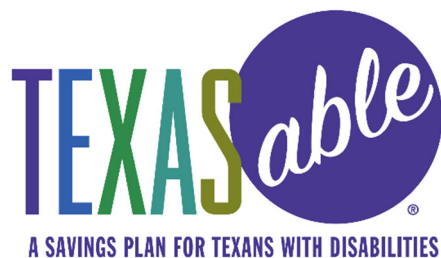


SELF-EVALUATION REPORT of the Texas Prepaid Higher Education Tuition Board





GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O.Box 13528 • Austin, TX 78711-3528

September 3, 2019

The Honorable Brian Birdwell, Chair
The Honorable Chris Paddie, Vice Chair
The Honorable Dawn Buckingham, M.D.
The Honorable Bob Hall
The Honorable Robert Nichols
The Honorable Kirk Watson
The Honorable Dan Flynn
The Honorable Stan Lambert
The Honorable Poncho Nevárez
The Honorable Senfronia Thompson
Ms. Emily Pataki
Mr. Ronald G. Steinhart
Ms. Jennifer Jones, Executive Director
Texas Sunset Advisory Commission
1501 N. Congress Ave., 6th Floor
Austin, Texas 78701

Members and Staff of the Texas Sunset Advisory Commission:

As chair of the Texas Prepaid Higher Education Tuition Board, it is my pleasure to submit the Board's self-evaluation report.

The importance of an educated workforce for our state cannot be overstated. A strong educational foundation is the cornerstone for growth and competitiveness in the global economy.

The tax-advantaged education savings plans established by the Legislature and administered by the Board are important tools to help many of our fellow Texans save for higher education. Nearly 250,000 Texans have enrolled in the Texas education savings plans. These plans ensure our state's young and growing population is one of the world's strongest workforces.

Last year we launched the Texas Achieving a Better Life Experience (Texas ABLE[®]) Program, a life-changing program designed to help Texans with disabilities save for qualified disability expenses without losing critical federal and state benefits.

Texas Sunset Advisory Commission
September 3, 2019
Page Two

Our distinguished and dedicated board members take very seriously their responsibility in managing the plans, including almost \$2 billion invested in the Texas education savings plans and the Texas ABLE program.

The state's original prepaid college tuition plan – the Texas Tomorrow Fund I, aka the Texas Guaranteed Tuition Plan – closed to new enrollment in 2003. The Board administers contracts still active in this plan, and the following programs are still open to new enrollment through the Comptroller's office:

- The Texas Tomorrow Fund II, aka the Texas Tuition Promise Fund[®], a prepaid college tuition plan;
- The Texas College Savings Plan[®], a direct-sold college savings plan;
- The LoneStar 529 Plan[®], an advisor-sold college savings plan; and
- The Texas ABLE[®] Program, a savings program for individuals with disabilities.

It is our honor and privilege to work with the owners of these accounts throughout the years, whether they are saving for their beneficiary's college or disability-related expenses. Our experienced and committed staff provide support every step of the way.

We look forward to working with your staff on this important review.

If I may be of assistance, please contact me directly.

Sincerely,

A handwritten signature in black ink, appearing to read "Glenn Hegar". The signature is fluid and cursive, with a large initial "G" and "H".

Glenn Hegar

cc: Michele Purgason, Member, Texas Prepaid Higher Education Tuition Board
Ben Streusand, Member, Texas Prepaid Higher Education Tuition Board
Judy Trevino, Member, Texas Prepaid Higher Education Tuition Board
Javier Villalobos, Member, Texas Prepaid Higher Education Tuition Board
Jarrod Winkcompleck, Member, Texas Prepaid Higher Education Tuition Board
Deborah Zuloaga, Member, Texas Prepaid Higher Education Tuition Board

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Texas Prepaid Higher Education Tuition Board

Self-Evaluation Report

I. Agency Contact Information

A. Please fill in the following chart.

Texas Prepaid Higher Education Tuition Board
Exhibit 1: Agency Contacts

	Name	Address	Telephone & Fax Numbers	Email Address
Agency Head (Executive Director)	Glenn Hegar, Comptroller	111 E. 17th St., Austin, Texas 78774	Telephone: 512-463-8617 Fax: 512-463-4902	Glenn.Hegar@cpa.texas.gov
Agency's Sunset Liaison	Linda Fernandez, Division Director	311 E. 14th St., Austin, Texas 78701	Telephone: 512-463-4863 Fax: 512-463-4208	Linda.Fernandez@cpa.texas.gov

Table 1 Exhibit 1 Agency Contacts

II. Key Functions and Performance

Provide the following information about the overall operations of your agency. More detailed information about individual programs will be requested in a later section.

A. Provide an overview of your agency's mission, objectives, and key functions.

MISSION: The Texas Prepaid Higher Education Tuition Board (the Board), agency #315, was established by Education Code, Chapter 54, Subchapter F in 1995. The Board administers the following State of Texas prepaid tuition and savings plans and programs created by Education Code, Chapter 54, Subchapters F, G, H, I, and J (collectively, the Program):

- Texas Tomorrow Fund®, aka the Texas Guaranteed Tuition Plan or TGTP, the state's original prepaid tuition plan first opened for enrollment in 1996 and closed to new enrollment in 2003
- Texas Tomorrow Fund II, aka the Texas Tuition Promise Fund® or TTPF, a new prepaid tuition plan first opened for enrollment in 2008

- Higher Education Savings Plans, opened for enrollment in 2002, and includes the Texas College Savings Plan® (TCSP), a direct-sold college savings plan, and the LoneStar 529 Plan® (LoneStar), an advisor-sold college savings plan (collectively, the Texas college savings plans)
- Texas Achieving a Better Life Experience Program (Texas ABLE®), a tax-advantaged savings plan for Texans with disabilities to save for qualified disability expenses
- Texas Save and Match Program (Save and Match), a program to award matching scholarships and tuition grants to participants of the Texas Tuition Promise Fund and the Texas college savings plans

The tax-advantaged prepaid tuition and college savings plans (529 Plans) allow individuals to prepay and save for college expenses. The tax-advantaged Texas ABLE savings plan (529A Program) allows Texans with disabilities to save for qualified disability expenses. The prepaid tuition and college savings plans are authorized by Internal Revenue Code (IRC) Sec. 529. Texas ABLE is authorized by IRC Sec. 529A.

The seven-member Board consists of the Comptroller, two members appointed by the Governor and four members appointed by the Lieutenant Governor, two of whom are appointed from a list of persons recommended by the Speaker of the House. Board members serve staggered six-year terms and must possess knowledge, skill, and experience in higher education, business, or finance. The Board is chaired by the Comptroller who also serves as the Executive Director of the Board. The Comptroller has selected the Comptroller's Educational Opportunities and Investments Division (the Division) to serve as the staff of the Board.

OBJECTIVES: The statutory public purpose of the Board is to help Texas families to prepay or save for college through the prepaid tuition and college savings plans and to meet the statutory purpose of Texas ABLE:

- 1) To encourage and assist individuals and families in saving funds for the purpose of supporting individuals with disabilities to maintain health, independence, and quality of life, and
- 2) To provide secure funding for qualified disability expenses on behalf of designated beneficiaries with disabilities that will supplement, but not supplant, benefits provided through private insurance, the Medicaid Program under Title XIX of the Social Security Act, the supplemental security income program under Title XVI of the Social Security Act, the beneficiary's employment, and other sources.

KEY FUNCTIONS: The Board meets at least quarterly to conduct business related to administration of the Program. Business includes, but is not limited to, adoption of Program

rules; approval of the Program budget; adoption of asset allocations and investment policies; selection of contractors including, but not limited to, the investment consultant, 529 consultants, investment managers, the custodian bank, outside counsel, Program managers, auditors, and actuaries; approval to issue RFPs; approval of TGTP hourly reimbursement rates and TTPF sales prices; and adoption of the actuarial assumptions.

Key functions of Division staff in support of the Program include TGTP recordkeeping, customer service, accounting, processing of contract payments, distributions to colleges and universities, refunds to purchasers, distribution of IRS Form 1099Qs and annual statements, and contract changes; RFP development and evaluation; contract development and monitoring; compilation and analysis of annual surveys from Texas colleges and universities used to calculate TGTP hourly reimbursement rates and TTPF sales prices and redemption values; budget development and monitoring; arranging Board meetings, including preparing agendas and assembling board notebook materials; and financial reporting. Division staff are also responsible for promoting awareness of TTPF, TCSP, and Texas ABLE through grassroots marketing activities.

Certain key functions of the college savings plans, Texas Tuition Promise Fund, and Texas ABLE Program are outsourced to NorthStar Financial Services Group, LLC, as administrator and program manager of those plans. By contract NorthStar is responsible for the following:

- Investment Management;
- Distribution – Advisor-Sold Plan;
- Administration, Recordkeeping, Customer Service, and Fund Accounting and Reporting; and
- Marketing.

B. Do your key functions continue to serve a clear and ongoing objective? Explain why each of these functions is still needed.

Nearly 250,000 individuals have enrolled in the Program administered by the Board, with approximately 119,000 of those accounts active today. The Board is responsible for \$2 billion in assets under management. In FY 2018, the Program processed over \$500 million in receipts, including contributions from account owners, and distributed approximately \$400 million in payment of qualified educational expenses to colleges and universities and refunds and distributions to account owners. An estimated 64,000 benefit distributions are made annually to approximately 1,000 colleges and universities on behalf of approximately 23,000 Program beneficiaries. The Program responded to over 53,000 customer calls in 2018.

C. What, if any, functions does your agency perform that are no longer serving a clear and ongoing purpose? Which agency functions could be eliminated?

All functions performed by the agency are necessary to support participants in the Board's Programs.

D. Does your agency's enabling law continue to correctly reflect your mission, objectives, and approach to performing your functions?

Yes

E. Have you recommended changes to the Legislature in the past to improve your agency's operations? If so, explain. Were the changes adopted?

During the 86th Legislative Session, the agency recommended the following changes that were adopted by the Legislature:

- Comptroller authority to dissolve the Texas Prepaid Tuition Scholarship Foundation that was established to award scholarships to participants of the Texas Guaranteed Tuition Plan, which closed to new enrollment in 2003, and transfer of the assets to the Texas Match the Promise Foundation to be used to award scholarships to participants of the Texas Tuition Promise Fund and Texas college savings plans, which are both open to new enrollment. The changes were adopted under H.B. 2668.
- Changes were recommended by the agency to Education Code, Chapter 54, Subchapters F, G, and H. The following changes were adopted under H.B. 3655:
 - Clarification that requirements related to board members apply for purposes of all subchapters administered by the Board
 - Definition of "Qualified higher education expenses" was amended as a result of changes in the Tax Cuts and Jobs Act
 - Obsolete language related to non-qualified withdrawals for tax withholding no longer required by the IRS was deleted
 - Authority to pay Transfer Value for tuition and required fees at Texas "medical and dental units" was added to Texas Tomorrow Fund II
 - General academic teaching institutions and two-year institutions of higher education are now required to provide annual surveys of tuition and required fees to the Texas Tomorrow Fund II, aka Texas Tuition Promise Fund, by June 1 of each year

- Amendment to the deadline for the Program to submit annual statements from January 1 to January 31 to allow adequate time to post all calendar year-end transactions
- A change was recommended in the Texas ABLE Program to amend language related to individuals who can establish an account on behalf of a beneficiary to make it consistent with federal legislation and program practice. The change was adopted under S.B. 1184.
- The Comptroller's BRE set aside funds of \$211 million to cover the projected deficit in the Texas Guaranteed Tuition Plan for the 2019-2021 biennium. The Legislature appropriated funds from the economic stabilization fund to cover the projected deficit under S.B. 500.

