's most affordable higher education systems. It is unwise to begin subsidizing higher education for individual students by funding scholarships; such activity is best left to the private sector.

OTHER  
OPPONENTS  
SAY:

CSHB 2055 outlines the parameters of special purpose scholarships in only in the vaguest terms. It would allow the DSO to establish the economic and academic terms on which scholarships were awarded, but would provide no guidelines or standards for awards except the existing requirement that the recipients not be delinquents. The bill should provide stricter guidelines for awarding scholarships.

NOTES:

The committee substitute eliminated a requirement in the original version of the bill that scholarship recipients meet both academic and economic requirements, allowed for the establishment of a DSO and authorized it to handle financial activities, award scholarships, and establish criteria for scholarship awards.

The companion bill, SB 849 by Ellis and Barrientos, has been referred to the Senate Finance Committee.

HB 9 by Stiles, Raymond and Kamel., revising the Texas Tomorrow Fund program, originally would have authorized public funding of scholarships based on economic or academic requirements similar to provisions in CSHB 2055. During House floor consideration, HB 9 was amended to remove those provisions and, as amended, passed the House on March 19. On April 28, the Senate Finance Committee reported HB 9 favorably, with an amendment to allow publicly funded scholarships granted on the basis of economic or academic requirements.