

- SUBJECT:** Continuing the Prepaid Higher Education Tuition Board
- COMMITTEE:** Higher Education — favorable, without amendment
- VOTE:** 9 ayes — Murphy, Pacheco, Cortez, Frullo, Ortega, Parker, Raney, C. Turner, J. Turner
- 0 nays
- 2 absent — P. King, Muñoz
- SENATE VOTE:** On final passage, April 6 — 31-0
- WITNESSES:** No public hearing.
- BACKGROUND:** The Texas Prepaid Higher Education Tuition Board, established in the Office of the Comptroller of Public Accounts in 1995, administers five tax-advantaged education savings programs for the purpose of allowing families and individuals to save for educational and disability-related expenses. Two are prepaid tuition plans, two are college savings plans, and the other is a savings program for individuals with disabilities.
- Functions.** The board meets at least quarterly to carry out business related to the administration of the programs, including, but not limited to, the following key activities:
- adopting rules, investment policies, and asset allocations for the plans;
  - administering and managing the Texas Guaranteed Tuition Plan (formerly known as the Texas Tomorrow Fund) that is closed to enrollment to maintain actuarial soundness of the program;
  - contracting with a plan manager for the day-to-day management and administration of the four open plans: Texas Tuition Promise Fund, Texas College Savings Plan, Lonestar 529 Plan, and Texas Achieving a Better Life Experience Program (Texas ABLE); and

- collaborating with the plan manager and a local advertising firm to market the four open plans through digital and traditional advertising channels, such as billboards, transit ads, and radio ads.

**Governance.** The seven-member board is led by the comptroller, who serves as the presiding officer and executive director. Two members are appointed by the governor with the advice and consent of the Senate, and four members are appointed by the lieutenant governor, two of whom must be appointed from a list of persons recommended by the House speaker. The appointed members serve staggered terms of six years and must possess knowledge, skill, and experience in higher education, business, or finance.

**Staffing.** The board has no staff of its own and reimburses the comptroller's office for 18 staff who support the programs' day-to-day operations, including a director designated by the comptroller to lead the agency. In addition, the board contracts for plan managers, actuarial and audit services, and tax and investment consultants.

**Funding.** The board is not funded by appropriations but instead collects revenue from fees and investments to cover the cost of administering the programs. Distributions to account holders are paid from account holder contributions, prepaid tuition contract payments, and investment income. In fiscal 2019, the board collected \$379 million in revenue and managed more than \$2 billion in combined assets. The board distributed about \$290 million to account holders and \$171 million to universities and colleges. In addition, the board spent \$8 million on program administration. Combined expenditures exceeded revenue by \$95 million.

The board's last Sunset review was in 2007 during the 80th regular session, when it was continued in operation until 2019. SB 652, enacted by the 82nd Legislature in 2011, extended the Sunset date to 2021. The board will be discontinued on September 1, 2021, if not continued in statute.

DIGEST: SB 702 would continue the Prepaid Higher Education Tuition Board until

September 1, 2033.

The bill would make certain changes to the statutes governing the board. Certain programs administered by the board that currently are subject to termination upon the board's abolition would be allowed to continue even if the board was not continued under the Texas Sunset Act.

The bill also would allow the board to establish by rule advisory committees to make recommendations to the board on programs, rules, and policies. In establishing an advisory committee, the board would have to adopt rules, including rules regarding:

- the purpose, role, responsibility, goals, and duration of the committee;
- the size of and quorum requirement for the committee;
- qualifications for committee membership;
- appointment procedures for members;
- terms of service for members;
- training requirements for members;
- policies to avoid conflicts of interest by members;
- a periodic review process to evaluate the continuing need for the committee; and
- policies to ensure the committee did not violate any applicable provision of the Open Meetings Act.

These advisory committees would not be subject to certain statutory provisions related to state agency advisory committees

SB 702 would add standard across-the-board recommendations related to board member training and complaint notification procedures. The bill would require the executive director of the board to create and distribute a training manual to board members annually and require a written acknowledgement from board members indicating their receipt of the manual. The bill would provide for the transition to the new training requirements for board members appointed before the bill's effective date. The board would not be required to periodically notify relevant parties of

the status of a complaint if doing so would jeopardize the complaint investigation.

The bill would take effect September 1, 2021, and would apply to a board member appointed before, on, or after that date.

**SUPPORTERS  
SAY:**

SB 702 would continue the Prepaid Higher Education Tuition Board for another 12 years because it continues to meet the needs of Texas families to save for higher education and supports the state's goal of developing a skilled workforce. The comptroller's office continues to be the most appropriate agency to house the board due to its cost-effectiveness.

The five plans managed by the board provide a significant benefit for account holders. Beneficiaries of these tax-advantaged savings programs are able to obtain their educational goals with substantially less student debt, or none at all, at a time when tuition and other educational costs continue to rise. Additionally, under the board's supervision, the Achieving a Better Life Experience (ABLE) program helps Texans with disabilities achieve greater financial independence, which in turn can maintain and improve their overall quality of life. While the Sunset Advisory Commission found that the board effectively manages and administers these plans, SB 702 would ensure that the programs could continue even if the board was discontinued in the future.

Providing the board with general advisory committee authority would enable the board to benefit from additional assistance and valuable expertise in the improvement and promotion of its programs. The board relied heavily on a since-expired statutory advisory committee in the creation and development of the ABLE program. Allowing such committees to be established by board rule rather than statute would grant the board the flexibility to adapt to current needs. The bill also would provide clear guidance on the structure, purposes, and oversight of advisory committees.

**CRITICS  
SAY:**

No concerns identified.

NOTES: The House companion bill, HB 1850 by Paddie, was considered by the House Higher Education Committee in a public hearing on March 25 and left pending.