F. Do any of your agency's functions overlap or duplicate those of another state or federal agency? Explain if, and why, each of your key functions is most appropriately placed within your agency. How do you ensure against duplication with other related agencies?

No other federal or Texas state agency offers IRC Sec. 529 Plans and 529A Programs. Other states offer college savings plans that are open to Texas residents, but other state prepaid tuition plans are restricted to in-state residents. Some ABLE programs in other states are open to enrollment by out-of-state residents. Most are managed by an external plan manager. Almost all state Sec. 529 and 529A plans are administered by the office of the state treasurer or comptroller.

IRC §529. Qualified Tuition Programs

(a) General rule

A qualified tuition program shall be exempt from taxation under this subtitle. Notwithstanding the preceding sentence, such program shall be subject to the taxes imposed by Section 511 (relating to imposition of tax on unrelated business income of charitable organizations).

(b) Qualified tuition Program

For purposes of this section-

(1) In general

The term "qualified tuition program" means a program established and maintained by a State or agency or instrumentality thereof or by 1 or more eligible educational institutions-

(A) under which a person-

(i) may purchase tuition credits or certificates on behalf of a designated beneficiary which entitle the beneficiary to the waiver or payment of qualified higher education expenses of the beneficiary, or

(ii) in the case of a program established and maintained by a State or agency or instrumentality thereof, may make contributions to an account which is established for the purpose of meeting the qualified higher education expenses of the designated beneficiary of the account, and

(B) which meets the other requirements of this subsection.

IRC §529A. Qualified ABLE Programs

(a) General rule.--A qualified ABLE program shall be exempt from taxation under this subtitle. Notwithstanding the preceding sentence, such program shall be subject to the taxes imposed by Section 511 (relating to imposition of tax on unrelated business income of charitable organizations).

(b) Qualified ABLE program.--For purposes of this section--

(1) In general.--The term "qualified ABLE program" means a program established and maintained by a State, or agency or instrumentality thereof--

(A) under which a person may make contributions for a taxable year, for the benefit of an individual who is an eligible individual for such taxable year, to an ABLE account which is established for the purpose of meeting the qualified disability expenses of the designated beneficiary of the account,

(B) which limits a designated beneficiary to 1 ABLE account for purposes of this section, and

(C) which meets the other requirements of this section.

G. In general, how do other states carry out similar functions?

Currently 49 states and the District of Columbia offer college savings plans and 12 states and 1 private provider offer prepaid tuition plans. State college savings plans are generally open to residents of other states, but prepaid tuition plans are generally only open to home-state residents. All plans are administered in a similar manner since all are governed by IRC Sec. 529. States with a state income tax often offer deductions for contributions to their state's 529 plan.

Forty-one states and the District of Columbia offer ABLE programs. States vary regarding residency requirements, but a number of state ABLE programs are open to residents of other

states. Texas ABLE is only open to Texas residents, although the Board has the option of extending participation to non-state residents. All programs are administered in a similar manner since all are governed by IRC Sec. 529A. Some states have teamed up to offer ABLE programs through partnerships or alliances. For instance, there are currently 12 states operating under the umbrella of the STABLE Program offered by Ohio. Those programs are typically “cookie-cutter” based with state oversight boards having limited input into program characteristics such as asset allocations, portfolio options, underlying investments, and fees.

H. What key obstacles impair your agency’s ability to achieve its objectives?

None

I. Discuss any changes that could impact your agency’s key functions in the near future (e.g., changes in federal law or outstanding court cases).

S. 651 and H.R. 1814 are pending in Congress that would amend Sec. 529A of the IRC to increase the age requirement with respect to eligibility for qualified ABLE programs from an age of disability onset before age 26 to an age of disability onset before age 46. Increasing the age eligibility would open up ABLE programs to an additional six million individuals, including veterans with disabilities resulting from military service that occurred after the age of 25.

J. Aside from additional staff or funding, what are your agency’s biggest opportunities for improvement in the future? For example, are there other Programs or duties the agency could take on to better carry out its mission?

None, other than increased staffing and funding would allow for increased awareness of the 529 Plans and ABLE Program through increased marketing and grassroots outreach.

K. Overall, how does the agency measure its effectiveness in carrying out its objectives?

Investment performance, Program participation, and customer service are the most important measures for the Program.

In the following chart, provide information regarding your agency’s key performance measures, including outcome, input, efficiency, and explanatory measures. See Exhibit 2 Example. Please provide both performance measures listed in the agency’s appropriated bill pattern and other performance indicators tracked by the agency. Please provide information regarding the methodology used to collect and report the data.

The Board does not have performance measures as agency operations are not funded through appropriations. However, the Comptroller’s office sets performance measures for the Division related to the Program.

With advice from the investment consultant, the Board adopts investment policy statements for each plan, sets the asset allocations, and selects the underlying investment managers and funds. At each quarterly board meeting, the investment consultant presents detailed investment performance reports for each plan.

The Program manager for the Texas Tuition Promise Fund, Texas college savings plan, and Texas ABLE presents detailed information to the Board at each quarterly meeting regarding Program participation.

Customer service is monitored through survey documents sent to customers, timeliness of responses to customer inquiries, and complaints to the Board.

The Key Internal Performance Measures reported in the following chart are included in the Business Plan for the Comptroller’s Educational Opportunities and Investments Division.

**Texas Prepaid Higher Education Tuition Board
Exhibit 2: Key Internal Performance Measures
for the Comptroller’s Educational Opportunities and Investments Division
Fiscal Year 2018**

Key Performance Measures	Dataset Reference Number* (if applicable)	Calculation (if applicable)	FY 2018 Target	FY 2018 Actual Performance	FY 2018 % of Annual Target
Annual Rate of Return on TGTP and TTPF Investments	0001	Calculated by Board’s investment consultant	2.90%	5.74%	197.93%
Growth in Assets Related to Performance	0001	Calculated by Board’s investment consultant	2.00%	1.70%	85.00%
Number of New Accounts (all plans)	0002	Based on reports provided by the Program manager	2,000	2,764	138.20%
% of Favorable Comments from Respondents to Surveys (TGTP)	0003	Based on customer survey card responses	90.00%	96.16%	106.84%
% of TGTP Inquiries Responded to Timely	0004 0005	Based on number of days before responding to customers’ written or telephone inquiries	95.00%	96.50%	101.58%

Table 2 Exhibit 2 Key Performance Measures *See Exhibit 3

- L. Please list all key datasets your agency maintains. Why does the agency collect these datasets and what is the data used for? Is the agency required by any other state or federal law to collect or maintain these datasets? Please note any “high-value data” the agency collects as defined by Texas Government Code, Section 2054.1265. In addition, please note whether your agency has posted those high-value datasets on publically available websites as required by statute.

**Texas Prepaid Higher Education Tuition Board
Exhibit 3: Key Datasets**

Dataset Reference Number	Dataset Name	Description of Data	Data Maintained By	Hyperlink (if publicly available)	Legal Prohibition to Disclosure Y/N
0001	Investment Activity	Detail received from investment managers and Program managers related to investments	Aon Hewitt Investment Consulting, Inc., investment consultant to the Board	N/A	N
0002	Account Activity	Account owner records	NorthStar Financial Services Group, LLC, Program manager of TTPF, Texas college savings plans, and Texas ABLE	N/A	Y (Sec. 54.643, Sec. 54.714, Sec. 54.775 and 54.914)
0003	Customer Survey Responses	Excel spreadsheet that compiles survey cards received from customers	Agency	N/A	No, to the extent that customer names or account numbers are not included on survey card
0004	Customer Inquiries and Response Dates	Access database tracking customer inquiries by receipt date and response date	Agency	N/A	No, to the extent that customer names or account numbers are not included in the Access database
0005	Record Keeping Systems	Records of accounts	Agency	N/A	Y (Sec. 54.643, Sec. 54.714, Sec. 54.775, and 54.914)

Table 3 Exhibit 3 Key Datasets

The datasets listed above are used in reports to the Board and/or calculation of certain internal performance measures as noted in Exhibits 2 and 12. The agency is not required by any other state or federal law to collect or maintain these datasets, except to the extent dataset 0005 is used to report information to the IRS. The agency does not collect any “high-value data” as defined by Texas Government Code, Section 2054.1265.

III. History and Major Events

Texas Prepaid Higher Education Tuition Board

1995

H.B. 1214, 74th Legislature, which became effective September 1, 1995, created the 7-member Texas Prepaid Higher Education Tuition Board and established the Texas Tomorrow Constitutional Trust Fund. The bill established the prepaid higher education tuition program that allowed purchasers to enter into a prepaid tuition contract with the Board to prepay tuition and school-wide required fees for a beneficiary to attend an institution of higher education or private or independent institution of higher education. The plan opened for enrollment as the Texas Tomorrow Fund and was operated by Division staff. The bill also authorized the Board to establish a direct-support organization to award prepaid higher education tuition scholarships to certain students meeting economic and academic requirements adopted by the Board.

1996

The Internal Revenue Code (IRC) of 1986 was amended to add Sec. 529 stating that a “qualified tuition program” established and maintained by a State or agency or instrumentality thereof or by 1 or more eligible educational institutions was exempt from taxation. Sec. 529 also exempted earnings from the gross income of the beneficiary of a qualified tuition program, or a contributor to a qualified tuition program on behalf of a beneficiary, if distributions were used for qualified educational expenses.

1997

On November 4, 1997, Texas voters passed Proposition 13, adopting H.J.R. 8, 75th Legislature, a constitutional amendment that put the State’s official backing behind the plan, thereby guaranteeing the Texas Tomorrow Constitutional Trust Fund with the full faith and credit of the State of Texas. The name of the plan was changed from the Texas Tomorrow Fund to the Texas Guaranteed Tuition Plan.

The Board requested a ruling from the IRS on whether the State of Texas’ tuition program was exempt from taxation under Subtitle A of Sec. 529.

The Board established the Texas Prepaid Tuition Scholarship Foundation to provide prepaid tuition scholarships to eligible students selected by the Board.

1999

The Internal Revenue Service (IRS) determined the Texas Prepaid Tuition Scholarship Foundation was exempt from federal income tax under Sec. 501(a) of the IRC as a 501(c)(3) organization.

2001

S.B. 555, 77th Legislature, which became effective June 15, 2001, established the higher education savings plan to enable individuals to save money for the qualified higher education expenses of an individual by establishing a savings trust account in the plan. The bill required the Board to contract with one or more financial institutions to serve as plan manager and to invest the money in savings trust accounts. Following a competitive bidding process, AXA Enterprise was selected as the plan manager and the plan opened for enrollment as Tomorrow's College Investment Plan.

2002

Texas College Savings Plan's enrollment opened.

2003

Tuition was deregulated by the 78th Legislature. The Comptroller closed the Texas Guaranteed Tuition Plan to new enrollment. The 78th Legislature amended Sec. 54.624 to require Texas senior public colleges and universities to accept as payment in full by the plan the lesser of actual tuition and required fees or the weighted average amount of tuition and required fees of all public senior colleges and universities.

2007

Following a competitive bidding process, the Board selected OFI Private Investments, Inc., a subsidiary of Oppenheimer Funds, Inc., as the new plan manager of the higher education savings plan and established the direct-sold Texas College Savings Plan and the advisor-sold LoneStar 529 Plan to replace Tomorrow's College Investment Plan.

