

BILL ANALYSIS

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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas' changing demographics coupled with our economic needs creates new challenges for our state. Texas is growing rapidly and will continue to experience an increase in a population that is low-income, Hispanic, and young. In 2006 there were 1.2 million more children under the age of five than in 2000, and 300,000 of those live in Texas. Hispanics have less higher educational attainment than African-Americans and non-Hispanic Whites (45.3 percent have less than a high school diploma, compared to African-Americans (16.6 percent) and non-Hispanic Whites (9.6 percent)).

Texas currently has a larger percentage of low-income families than most states. The United States Bureau of the Census ranks Texas ninth among the 50 states in the overall percentage of people living in poverty, and one-third of those in poverty in Texas are Hispanic. The median household income in Texas, at little over \$47,500, is about 6.3 percent lower than the national average of \$50,700. One of four Hispanic households makes less than the state's household median income.

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 (THECB). But today's students are facing more obstacles than ever in trying to fund their post-secondary education. Students are 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 colleges rose 112 percent from 2003 to 2007, and the gap between actual college costs and aid received by Texas students rose by 71 percent between 2001 and 2006. The 2006 Education Trust report notes that the maximum federal grant for low-income college students in 1975 covered 84 percent of a public university education; now it covers only one-third.

Currently, there is no program that targets this population, nor that awards academic achievement to qualifying seventh graders with units in the Texas Tomorrow Promise Fund II.

As proposed, S.B. 2025 creates the Prepaid Tuition Unit Reward and Incentive program, an account for economically disadvantaged seventh graders who are commended on the three subjects tested on the Texas Assessment of Knowledge and Skills (TAKS).

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Prepaid Higher Education Tuition Board in SECTION 2 (Section 54.779, Education Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 39, Education Code, by adding Section 39.0236, as follows:

Sec. 39.0236. NOTICE REGARDING ELIGIBILITY FOR PREPAID TUITION UNIT REWARD AND INCENTIVE PROGRAM. (a) Requires the Texas Education Agency

(TEA), each year, to facilitate the administration of the prepaid tuition unit reward and incentive program under Section 54.779, to provide to the Prepaid Higher Education Tuition Board (board), using codes or other methods as necessary to protect the identity of students, a list of those seventh grade students classified as economically disadvantaged students by the most recent economically disadvantaged status report issued by TEA whose performance on one or more seventh grade assessment instruments administered under Section 39.023(a) (relating to requiring TEA to adopt or develop appropriate criterion-referenced assessment instruments designed to assess essential knowledge and skills in reading, writing, mathematics, social studies, and science) is identified by the State Board of Education as commended; and provide to each school district the information necessary for the school district to comply with Subsection (b).

(b) Requires a school district, in a manner consistent with the confidentiality requirements prescribed by Section 39.030 (Confidentiality; Performance Reports), to notify the parents or guardians of each district student included in the list described by Subsection (a) regarding the student's eligibility for the prepaid tuition unit reward and incentive program under Section 54.779, the educational benefits available to the student under that program, and the procedure for claiming the student's benefits as a beneficiary of a tuition unit account established by the board on behalf of the student under that program.

SECTION 2. Amends Subchapter H, Chapter 54, Education Code, by adding Section 54.779, as follows:

Sec. 54.779. PREPAID TUITION UNIT REWARD AND INCENTIVE PROGRAM.

(a) Requires the board, in an effort to incentivize participation in the prepaid tuition unit undergraduate education program by economically disadvantaged families and to reward high-level academic performance by economically disadvantaged students, using funds available for the purposes of this section, to develop and implement a prepaid tuition unit reward and incentive program under which the board, based on the list provided by TEA under Section 39.02361(a)(2):

(1) opens an access-restricted account under this subchapter on behalf of each student included on the list provided under Section 39.0236(a)(1);

(2) purchases for the student's account, at the time the account is opened, 10 Type III tuition units or the equivalent as determined by the board under this subchapter; and

(3) subject to the limitation prescribed by Subsection (c), periodically purchases additional tuition units for the student's account to award continued academic achievement or high-level performance on statewide assessment instrument by the student, or to match purchases of tuition units made by other person on behalf of the student under a prepaid tuition contract under this subchapter.

(b) Requires the board, in collaboration with TEA, to use codes or other methods as necessary to protect the identity of eligible students in compliance with the Family Educational Rights and Privacy Act of 1974 (20 U.S.C. Section 1232g) or other law, and establish procedures by which the board is authorized to verify the identity of a beneficiary who applies to the board to redeem tuition units purchased on the beneficiary's behalf under the program or to match purchases of tuition units under Subsection (a)(3).

(c) Prohibits the board from purchasing more than 100 Type III tuition units or the equivalent under this subchapter for any student under the reward and incentive program.

(d) Provides that tuition units purchased by the board on behalf of a student under this section are authorized to be redeemed only by the board or by a qualified institution of higher education in the manner prescribed by the board.

(e) Requires the board, in consultation with TEA, to adopt rules for the administration of this section, including rules:

(1) establishing a procedure by which an eligible student is authorized to claim the student's benefits as a beneficiary of a tuition unit account established by the board under this section;

(2) providing for the disposition of tuition units in unclaimed accounts; and

(3) providing for the ongoing analysis and assessment of the level of participation of the level of participation in the reward and incentive program among eligible students, the effectiveness of the reward and incentive program in incentivizing participation in the prepaid tuition unit undergraduate education program by other persons on behalf of eligible students, and the enrollment of participating students in institutions of higher education, and whether to expand the reward and incentive program to include students enrolled in other grades at public schools in this state.

(f) Authorizes the board, in coordination with TEA, to conduct outreach to the households of beneficiaries of claimed accounts under this section for the purposes of providing general information regarding the reward and incentive program, federal income tax filing assistance, and other related financial education assistance.

(g) Authorizes the board to solicit and accept gifts, grants, and donations from any public or private source for the purposes of this section.

(h) Requires the board, if funds available for the purposes of this section in any fiscal year are insufficient to purchase tuition units for all eligible students, to give priority to purchasing tuition units for eligible students who achieved commended performance levels on all of the assessment instruments administered under Section 39.023(a) (relating to requiring TEA to adopt or develop appropriate criterion-referenced assessment instruments designed to assess essential knowledge and skills in reading, writing, mathematics, social studies, and science).

SECTION 3. Requires the board to adopt rules to implement Section 54.779, Education Code, as added by this Act, beginning with the 2010-2011 school year.

SECTION 4. Effective date: upon passage or September 1, 2009.