H.B. 3900, 80th Legislature, which became effective June 15, 2007, established the prepaid tuition unit undergraduate education program, the Texas Tomorrow Fund II. Following a competitive bidding process, OFI Private Investments, Inc. was selected as the plan manager for the new prepaid tuition plan. The Texas Save and Match Program was created by the bill to award scholarships to eligible beneficiaries of Texas Tomorrow Fund II and the Texas college savings plans.

2008

Texas Tomorrow Fund II opened for enrollment as the Texas Tuition Promise Fund.

2009

The Board proposed a rule to reduce the amount refunded to account owners cancelling hours on a Texas Guaranteed Tuition Plan contract to the amount paid for the hours cancelled, less plan fees, instead of the amount that would have been paid for the hours if used for tuition and required fees, less plan fees. The rule was reversed at the request of certain members of the Legislature.

2014

H.R. 647, 113th Congress, amended the IRC of 1986 to authorize states to establish qualified ABLE programs under which a person could make contributions to an ABLE account established for the purpose of supplementing funding for qualified disability expenses of the designated beneficiary of the account (the ABLE Act of 2014 or Act). The Act required the Secretary of the Treasury to promulgate regulations or other guidance for the Act no later than six months after enactment of the Act.

Following a competitive bidding process, NorthStar Financial Services Group, LLC, was selected as the plan manager for the Texas Tuition Promise Fund and Texas college savings plans.

2015

S.B. 1664, 84th Legislature, which became effective June 19, 2015, established the Texas Achieving a Better Life Experience (ABLE) Program to encourage and assist Texans with qualifying disabilities in maintaining health, independence, and quality of life by saving for qualified disability expenses in a tax-advantaged savings account.

The ABLE Act of 2014 required that a beneficiary be a resident of the state in the ABLE Program in which he or she enrolled; however, IRC Sec. 529A was amended in 2015 to allow a beneficiary to enroll in any state ABLE Program that offers enrollment to out-of-state beneficiaries.

H.B. 2, 84th Legislature, appropriated \$87,671,644 to the Comptroller from general revenue for the purpose of partially funding the projected deficit of the Texas Guaranteed Tuition Plan.

2016

Following a competitive bidding process, NorthStar Financial Services Group, LLC was selected as the program manager for the Texas ABLE Program.

2017

The Tax Cuts and Jobs Act of 2017 amended IRC Sec. 529 to allow account owners of college savings plans to use the plans for payment of tuition at eligible elementary or secondary public, private, or religious schools in an amount not to exceed \$10,000 per year per 529 Plan beneficiary. The Act also allowed individuals with 529 plans to roll over funds from a 529 account to an ABLE account in an amount not to exceed \$15,000. The Act allowed for additional annual contributions to an ABLE account for beneficiaries who work and do not contribute to a retirement plan.

2018

The Texas ABLE Program opened for enrollment.

2019

S.B. 500, 86th Legislature, appropriated \$210,981,159 from the economic stabilization fund to the Comptroller for the purpose of funding the projected deficit of the Texas Guaranteed Tuition Plan for the 2019-2021 biennium.

H.B. 3655, 86th Legislature, amended Subchapter H to allow payment of Transfer Value to Texas medical and dental schools for undergraduate tuition and required fees. See section II.E of this report for more detail on changes included in the bill.

H.B. 2668, 86th Legislature, authorized the Comptroller to dissolve the Texas Prepaid Tuition Scholarship Foundation and transfer of funds and property to the Texas Match the Promise Foundation.

S.B. 1184, 86th Legislature, amended the Texas ABLE Program to clarify that authorized representatives (as defined under federal law) could establish an account on behalf of a beneficiary.

IV. Policymaking Structure

A. Complete the following chart providing information on your policymaking body members.

Texas Prepaid Higher Education Tuition Board
Exhibit 4: Policymaking Body

Member Name	Term / Appointment Dates / Appointed by <i>(e.g., Governor, Lt. Governor, Speaker)</i>	Qualification <i>(e.g., public member, industry representative)</i>	City
Glenn Hegar	Sec. 54.606(a)(1) of the Education Code designates the Comptroller as a member of the Board. Sec. 54.611(a) says the Comptroller shall serve as the presiding officer of the Board. Sec. 54.615(a) says the Comptroller serves as the Executive Director of the Board.	Texas Comptroller	Austin
Michelle Purgason	Appointed by the Lt. Governor for a term beginning 08/13/18 and ending 02/01/23	Public Member	Arlington
Ben Streusand	Appointed by the Lt. Governor for a term beginning 09/21/09 and ending 02/01/13	Public Member	Spring
Judy Trevino	Appointed by the Governor for a term beginning 10/08/18 and ending 02/01/21	Public Member	San Antonio
Javier Villalobos	Appointed by the Governor for a term beginning 07/18/18 and ending 02/01/23	Public Member	McAllen
Jarrod Winkcompleck	Appointed by the Lt. Governor for a term beginning 01/29/19 and ending 02/01/23	Public Member	Austin
Deborah Zuloaga	Appointed by the Lt. Governor for a term beginning 03/31/10 and ending 02/01/19	Public Member	El Paso

Table 4 Exhibit 4 Policymaking Body

B. Describe the primary role and responsibilities of your policymaking body.

The Board administers the State of Texas’ prepaid tuition plans, college savings plans, the Texas Save and Match Program, and the Texas ABLE Program.

Primary responsibilities of the Board in administering the Program include:

- Adopting rules for the Program
- Entering into contracts for necessary goods and services

- Selecting a plan manager for the Texas Tuition Promise Fund and college savings plans, a program manager for the Texas ABLE Program, a custodian bank, an investment consultant, a 529 consultant, outside legal counsel, an actuary, an audit firm, investment managers, and other contractors as necessary to administer the Program
- Imposing and collecting administrative fees and service charges
- Developing and approving plan descriptions and savings trust agreements
- Preventing contributions in excess of those necessary to pay qualified higher education expenses of a beneficiary
- Purchasing liability insurance covering the Board, Division staff, and agents of the Board
- Establishing policies, procedures, and eligibility criteria to implement the Program
- Preparing and filing statements and information returns required by federal or state law
- Surveying Texas public colleges and universities annually to determine hourly reimbursement rates to be paid by the Texas Guaranteed Tuition Plan and sales prices and assigned values for the Texas Tuition Promise Fund
- Recordkeeping and customer service
- Termination of prepaid tuition contracts on the 10th anniversary of the date the beneficiary is projected to graduate from high school, not counting time spent by the beneficiary as an active duty member of the United States armed services
- Payment of Program benefits
- Investing Program assets
- Approving an annual budget
- Setting assumptions to be used by the actuary in preparing annual actuarial reports used by the Board in evaluating the actuarial soundness of the prepaid tuition funds
- Temporarily suspending or terminating new enrollment in the plans at the request of the Comptroller if the Comptroller considers it necessary to ensure the actuarial soundness of the plans
- Providing annual statements to Program participants

- Awarding scholarships through the Texas Save and Match Program for funds appropriated by the Legislature for that purpose
- Marketing the Program

C. How is the chair selected?

Sec. 54.611(a) says the Comptroller shall serve as the presiding officer of the Board.

D. List any special circumstances or unique features about your policymaking body or its responsibilities.

Appointed members of the Board must possess knowledge, skill, and experience in higher education, business, or finance. Board members are subject to conflict of interest restrictions as detailed in Sec. 54.608. Members are also subject to the attached Ethics Policy (Attachment H).

In making investments of Program assets, the Board shall exercise the judgment and care, under the circumstances at the time of the investment, that a person of ordinary prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation but for making a permanent disposition of funds, considering the probable income from the disposition and the probable safety of capital.

E. In general, how often does your policymaking body meet? How many times did it meet in FY 2017? In FY 2018?

Sec. 54.613(a) requires that the Board meet at least quarterly. The Board met four times in 2017 and four times in 2018.

F. Please list or discuss all training members of the agency's policymaking body receive. How often do these members receive training?

Upon receiving notice from the Governor or Lieutenant Governor of appointment of a new member to the Board, Division staff sends a welcome letter to the new member to notify him or her of the following requirements:

1. File Personal Financial Statements with the Texas Ethics Commission by April 30th of each year. The form and instructions are available at https://www.ethics.state.tx.us/filinginfo/pfsforms_ins.html.
2. Receive training on the Open Meetings Act. Information and the video are available at <https://texasattorneygeneral.gov/faq/og-open-government-training-information>.
3. Receive training on the Public Information Act. Information and the video are available

can designate the Board's public information coordinator to take the training on your behalf by completing the enclosed form.

4. Receive training from Board staff specifically related to the Texas Prepaid Higher Education Tuition Board.
5. Receive contract training as a member of a state governing body related to the Board's role in approving contracts. The Governing Bodies Webinar Training S.B. 1681 is available at <https://comptroller.texas.gov/purchasing/training/webinar.php> and is offered 24/7 at your convenience.
6. Complete and return the enclosed Personal Information Election Form.

After you have completed the following, please mail the originals to our office in the enclosed envelope:

- A. Course Completion Certificate for the Attorney General's Open Meetings Act training video (see item #2 above);
- B. Public Information Coordinator Designation Letter or Course Completion Certificate for the Attorney General's Public Information Act training video (see item #3 above);
- C. Governing Bodies Webinar Training Acknowledgment Form for completion of the required contract training (see item #5 above); and
- D. Personal Information Election Form (see item #6 above)

The training noted in item #4 above is provided by Division staff either in person or by webinar. Training topics include:

- Overview of the Board member training requirements, including Open Government training requirements;
- Review of laws that impact the Board;
- Overview of Programs administered by the Board;
- Overview of the Program's governing statutes and rules;
- Highlights of the most recent annual report and budget;
- Overview of the administrative procedures and rulemaking;
- Review of the Board's Ethics Policy;
- Overview of investments and investment policy statements by the Board's investment consultant; and
- A list of major contracts, including review of the financial interest disclosure form that must be executed by each board member prior to awarding a contract.

G. What information is regularly presented to your policymaking body to keep them informed about the agency's operations and performance?

At each quarterly board meeting, the following information is provided to the Board:

- Minutes of the previous meeting are presented for approval
- A Market Environment Update is presented by the investment consultant
- Quarterly investment performance reports for all plans are presented by the investment consultant
- Administration and marketing reports are presented by the plan manager for all plans administered by the plan manager
- An update is presented by the presiding officer of the Texas ABLE Advisory Committee

The following items are considered annually or as necessary by the Board:

- Consideration annually of approval of proposed hourly reimbursement rates for TGTP and sales prices and fees for TTPF
- Review of asset allocations, underlying investments, and plan structures is done periodically, typically at least annually for each plan
- Updates on pending and contemplated securities and 529 Plan related litigation are presented as necessary by Comptroller legal staff
- Division staff requests to issue RFPs are presented as necessary
- Responses to RFPs and possible action related to contract awards are considered by the Board as necessary
- Audited financial statements are presented annually by the auditor
- Actuarial reports are presented annually by the actuary
- Proposed budget is presented annually by Division staff for consideration of Board approval

H. How does your policymaking body obtain input from the public regarding issues under the jurisdiction of the agency? How is this input incorporated into the operations of your agency?

Notices of board meetings are posted on the Secretary of State’s website at least eight days prior to each Board meeting. Each meeting agenda includes an item for public comment and the Comptroller calls for public comment at each meeting. Also, public comment is invited during the rulemaking process.

- I. **If your policymaking body uses subcommittees or advisory committees to carry out its duties, fill in the following chart. See Exhibit 5 Example. For advisory committees, please note the date of creation for the committee, as well as the abolishment date as required by Texas Government Code, Section 2110.008.**

In addition, please attach a copy of any reports filed by your agency under Texas Government Code, Section 2110.007 regarding an assessment of your advisory committees as Attachment 25.

**Texas Prepaid Higher Education Tuition Board
Exhibit 5: Subcommittees and Advisory Committees**

Name of Subcommittee or Advisory Committee	Size / Composition / How are members appointed?	Purpose / Duties	Legal Basis for Committee (statute or rule citation)	Creation and Abolishment Dates
Texas ABLE Advisory Committee	Consists of 5-7 members appointed by the Comptroller including at least one member from each of the following groups: (1) persons with a disability who qualify for the program; (2) family members of a person with a disability who qualifies for the Program; (3) representatives of disability advocacy organizations; and (4) representatives of the financial community.	Established to review rules and procedures related to the ABLE Program, to provide guidance, suggest changes, and make recommendations for the administration of the program, and to provide assistance as needed to the Board and Comptroller during the creation of the Texas ABLE Program.	Education Code Chapter 54 Subchapter J Sec. 54.917	Created June 19, 2015 The committee will be abolished on December 1, 2019, in accordance with statute

Table 5 Exhibit 5 Subcommittees and Advisory Committees

The Board has not requested nor received appropriated funds for the Texas ABLE Advisory Committee.

V. Funding

- A. **Provide a brief description of your agency’s funding.**

Board expenses are funded by administrative fees collected from Program participants and through a contractual marketing commitment from the plan manager.

The original Texas Tomorrow Fund, aka the Texas Guaranteed Tuition Plan, pays an hourly reimbursement fee based on current tuition and required fee costs at Texas public colleges and universities. Contributions by purchasers and earnings on investments have not kept pace with the growth in tuition costs and based on the actuarial valuation as of August 31, 2018, the plan had an unfunded liability of \$626.1 million. Benefit payments of the Texas Guaranteed Tuition Plan in excess of plan assets are funded through a constitutional amendment passed by Texas voters in November 1997 [Education Code, Chapter 54, Subchapter F, Sec. 54.619(g)]; therefore, the risk that benefit payments will exceed contributions plus earnings on investments is borne by the State. To date, the Legislature has appropriated \$299 million to the Comptroller to fund the plan's projected liability through the 2019-2021 biennium.

Texas Tomorrow Fund II, aka the Texas Tuition Promise Fund, is structured differently. Benefit payments are based on the amount contributed by the purchaser for the units redeemed plus or minus any net earnings or losses of the fund's portfolio on those contributions. TTFII will never pay out more than it takes in through contributions and net earnings on those contributions. Other safeguards to ensure the financial stability of the plan include:

- A 3-year holding period before units can be redeemed
- A cap on earnings on refunds of 2 percent less than actual earnings, not to exceed 5 percent, for tuition units held 3 or more years
- A \$25 application fee
- A cap on the amount paid to Texas public colleges and universities of 101 percent of then-current tuition and required fees

The State does not guarantee benefit payments of the plan; however, Texas public colleges and universities must accept as payment in full the amount paid by the plan for the units redeemed and waive any difference.

Account owners bear full risk for investments in the Texas college savings and ABLÉ plans.

B. List all riders that significantly impact your agency's budget.

None

C. Show your agency's expenditures by strategy. See Exhibit 6 Example.

The agency does not receive appropriated funds with the exception of transfers to the Comptroller related to the constitutional amendment that guarantees benefit payments of the Texas Guaranteed Tuition Plan.

**Texas Prepaid Higher Education Tuition Board
Exhibit 6: Expenditures by Strategy — 2018 (Actual)**

Goal / Strategy	Amount Spent	Percent of Total	Contract Expenditures Included in Total Amount
N/A	N/A	N/A	N/A
GRAND TOTAL:	N/A	N/A	N/A

Table 6 Exhibit 6 Expenditures by Strategy

D. Show your agency’s sources of revenue. Include all local, state, and federal appropriations, all professional and operating fees, and all other sources of revenue collected by the agency, including taxes and fines. See Exhibit 7 Example.

**Texas Prepaid Higher Education Tuition Board
Exhibit 7: Sources of Revenue — Fiscal Year 2018 (Actual)**

Source	Amount
Interest Income	\$673,895
Dividends	\$446,428
Other Investment Income (net of investment expenses)	\$8,400,369
Fees-Administrative Services	\$973,064
Voided Warrants	\$178,277
Third Party Reimbursements	\$798,437
Cash Transfers Out	(\$100,000)
TOTAL	\$11,370,470

Table 7 Exhibit 7 Sources of Revenue

E. If you receive funds from multiple federal Programs, show the types of federal funding sources. See Exhibit 8 Example.

**Texas Prepaid Higher Education Tuition Board
Exhibit 8: Federal Funds — Fiscal Year 2018 (Actual)**

Type of Fund	State / Federal Match Ratio	State Share	Federal Share	Total Funding
N/A	N/A	N/A	N/A	N/A

Type of Fund	State / Federal Match Ratio	State Share	Federal Share	Total Funding
TOTAL		N/A	N/A	N/A

Table 8 Exhibit 8 Federal Funds

F. If applicable, provide detailed information on fees collected by your agency. See Exhibit 9 Example.

**Texas Prepaid Higher Education Tuition Board
Exhibit 9: Fee Revenue — Fiscal Year 2018**

Fee Description/ Program/ Statutory Citation	Current Fee	Fees Set by Statute or Rule?	Statutory Maximum or Minimum	Number of Persons or Entities Paying Fee	Fee Revenue	Where Fee Revenue is Deposited <i>(e.g., General Revenue Fund)</i>
TGTP Fees Collected from Contract Purchasers	Account maintenance fee of \$3/mo for installment accounts or one-time \$20 fee for lump sum accounts; \$50 application fee; \$25 termination fee; \$50 change of beneficiary fee; \$20 change of purchaser fee; \$25 fee for payment of out- of-state tuition; \$15 fee for change of payment schedule; \$10/mo late fee; \$20 NSF fee; \$25 fee for failure to provide timely notice of intent to use contract	Sec. 54.618(b)(9) states that the Board may impose administrative fees for the plan; Rule 7.43 specifies fee amounts	Statute does not specify an amount; amounts are specified in rule	158,442 individuals purchased TGFP contracts and were subject to the fees	\$115,669	Texas Tomorrow Constitutional Trust Fund, Fund 0892
TTPF State Administrative Fees	0.0575% of the fair market value of assets in the portfolio	Sec. 54.752(b)(9) states that the Board may impose administrative fees	No	Fees are netted against portfolio assets	\$616,622	Texas Tuition Promise Fund, Fund 0842

Fee Description/ Program/ Statutory Citation	Current Fee	Fees Set by Statute or Rule?	Statutory Maximum or Minimum	Number of Persons or Entities Paying Fee	Fee Revenue	Where Fee Revenue is Deposited (e.g., <i>General Revenue Fund</i>)
Texas College Savings Plan State Administrative Fees	0.0843% of the fair market value of assets of non-index portfolios and the advisor-sold plan assets	Sec. 54.702(c) states that the Board shall collect administrative fees and service charges not to exceed costs of establishing and maintaining the plan	No	42,805 account owners	\$240,747	College Savings Plans Private Purpose Trust Fund, Fund 0892
Texas ABLE Program State Administrative Fees	0.10% of fair market value of AUM calculated on a daily basis	Sec. 54.904(b)(9) states that the Board has the power to impose fees and charges for the program	No	234 account owners	\$27	Texas ABLE Private Purpose Trust Fund, Fund 0907

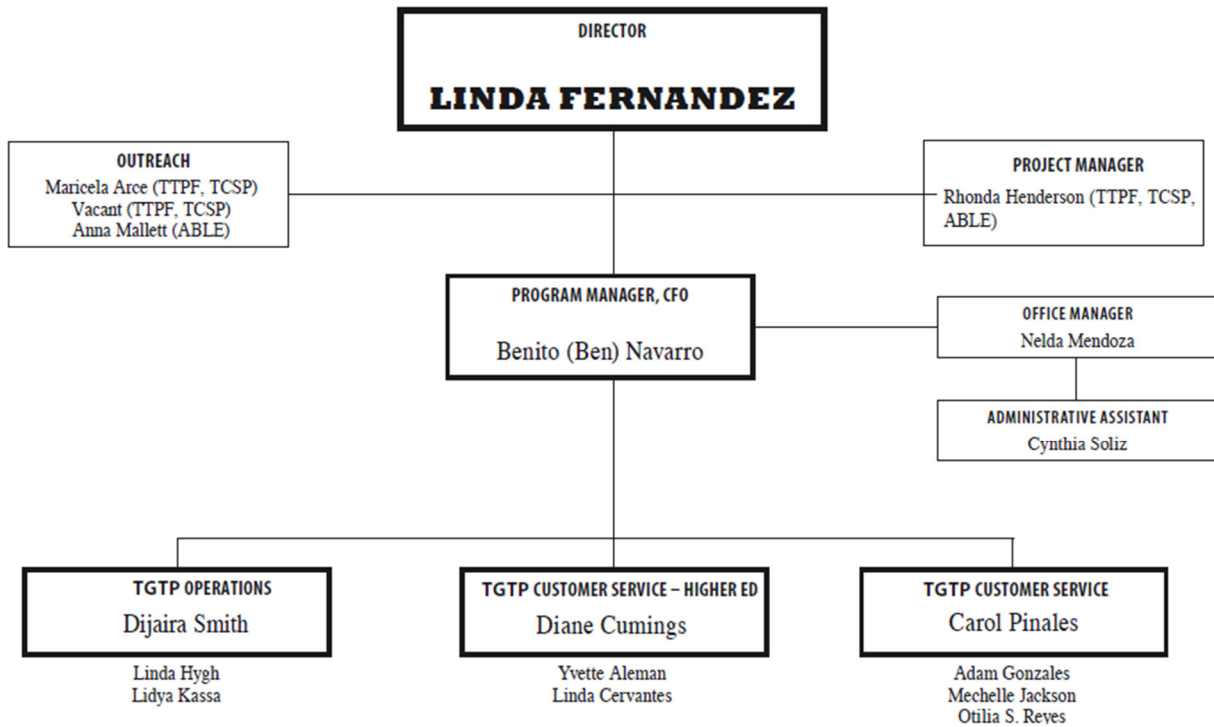
Table 9 Exhibit 9 Fee Revenue

VI. Organization

- A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division. Detail should include, if possible, department heads with subordinates, and actual FTEs with budgeted FTEs in parenthesis.**

Board staff are employees of the Comptroller’s Educational Opportunities and Investments Division, which is the division selected by the Comptroller to serve pursuant to Section 54.615(b), Texas Education Code as the staff of the Board. The following organizational chart shows the staff of the Comptroller’s Educational Opportunities and Investments Division. Unless otherwise noted, staff provide some level of support to all plans.

Educational Opportunities and Investments Division



B. If applicable, fill in the chart below listing field or regional offices. *See Exhibit 10 Example.*

Texas Prepaid Higher Education Tuition Board Exhibit 10: FTEs by Location — Fiscal Year 2019

Headquarters, Region, or Field Office	Location	Co-Location? Yes / No	Number of Budgeted FTEs FY 2019	Number of Actual FTEs (as of SER submission)
Headquarters Office of Comptroller’s Educational Opportunities and Investments Division that serves as the staff of the Board (there are no regional or field offices that support the Program)	311 E. 14th St. Suite 200 Austin, Texas	Yes, with Comptroller’s Tax Policy Division	18	17
			TOTAL: 18	TOTAL: 17

Table 10 Exhibit 10 FTEs by Location

C. What are your agency’s FTE caps for fiscal years 2017–2020?

The Board does not have FTEs or an FTE cap since employees of the Comptroller selected by the Comptroller for that purpose serve as the staff of the Board [Education Code, Sec. 54.615(b)]. The Board reimburses the Comptroller for the FTEs assigned to serve as Board staff. For fiscal years 2017-2019, the Board approved reimbursement for 17 FTEs, and reimbursement for 18 FTEs was budgeted by the Board for FY 2020.

D. How many temporary or contract employees did your agency have in fiscal year 2018? Please provide a short summary of the purpose of each position, the amount of expenditures per contract employee, and the procurement method of each position.

The Board engaged the services of 1 full-time Oracle programmer to provide maintenance and support to the Banner Software Record Keeping System used by the Texas Guaranteed Tuition Plan. The contractor was procured through a Department of Information Resources cooperative contract with SRB Systems, Inc. The Program paid SRB Systems, Inc. \$274,760 for the services in fiscal year 2018.

List each of your agency’s key Programs or functions, along with expenditures and FTEs by Program. See Exhibit 11 Example.

The Board is staffed as noted above. The Board reimburses the Comptroller for Comptroller staff that are assigned to serve as the staff of the Board. The FTEs shown below represent the number of FTEs that are included in reimbursement from the Board to the Comptroller for salary and benefit expenses of those individuals.

The Actual and Budgeted Expenditures shown below reflect only those expenses paid directly by the Board. They do not include expenses of the Texas Tuition Promise Fund, Texas college savings plans, or Texas ABLE Program that are paid directly by the plan manager. The Annual Financial Report of the Board’s Program can be found at <https://assets.comptroller.texas.gov/tgtp/96/96-481-tgtp-annual-report2018.pdf>.

**Texas Prepaid Higher Education Tuition Board
Exhibit 11: List of Program FTEs and Expenditures — Fiscal Year 2018**

Program	Actual FTEs FY 2018	Budgeted FTEs FY 2019	Actual Expenditures FY 2018	Budgeted Expenditures FY 2019
Texas Guaranteed Tuition Plan	12.50	12.40	\$2,248,096	\$1,703,842
College Savings Plans	1.00	1.45	\$395,002	\$465,407
Texas Tuition Promise Fund*	1.70	1.65	\$622,777	\$449,949
Texas ABLE Program	0.00	0.00	\$125,743	\$125,000

Program	Actual FTEs FY 2018	Budgeted FTEs FY 2019	Actual Expenditures FY 2018	Budgeted Expenditures FY 2019
Grassroots Marketing Staff*	1.80	1.50	*	\$200,000
TOTAL	17.00	17.00	\$3,391,618	\$2,944,197
*Actual Expenditures for the Grassroots Marketing Staff are included in the Texas Tuition Promise Fund expenses.				

Table 11 Exhibit 11 List of Program FTEs and Expenditures

VII. Guide to Agency Programs

Complete this section for each agency Program (or each agency function, activity, or service if more appropriate). Copy and paste questions A through P as many times as needed to discuss each Program, activity, or function. Contact Sunset staff with any questions about applying this section to your agency.

A. Provide the following information at the beginning of each Program description.

Name of Program or Function: Texas Tomorrow Fund, aka Texas Guaranteed Tuition Plan or TGTP

Location/Division: Support to the Board is provided by the Comptroller's Educational Opportunities and Investments Division located at 311 E. 14th St., Suite 200, Austin, Texas 78701.

Contact Name: Linda Fernandez, Director of the Comptroller's Educational Opportunities and Investments Division, linda.fernandez@cpa.texas.gov, 512-463-4863

Statutory Citation for Program: Texas Education Code, Chapter 54, Subchapter F

B. What is the objective of this Program or function? Describe the major activities performed under this Program.

PER EDUCATION CODE, SUBCHAPTER F, SEC. 54.6001, THE PUBLIC PURPOSE OF THE PROGRAM IS: An educated population being necessary to the social development and economic health of this state, the legislature finds and declares it to be an urgent public necessity to assist young Texans in obtaining a higher education. Because the state's population is rapidly growing and is diverse, the state is required to use all of the higher education facilities and resources within the state, both public and private, to provide a wide variety of educational environments and instructional options and to preserve the partnership between the state and private or independent institutions of higher education and between the state and career schools and colleges, as defined by Section 132.001, that offer a two-year associate degree as

approved by the Texas Higher Education Coordinating Board. Therefore, the prepaid higher education tuition program is established to help Texas students attend the institution that best meets their individual needs.

MAJOR ACTIVITIES PERFORMED BY PROGRAM: The Texas Guaranteed Tuition Plan was open for new enrollment between 1996 and 2003. During that period of time, the plan accepted applications for new enrollment. The plan processes contract payments, pays benefits to colleges, universities, and career schools on behalf of plan beneficiaries, and processes refunds to purchasers. The plan provides customer service to purchasers and beneficiaries of the plan and to colleges and universities who receive payments from the plan. The plan surveys Texas public and private colleges and universities each April on their tuition and required fee costs for the upcoming fall semester. Surveys are collected, analyzed, and compiled to determine hourly reimbursement rates to be paid for plan benefits for the upcoming fiscal year. The plan maintains separate accounting for all contracts and mails account statements to purchasers annually. The plan files IRS Form 1099Q for all contract withdrawals each year.

The Board adopts rules for the plan, sets the asset allocation for the plan, approves the investment policy statement, selects underlying funds and investment managers, and selects the various contractors including, but not limited to, the investment consultant, outside counsel, auditor, actuary, 529 plan consultant, and custodian bank.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? In Exhibit 12, provide a list of statistics and performance measures that best convey the effectiveness and efficiency of this program or function. Also, please provide the calculation or methodology behind each statistic or performance measure. Please do not repeat measures listed in Exhibit 2 unless necessary to understand the program or function.

Key internal measures for the Comptroller's Educational Opportunities and Investments Division are shown in Exhibit 2 and are not repeated here. Additional internal measures for the Division are shown below.

The following performance measures apply to all plans managed by the Board unless noted otherwise in the chart.

**Texas Prepaid Higher Education Tuition Board
Exhibit 12: Program Statistics and Performance Measures — Fiscal Year 2018**

Program Statistics or Performance Measures	Dataset Reference Number* (if applicable)	Calculation (if applicable)	FY 2018 Target	FY 2018 Actual Performance	FY 2018 % of Annual Target
Number of Reports Provided to the Board Showing Performance of Invested Funds	N/A	Number of reports provided to the Board by the investment consultant showing performance of invested funds for all plans	4	4	100.00%
Number of Surveys Sent to TGTP Customers	N/A	Number of survey cards sent to TGTP customers contacting the plan for each month	2,000	3,450	172.50%
Number of Meetings to Review Investment Performance	N/A	Number of Board meetings where investment performance data were presented by the investment consultant	4	4	100.00%
Number of Requests for Presentations About the Plans (all plans)	N/A	Number of requests for presentations by grassroots staff about TTPF, TCSP and ABLE	60	132	220.00%

Table 12 Exhibit 12 Program Statistics and Performance Measures *See Exhibit 3

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent. If the response to Section III of this report is sufficient, please leave this section blank.

See Section III, page 10

E. List any qualifications or eligibility requirements for persons or entities affected by this program, such as licensees, consumers, landowners, for example. Provide a statistical breakdown of persons or entities affected.

ELIGIBILITY REQUIREMENTS OF THE TEXAS PREPAID TUITION PLANS

Beneficiaries of the plans must be Texas residents, or the purchaser must be the parent and a Texas resident. Beneficiaries must be younger than 18 years of age or older and enrolled in high

school at the time the purchaser enters into the contract. Government entities and charities that award scholarships may also open accounts.

The purchaser is the owner of the account and may also be the beneficiary. The purchaser may change the beneficiary without tax implications to a "Member of the Family," as defined by the IRC, of the then-current beneficiary if the beneficiary meets the criteria in the preceding paragraph at the time of the change. The beneficiary of a TGTP contract cannot be changed if any hours have been used on the contract.

ELIGIBILITY REQUIREMENTS OF THE COLLEGE SAVINGS PLANS

U.S. citizens or legal residents 18 years of age or older can open a Texas college savings plan. The individual who opens the account is the owner of the account and may also be the beneficiary. Accounts may also be established by certain entities and government bodies.

The owner may change the beneficiary without tax implications to a "Member of the Family," as defined by the IRC, of the then-current beneficiary.

ELIBILITY REQUIREMENTS OF THE TEXAS ABLE PROGRAM

An ABLE account can be opened for an eligible individual if the individual meets the following criteria:

(A) the individual is entitled to benefits based on blindness or disability under Title II or XVI of the Social Security Act, and such blindness or disability occurred before the date on which the individual attained age 26, or

(B) a disability certification with respect to such individual is filed with the Secretary of the Treasury for such taxable year.

If the designated beneficiary of the ABLE account is not able to exercise signature authority over the account, or if a designated beneficiary chooses to establish an account, but not exercise signature authority, the parent, legal guardian, or other fiduciary of the beneficiary may open an account for an individual who meets eligibility requirements.

In addition to those requirements, the eligible individual must be a Texas resident.

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

The Board’s business cycle begins June 1 of each year with the Annual Survey Process. The Annual Survey Process is used to determine the Texas Guaranteed Tuition Plan’s hourly reimbursement rates and the Texas Tuition Promise Fund’s tuition unit sales prices and assigned values for the upcoming fall semester. The rates and sales prices are key elements in other processes such as distributions to colleges and universities and refunds to purchasers.

The following key processes are performed by Division staff in operating the Texas Guaranteed Tuition Plan. Similar processes, excluding those related to the Annual Survey Process, are performed by the plan manager in operating the Texas Tuition Promise Fund.

Texas Guaranteed Tuition Plan Annual Survey Process
<ul style="list-style-type: none"> • Surveys are submitted by June 1 each year from Texas 4- and 2-year colleges and universities for their tuition and required fees for the upcoming fall semester
<ul style="list-style-type: none"> • Survey results are compiled and analyzed; significant variances are investigated
<ul style="list-style-type: none"> • Survey results are reviewed by senior staff and management
<ul style="list-style-type: none"> • Survey results are sent to the Board’s Actuary for review
<ul style="list-style-type: none"> • Survey results are presented to the Board, generally at the August meeting, for approval of new hourly reimbursement rates for TGTP and sales price for TTPF for the upcoming fiscal year
<ul style="list-style-type: none"> • New rates and sales prices are released to the public through the plan websites
<ul style="list-style-type: none"> • Texas colleges and universities are sent notification of the new TGTP rates
<ul style="list-style-type: none"> • Surveys and information regarding new sales prices for TTPF are sent to that plan
<ul style="list-style-type: none"> • TGTP and TTPF recordkeeping systems are updated for the new rates and sales prices
<ul style="list-style-type: none"> • Payments to colleges and universities begin after the Board approves the new rates

Colleges and universities begin their fall billing process in late August and billings continue through mid-October. Billing resumes in January through April for the spring semester and June and July for the summer semesters. The following describes the payment process for TGTP:

- TGTP receives university invoices via email or regular mail. The plan asks that invoices be submitted in a format approved by the Board.

- The uniform format for submitting invoice data allows for compilation into a spreadsheet that is used to “push” or input the billing data into the Banner recordkeeping system.
- Once the billing data is pushed, the automated settlement process is kicked off. Settlement allows the system to calculate automatically the distribution amount based on predetermined business rules in Banner. The settlement process provides Division staff with an error report used to correct potential distribution issues.
- Division staff work the error report and take appropriate actions to clear any distribution issues.
- After clearing any distribution issues, the Division’s Matriculation Section generates payment vouchers for each university invoice processed for payment and combines it with a detailed payment report and the original billing invoice; vouchers are then routed for review and approval by the Division’s Operations Team Lead.
- The Operations Team Lead reviews vouchers for accuracy and completeness.
- Following the review and approval, payment records are compiled systematically and exported through an interface to USAS for payment.
- Warrants are mailed the following business day or direct deposit payments are released during USAS nightly processing.

Key processes are often initiated with purchasers as a result of contact via phone calls, faxes, or emails. Most account maintenance, recordkeeping, or account changes require purchasers to submit forms to the plan to execute the action. Whether it is a change of beneficiary, change of purchaser, change of address, voluntary cancellation, etc., the process of making a change or processing a cancellation begins with the mail batch processing. A description of the mail batch processing follows:

- TGTP receives plan documents via the mail, fax or email.
- Each document received is batched, scanned and indexed to a purchaser’s account.
- Batches are typically worked within three business days of assignment.
- Generally, documents requiring account maintenance such as change of beneficiary, change of purchaser or change of address are worked by the Customer Service Section. Documents resulting in financial transactions or financial change to a purchaser’s account are worked by the Operations Section. Purchaser requests involving the use of benefits for a college or university or scholarship refunds are worked by the Matriculation Section.
- After all batches are worked by staff, batches are reviewed for completeness by the appropriate section Team Lead.

- Following review, batches are logged out as complete and filed for three months before being recycled in secure recycling.

TGTP processes voluntary cancellations – requests for cancellation by a purchaser prior to contract termination – daily, but the plan also cancels contracts involuntarily due to lack of payment (delinquency) of six months or more, or because a contract has reached its 10-year termination deadline. In all cases, the process is the same, but the trigger is different. The process for voluntary cancellations requested by the purchaser(s) follows:

- Cancellation forms are received daily through mail batch processing and routed to the Operations Section.
- Operations accountants review each form for accuracy and completeness, including signatures of both the purchaser and joint purchaser, if applicable, and forms are notarized when required.
- Ownership is compared to that in the Banner system to ensure that the form is executed by the rightful purchaser(s).
- Once it is determined that the document is in good form, the Operations accountant changes the status of the contract to cancelled using the correct cancel code based on the information provided on the form. Utilizing the correct code is critical because the code determines the fee amount to assess.
- Once cancellation is completed, the automated settlement process is initiated. Settlement allows the system to calculate automatically the distribution amount based on predetermined business rules in Banner.
- Once the settlement process is complete, the Operations Section generates payment vouchers for each cancellation processed for payment and combines it with the cancellation form; vouchers are then routed to the Operations Team Lead for review and approval.
- The Operations Team Lead reviews the voucher for accuracy and completeness.
- Following the review and approval, payment records are compiled systematically and exported to USAS for payment.
- Payment warrants are mailed the following business day.

Note that involuntary cancellations are processed in a similar fashion, but the process is initiated by the Division due to cancellation for delinquency or 10-year termination. The 10-year termination deadline is noted on the annual statements sent to purchasers with a notation that no earnings are paid on contracts cancelled under that provision. The 10-year termination process is initiated by the Division effective June 1 of each year. Termination is based on the projected high school graduation date assigned to the contract at enrollment.

TGTP accepts contract payments via ACH, payroll direct deposit, or check. TGTP does not accept cash. Contract owners must notify the plan of their choice of payment. If choosing ACH or payroll direct deposit, purchasers must submit the necessary forms to document account information. If paying by check, TGTP provides coupon books containing the necessary account information for payment. All payments electronic or otherwise are processed through the Texas State Treasury.

Texas Guaranteed Tuition Plan ACH Process
<ul style="list-style-type: none"> • Following the monthly process of posting charges to customer accounts, the Operations Team lead runs the monthly ACH process (on or about the 28th of each month).
<ul style="list-style-type: none"> • An ACH file is automatically generated by the system for all contracts set up for ACH and the file is electronically submitted to the State Treasury for processing on the first business day of the month.
<ul style="list-style-type: none"> • On the first business day of the month the State Treasury submits a detailed file of payments collected through ACH.
<ul style="list-style-type: none"> • The file is posted to purchaser accounts through the daily lock box process.
<ul style="list-style-type: none"> • Following the ACH process, the State Treasury submits ACH return records as necessary.
<ul style="list-style-type: none"> • The Operations Section works the return payment files as necessary, backing payments out and posting account fees as applicable.
<ul style="list-style-type: none"> • On or about the 8th of each month, the Operations Team Lead runs the ACH pre-note process to update and test any ACH changes processed during the previous month or during the ACH return process.
TGTP Coupon and Payroll Direct Deposit Payments
<ul style="list-style-type: none"> • Payments are remitted directly to the State Treasury for processing through an established lock box process.
<ul style="list-style-type: none"> • Payment files are generated and transmitted daily to TGTP for posting.
<ul style="list-style-type: none"> • The automated lockbox process runs each week day at 6 am for the previous business day's payments.

<ul style="list-style-type: none"> • The Operations Section reconciles Banner recordkeeping system payment files to the State Treasury files each business day to ensure proper posting.
<ul style="list-style-type: none"> • Any discrepancies noted during the daily reconciliation are worked and adjustments are made as necessary.
<ul style="list-style-type: none"> • The daily reconciliation is reviewed by the Operations Team.
<ul style="list-style-type: none"> • Any checks received directly in the Division office (i.e. change of purchaser or beneficiary fees, account payments, etc.) are logged in, locked in a lock bag, and kept in the Division’s safe until a State Treasury runner picks up the lock bag and delivers it to the State Treasury for processing through their established lock box process.

Student handbooks are produced annually for TGTP and TTPF plan beneficiaries projected to graduate from high school each year. The books provide detailed information on using the plans. The TGTP student handbook is mailed to plan beneficiaries along with TGTP ID cards. A postcard is sent to TTPF beneficiaries advising them that the TTPF student handbook is available online or that a hard copy can be requested.

Other key functions of the Division staff in support of the Program include RFP development and evaluation; contract development and monitoring; budget development and monitoring; and financial reporting. These functions are general in nature and typically follow established state processes and procedures, such as Financial Reporting requirements and Texas Procurement and Support Services purchasing and contracting requirements.

Division staff are also responsible for drafting agendas for board meetings and assembling and producing documents for the Board notebooks. The agenda is reviewed for legal compliance and posted on the Secretary of State’s open meetings’ website. Division staff distribute the notebooks to board members and key contractors the week prior to the meeting. Division staff also arrange meeting details and make inquiries to ensure that a quorum will be available for board meetings. A court reporter transcribes each board meeting.

The Division’s grassroots staff assist in promoting the Program through development of the annual marketing plans, development and distribution of marketing collateral, and onsite presentations, radio and newspaper interviews, and conference exhibits.

TTPF processes include updates of documents and websites for annual enrollment, online redemption of benefits by purchasers, electronic invoicing by Texas colleges and universities, and automated matching of invoices to survey documents to ensure proper payment.

Each plan provides customer service and has a unique website that includes general information about the plan, program documents and forms, online enrollment, and account owner access.

<https://www.tgtp.org/>

<https://www.texascollegesavings.com/>

<https://lonestar529.com/>

<https://www.texas tuition promise fund.com/>

<https://www.texasable.org/>

The plans are audited annually. Annual reports for the Program for fiscal years 2012 through 2018 are posted on the plan website at:

<https://www.tgtp.org/reports>

Fiscal year 2019 student handbooks are available at:

<https://www.tgtp.org/assets/96-356%20TGTP%20Handbook%202019.pdf>

<https://geminifund.com/RegulatoryDocumentCenter/PublicDocuments/Current.aspx?FundFamily=Texas529Plan&DocType=TTPF-021&DisplayCommon=False&Fund=TTPF%20Literature>

G. Identify all funding sources and amounts for the Program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Texas Guaranteed Tuition Plan is funded by fees charged to purchasers. State administrative fees are also charged to participants of the college savings plans and Texas ABLE and used to fund certain expenses of the Program. See Exhibit 9 for a breakdown of those fees. The Division's grassroots activities are funded through the plan manager contracts.

H. Identify any Programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.

No other programs provide identical or similar services or functions to purchasers of 529 prepaid tuition plans.

- I. Discuss how the Program or function is coordinating its activities to avoid duplication or conflict with the other Programs listed in Question H and with the agency’s customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

N/A

- J. If the Program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.

The Program files IRS Form 1099-Q for all withdrawals made each year.

The Program is negotiating an agreement with Texas Health and Human Services (HHS) to implement Medicaid recovery allowed by federal and state law upon the death of an ABLE beneficiary.

- K. If contracted expenditures are made through this program please provide

- a short summary of the general purpose of those contracts overall;
- the amount of those expenditures in fiscal year 2018;
- the number of contracts accounting for those expenditures;
- the method used to procure contracts;
- top five contracts by dollar amount, including contractor and purpose;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

The Board uses a competitive bidding process to select contractors. There are no current contracting problems. The Comptroller’s office has an extensive contract monitoring and reporting process. The Board had the following contracts in FY 2018, sorted by the amount paid to the contractors in FY 2018. The chart encompasses all Board contracts. The plan procuring and funding the services is noted in parenthesis following the description of Services Provided.

Contractor	Services Provided (plan is noted in parenthesis)	Total Contract Amount or Basis Points (BPS) if Asset Based Fee	Amount Paid in FY 2018	Contract Date as of 8/31/2018 (inked)		Remaining Add'l Renewal Options	Maximum Term Incl Option Renewal Years
				Starting	Ending		
NorthStar Financial	Plan manager services (TTPF)	Up to \$1B=0.535% of AUM; In excess of \$1B, but	\$4,297,522	07/23/14	08/31/19	2	08/31/21

Services Group, LLC	Fund and college savings plans)	<\$2.5B=0.485%; >\$2.5B, but <\$5B=0.435%; >\$5B=0.385%					
Aon Hewitt Investment Consulting	Investment Consultant Services (all plans)	\$300,000	\$290,000	09/15/16	08/31/18	1	08/31/19
SRB Systems, Inc.	Software Maintenance Services (TGTP)	Oracle Developer Services	\$274,120	09/01/17	08/31/18	0	08/31/18
Securian Asset Management, Inc.	Domestic Core Fixed Income Investment Management Services (TGTP)	BPS Based on AUM	\$262,791	08/14/14	08/31/19	2	08/31/21
Shenkman Capital Management	Bank Loan Investment Management Services (TGTP)	BPS Based on AUM	\$172,237	09/30/16	08/31/21	2	08/31/23
RSM LLP USA (Austin Office)	Audit Services Annual Report (all plans)	\$235,400	\$157,600	07/05/18	08/31/19	2	08/31/21
Northern Trust	Master Trust Custodian Services (TGTP)	\$25,000/yr, 15 BPS S&P(with waivers reducing the BPS), 80% Security Lending	\$85,416	03/10/15	08/31/19	2	08/31/21
Sherman Actuarial Services	Actuarial Services (TGTP and TTPF)	\$200,000	\$39,000	09/01/17	08/31/20	2	08/31/22
Northern Trust	Non-US Equity Passive Index and Inflation Protected Securities Investment	BPS Based on AUM	\$27,844	03/31/15	08/31/19	2	08/31/21

	Management (TGTP)						
Rhumblin Advisors	Broad All-Cap Passive U.S. Equity Investment Management Services (TGTP)	BPS Based on AUM	\$26,668	04/06/11	08/31/18	0	08/31/18
BBD, LLP	Financial Audit Services (TTPF and college savings plans)		\$24,200	The Board is obligated through the NorthStar contract to pay the cost of the annual audits of the plans managed by NorthStar.			
Michael Best	Outside Legal Counsel (all plans)	\$165,000	\$5,976	06/28/18	08/31/20	2	08/31/22
Graves Dougherty Hearon & Moody	Outside Legal Counsel (all plans)	\$150,000	\$2,388	09/01/16	08/31/18	0	08/31/18
Griffin Frey	Outside Legal Counsel (all plans)	\$15,000	\$910	01/01/18	12/31/18		open
NorthStar Financial Services Group, LLC	Program manager services (Texas ABLE Program)	Plan Manager Fee \$150,000/yr for <2,500 Accounts; 15 BPS of AUM	\$67	11/20/17	08/31/19	4	08/31/23
AKF Consulting LLC	529 Consultant Services (all plans)	\$110,000 (Based on hourly rate for hours provided)	\$0	01/16/15	12/31/18	0	12/31/18
Northern Trust	Passive Currency Overlay Services (TGTP)	BPS Based on AUM	\$0	10/01/09	Remains in effect until terminated by either party		

Northern Trust	Transition management services (TGTP)	BPS Based on AUM	\$0	08/09/18	08/31/19	0	08/31/19
State Street	Transition management services (TGTP)	BPS Based on AUM	\$0	07/26/18	08/31/19	0	08/31/19

L. Provide information on any grants awarded by the program.

The Texas Prepaid Tuition Scholarship Foundation awarded Texas Guaranteed Tuition Plan scholarships totaling \$505,359 to Texas students meeting economic and academic requirements established by the Board prior to the plan’s closure in 2003. The scholarships were funded by donations.

M. Are there any barriers or challenges that impede the program’s performance, including any outdated or ineffective state laws? Explain.

None

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory Program, if applicable, describe

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

N/A

P. For each regulatory Program, if applicable, provide detailed information on complaint investigation and resolution. Please adjust the chart headings as needed to better reflect your agency’s particular Programs. If necessary to understand the data, please include a brief description of the methodology supporting each measure.

The following chart does not apply to the Board as the Board does not regulate persons or entities.

**Texas Prepaid Higher Education Tuition Board
Exhibit 13: Information on Complaints Against Regulated Persons or Entities
Fiscal Years 2017 and 2018**

	Fiscal Year 2017	Fiscal Year 2018
Total number of regulated persons	(number)	(number)
Total number of regulated entities	(number)	(number)
Total number of entities inspected	(number)	(number)
Total number of complaints received from the public	(number)	(number)
Total number of complaints initiated by agency	(number)	(number)
Number of complaints pending from prior years	(number)	(number)
Number of complaints found to be non-jurisdictional	(number)	(number)
Number of jurisdictional complaints found to be without merit	(number)	(number)
Number of complaints resolved	(number)	(number)
Average number of days for complaint resolution	(number)	(number)
Complaints resulting in disciplinary action:	(number)	(number)
administrative penalty	(number)	(number)
reprimand	(number)	(number)
probation	(number)	(number)
suspension	(number)	(number)
revocation	(number)	(number)
other	(number)	(number)

Table 13 Exhibit 13 Information on Complaints Against Persons or Entities

VIII. Statutory Authority and Recent Legislation

- A. Fill in the following charts, listing citations for all state and federal statutes that grant authority to or otherwise significantly impact your agency. Do not include general state statutes that apply to all agencies, such as the Public Information Act, the Open Meetings Act, or the Administrative Procedure Act. Provide information on Attorney General opinions from FY 2013–2018, or earlier significant Attorney General opinions, that affect your agency’s operations.

**Texas Prepaid Higher Education Tuition Board
Exhibit 14: Statutes / Attorney General Opinions**

Statutes

Citation / Title	Authority / Impact on Agency <i>(e.g., “provides authority to license and regulate nursing home administrators”)</i>
Texas Education Code, Chapter 54, Subchapter F	Established the Texas Tomorrow Fund, aka Texas Guaranteed Tuition Plan
Texas Education Code, Chapter 54, Subchapter G	Established the Texas college savings plan, aka the Texas College Savings Plan and the LoneStar 529 Plan
Texas Education Code, Chapter 54, Subchapter H	Established the Texas Tomorrow Fund II, aka Texas Tuition Promise Fund
Texas Education Code, Chapter 54, Subchapter I	Established the Texas Save and Match Program
Texas Education Code, Chapter 54, Subchapter J	Established the Texas ABLE Program

Table 14 Exhibit 14 Statutes

Attorney General Opinions

Attorney General Opinion No.	Impact on Agency
N/A	

Table 15 Exhibit 14 Attorney General Opinions

- B. Provide a summary of significant legislation regarding your agency by filling in the charts below or attaching information already available in an agency-developed format. Briefly summarize the key provisions. For bills that did not pass but were significant, briefly explain the key provisions and issues that resulted in failure of the bill to pass (e.g., opposition to a new fee, or high cost of implementation). Place an asterisk next to bills that could have a major impact on the agency. See Exhibit 15 Example.**

**Texas Prepaid Higher Education Tuition Board
Exhibit 15: 86th Legislative Session**

Legislation Enacted

Bill Number	Author	Summary of Key Provisions
H.B. 3655	Turner	Relating to the administration and operation of the state's Programs for paying, prepaying, or saving toward the costs of attending an institution of higher education, including clarifying that the powers and duties of the Prepaid Higher Education Tuition Board extend to all plans administered by the Board, paying transfer value to Texas medical and dental schools by TTFII, and requiring Texas public colleges and universities to submit annual surveys to TTFII.
S.B. 500	Zerwas	Supplemental appropriations bill appropriating \$210,981,159 from the economic stabilization fund to the Comptroller to fund the projected deficit of the TTF, aka Texas Guaranteed Tuition Plan, for the 2019-2021 biennium.
H.B. 2668	Turner	Authorizing the Comptroller to dissolve the Texas Prepaid Tuition Scholarship Foundation and transfer of funds to the Texas Match the Promise Foundation.
S.B. 1184	Perry	Clarification of who can establish a Texas ABLE account for a designated beneficiary of the account.
H.B. 2779	Wray	Exempting the Texas college savings and prepaid tuition plans and the Texas ABLE Program from attachment, execution, or other seizure for a creditor's claim.

Table 16 Exhibit 15 Legislation Enacted 86th Leg

Legislation Not Passed

Bill Number	Author	Summary of Key Provisions / Reason Bill Did Not Pass
None		

Table 17 Exhibit 15 Legislation Not Passed 86th Leg

IX. Major Issues

The purpose of this section is to briefly describe any potential issues raised by your agency, the Legislature, or stakeholders that Sunset could help address through changes in statute to improve your agency's operations and service delivery. Inclusion of an issue does not indicate support, or opposition, for the issue by the agency's board or staff. Instead, this section is intended to give the Sunset Commission a basic understanding of the issues so staff can collect more information during our detailed research on your agency. Some questions to ask in preparing this section may include: (1) How can your agency do a better job in meeting the needs of customers or in achieving agency goals? (2) What barriers exist that limit your agency's ability to get the job done?

Emphasis should be given to issues appropriate for resolution through changes in state law. Issues related to funding or actions by other governmental entities (federal, local, quasi-governmental, etc.) may be included, but the Sunset Commission has no authority in the

appropriations process or with other units of government. If these types of issues are included, the focus should be on solutions that can be enacted in state law. This section contains the following three components.

A. Brief Description of Issue

The federal Stephen Beck, Jr., Achieving a Better Life Experience (ABLE) Act, H.R. 647, authorized state Medicaid plans to submit a claim for reimbursement from an ABLE account upon the death of the beneficiary of the account for any medical assistance paid by the Medicaid plan on behalf of the beneficiary after establishment of the ABLE account. The provision is sometimes referred to as “Medicaid Claw Back” or “Medicaid Recovery.”

B. Discussion

The issue impacts participants in the Texas ABLE Program as Texas Medicaid has notified the Program that it will do Medicaid Claw Back from Texas ABLE Program accounts for any deceased program beneficiaries that received medical assistance from Texas Medicaid during the period of the time the Texas ABLE account existed. The provision is proving to be an impediment to many individuals who consider opening a Texas ABLE Account.

C. Possible Solutions and Impact

Some states have passed legislation prohibiting such claim for reimbursement by their home-state Medicaid plans. Prohibiting the Medicaid Claw Back by Texas Medicaid could have a positive impact on growth in the program, but would negatively impact recovery of Texas Medicaid costs paid for medical assistance to Texas ABLE participants. It is not possible to estimate the fiscal impact since the program is so new and no participants have been impacted by the Medicaid Claw Back provision to date. The Comptroller’s office is working with Texas Health and Human Services Commission on an agreement to implement the recovery process.

X. Other Contacts

A. Fill in the following charts with updated information on people with an interest in your agency, and be sure to include the most recent email address.

**Texas Prepaid Higher Education Tuition Program
Exhibit 16: Contacts**

Interest Groups

(groups affected by agency actions or that represent others served by or affected by agency actions)

Group or Association Name/ Contact Person	Address	Telephone	Email Address
Participants in the Texas Guaranteed Tuition Plan	Various	Various	Limited email addresses are available since new enrollment ended in 2003
Participants in the Texas Tuition Promise Fund	Various	Various	Many email addresses would be available
Participants in the Texas College Savings Plans	Various	Various	Some email addresses would be available, although many accounts were established over 15 years ago
Participants in the Texas ABLE Program	Various	Various	Many email addresses would be available

Table 18 Exhibit 16 Interest Groups

Interagency, State, or National Associations

(that serve as an information clearinghouse or regularly interact with your agency)

Group or Association Name/ Contact Person	Address	Telephone	Email Address
National Association of State Treasurers, College Savings Plan Network Affiliate	701 8th St., NW Suite 540 Washington, DC 20001	851-241-6383	chris@statetreasurers.org
National Association of State Treasurers, ABLE Programs Affiliate	701 8th St., NW Suite 540 Washington, DC 20001	202-744-6663	nast@statetreasurers.org

Table 19 Exhibit 16 Interagency, State, and National Association

Liaisons at Other State Agencies

(with which your agency maintains an ongoing relationship, e.g., the agency's assigned analyst at the Legislative Budget Board, or attorney at the Attorney General's office)

Agency Name / Relationship / Contact Person	Address	Telephone	Email Address
Joshua Godbey, Division Chief Attorney General's Office	33 W. 15th St. Austin, Texas 78701	512-475-4209	Joshua.godbey@oag.texas.gov
Cesar Saldivar, Audit Manager State Auditor's Office	1501 N. Congress Ave. Austin, Texas 78701	512-936-9436	Cesar.saldivar@sao.texas.gov
Lena Conklin, Budget Analyst LBB	1501 N. Congress Ave. Austin, Texas 78701	512-463-9659	Lena.conklin@lbb.texas.gov

Agency Name / Relationship / Contact Person	Address	Telephone	Email Address
Texas Health and Human Services Commission – Texas Medicaid		512-428-1923	Owen.Wheeler@hhsc.state.tx.us

Table 20 Exhibit 16 Liaisons at Other State Agencies

XI. Additional Information

- A. Texas Government Code, Section 325.0075 requires agencies under review to submit a report about their reporting requirements to Sunset with the same due date as the SER. Include a list of each agency-specific report that the agency is required by statute to prepare and an evaluation of the need for each report based on whether factors or conditions have changed since the statutory requirement was put in place. Please do not include general reporting requirements applicable to all agencies, reports that have an expiration date, routine notifications or notices, posting requirements, federally mandated reports, or reports required by G.A.A. rider. If the list is longer than one page, please include it as an attachment. *See Exhibit 17 Example.*

Texas Prepaid Higher Education Tuition Board Exhibit 17: Evaluation of Agency Reporting Requirements

Report Title	Legal Authority	Due Date and Frequency	Recipient	Description	Is the Report Still Needed? Why?
Financial Information	Sec. 54.642 Sec. 54.777	December 1 of each year	Governor, Lt. Governor, Speaker, LBB, Legislative Audit Committee, SAO, and purchasers of prepaid plans	Fiscal transactions, market/book value of funds, asset allocations, ROI on investments, and actuarial evaluation of TTI and TTFII prepaid plans	Yes. TTFI benefits are guaranteed by a constitutional amendment.

Report Title	Legal Authority	Due Date and Frequency	Recipient	Description	Is the Report Still Needed? Why?
Prepaid tuition sales information and projected Program enrollments at Texas public colleges and universities	Sec. 54.642	December 1 of each year	Texas Higher Education Coordinating Board	Prepaid tuition contract sales information for TTFI and TTFII and projected enrollments at Texas public colleges and universities	No. New enrollment in the original prepaid tuition plan was closed in 2003. Individual reports are sent to Texas public colleges and universities providing a list of TTFI plan beneficiaries that are probable attendees for each semester.
Texas ABLE Program report	Sec. 54.913	N/A	N/A	Requires the Board to include Texas ABLE in the annual financial report for the Program.	Yes.

Table 21 Exhibit 17 Agency Reporting Requirements

B. Does the agency’s statute use "person-first respectful language" as required by Texas Government Code, Section 325.0123? Please explain and include any statutory provisions that prohibit these changes.

Yes, the Texas ABLE statutes use person-first respectful language.

C. Please describe how your agency receives and investigates complaints made against the agency.

The majority of complaints received by the Board relate to refund of unused hours on Texas Guaranteed Tuition Plan contracts that meet the 10-year termination deadline in statute [Education Code, Chapter 54, Subchapter F, Sec. 54.631(b)]. Upon receipt of the refund warrant, which does not include earnings, individuals will contact the Program requesting an exception to receive earnings. They are advised that no exception is allowed by statute, but that they can file a complaint with the Board if they believe the plan made an error in refunding their unused hours. The Complaint Procedures, Attachment P, are made available to individuals wishing to file a complaint. Upon receipt of the complaint, the Director of the Educational

Opportunities and Investments Division investigates the complaint, prepares a summary for the Deputy Comptroller’s review, and provides written notice to the complainant regarding the Deputy Comptroller’s decision on resolution of the complaint.

The 10-year termination deadline is noted in the Master Agreement acknowledged in writing by purchasers when accounts were established, the Student Handbook sent out annually to beneficiaries of the plan in the year of their projected high school graduation date, on the plan website, and annual statements sent to the purchasers in January each year.

Complaints are typically from individuals asking for an exception to the 10-year termination deadline stating that they need the amount they would have received had they cancelled prior to termination due to illness, death of a purchaser, divorce, or other financial need. The difference between what they received at termination for unused hours and what they would have received had they voluntarily cancelled prior to termination is sometimes tens of thousands of dollars. While they will sometimes ask for an exception stating that they did not receive the annual statement with notice of the termination deadline, we are proactive in attempting to locate purchasers through Accurint if their annual statement is returned by the post office as undeliverable.

The plan manager of the Texas Tuition Promise Fund, the Texas college savings plans, and Texas ABLE is required by contract to report complaints to the division within two business days and to work with the Comptroller’s Primary Contract Project Manager to resolve 99 percent of complaints in a satisfactory manner within 30 business days.

Fill in the following chart detailing information on complaints regarding your agency. Do not include complaints received against people or entities you regulate.

**Texas Prepaid Higher Education Tuition Board
Exhibit 18: Complaints Against the Agency — Fiscal Years 2017 and 2018**

	Fiscal Year 2017	Fiscal Year 2018
Number of complaints received	6	5
Number of complaints resolved	6	5
Number of complaints dropped / found to be without merit	6	5
Number of complaints pending from prior years	0	1
Average time period for resolution of a complaint	20 days	20 days

Table 22 Exhibit 18 Complaints Against the Agency

D. Fill in the following charts detailing your agency’s Historically Underutilized Business (HUB) purchases. See Exhibit 19 Example. Sunset is required by law to review and report this information to the Legislature.

**Texas Prepaid Higher Education Tuition Board
Exhibit 19: Purchases from HUBs**

Fiscal Year 2016

Category	Total \$ Spent	Total HUB \$ Spent	Percent	Agency Specific Goal	Statewide Goal
Heavy Construction	\$0	\$0	0.00%	N/A	11.2%
Building Construction	\$0	\$0	0.00%		21.1%
Special Trade	\$0	\$0	0.00%		32.9%
Professional Services	\$1,785,081	\$0	0.00%		23.7%
Other Services	\$1,068,355	\$5,424	0.51%		26.0%
Commodities	\$37,219	\$2,826	7.59%		21.1%
TOTAL	\$2,890,656	\$8,251	0.29%		

Table 23 Exhibit 19 HUB Purchases for FY 2016

Fiscal Year 2017

Category	Total \$ Spent	Total HUB \$ Spent	Percent	Agency Specific Goal	Statewide Goal
Heavy Construction	\$0	\$0	0.00%	N/A	11.2%
Building Construction	\$0	\$0	0.00%		21.1%
Special Trade	\$0	\$0	0.00%		32.9%
Professional Services	\$1,281,679	\$0	0.00%		23.7%
Other Services	\$815,744	\$293,933	36.03%		26.0%
Commodities	\$25,521	\$11,367	44.54%		21.1%
TOTAL	\$2,122,975	\$305,300	14.38%		

Table 24 Exhibit 19 HUB Purchases for FY 2017

Fiscal Year 2018

Category	Total \$ Spent	Total HUB \$ Spent	Percent	Agency Specific Goal	Statewide Goal
Heavy Construction	\$0	\$0	0.00%	N/A	11.2%
Building Construction	\$0	\$0	0.00%		21.1%
Special Trade	\$0	\$0	0.00%		32.9%
Professional Services	\$835,983	\$0	0.00%		23.7%
Other Services	\$837,401	\$308,535	36.84%		26.0%
Commodities	\$18,117	\$0	0.00%		21.1%
TOTAL	\$1,691,502	\$308,535	18.24%		

Table 25 Exhibit 19 HUB Purchases for FY 2018

- E. Does your agency have a HUB policy? How does your agency address performance shortfalls related to the policy? (Texas Government Code, Section 2161.003; TAC Title 34, Part 1, Rule 20.286c)**

The Board does not have a HUB policy, but adheres to the HUB policy of the Comptroller's office.

- F. For agencies with contracts valued at \$100,000 or more: Does your agency follow a HUB subcontracting plan to solicit bids, proposals, offers, or other applicable expressions of interest for subcontracting opportunities available for contracts of \$100,000 or more? (Texas Government Code, Section 2161.252; TAC Title 34, Part 1, Rule 20.285)**

Yes, the Board follows the Comptroller's HUB subcontracting plan.

- G. For agencies with biennial appropriations exceeding \$10 million, answer the following HUB questions.**

- 1. Do you have a HUB coordinator? If yes, provide name and contact information. (Texas Government Code, Section 2161.062; TAC Title 34, Part 1, Rule 20.296)**

The Board does not receive appropriated funds for operational expenses.

- 2. Has your agency designed a program of HUB forums in which businesses are invited to deliver presentations that demonstrate their capability to do business with your agency? (Texas Government Code, Section 2161.066; TAC Title 34, Part 1, Rule 20.297)**

No, however, bid finalists for key services are often invited to attend board meetings to present their proposals.

- 3. Has your agency developed a mentor-protégé Program to foster long-term relationships between prime contractors and HUBs and to increase the ability of HUBs to contract with the state or to receive subcontracts under a state contract? (Texas Government Code, Section 2161.065; TAC Title 34, Part 1, Rule 20.298)**

No

- H. Fill in the charts below detailing your agency's Equal Employment Opportunity (EEO) statistics. See Exhibit 20 Example. Sunset is required by law to review and report this information to the Legislature. Please use only the categories provided below. For example, some agencies use the classification "paraprofessionals," which is not tracked by the state civilian workforce. Please reclassify all employees within the appropriate categories below.**

These charts are not applicable to the Board as the Board has no FTEs.

**Texas Prepaid Higher Education Tuition Board
Exhibit 20: Equal Employment Opportunity Statistics**

1. Officials / Administration

Year	Total Number of Positions	Percent African American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2016	(number)	(percent)	7.4%	(percent)	22.1%	(percent)	37.4%
2017	(number)	(percent)	7.4%	(percent)	22.1%	(percent)	37.4%
2018	(number)	(percent)	7.4%	(percent)	22.1%	(percent)	37.4%

Table 26 Exhibit 20 EEO Statistics for Officials/Administration

2. Professional

Year	Total Number of Positions	Percent African American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2016	(number)	(percent)	10.4%	(percent)	19.3%	(percent)	55.3%
2017	(number)	(percent)	10.4%	(percent)	19.3%	(percent)	55.3%
2018	(number)	(percent)	10.4%	(percent)	19.3%	(percent)	55.3%

Table 27 Exhibit 20 EEO Statistics for Professionals

3. Technical

Year	Total Number of Positions	Percent African American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2016	(number)	(percent)	14.4%	(percent)	27.2%	(percent)	55.3%
2017	(number)	(percent)	14.4%	(percent)	27.2%	(percent)	55.3%
2018	(number)	(percent)	14.4%	(percent)	27.2%	(percent)	55.3%

Table 28 Exhibit 20 EEO Statistics for Technical

4. Administrative Support

Year	Total Number of Positions	Percent African American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2016	(number)	(percent)	14.8%	(percent)	34.8%	(percent)	72.1%
2017	(number)	(percent)	14.8%	(percent)	34.8%	(percent)	72.1%
2018	(number)	(percent)	14.8%	(percent)	34.8%	(percent)	72.1%

Table 29 Exhibit 20 EEO Statistics for Administrative Support

5. Service / Maintenance

Year	Total Number of Positions	Percent African American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2016	(number)	(percent)	13.0%	(percent)	54.1%	(percent)	51.0%
2017	(number)	(percent)	13.0%	(percent)	54.1%	(percent)	51.0%
2018	(number)	(percent)	13.0%	(percent)	54.1%	(percent)	51.0%

Table 30 Exhibit 20 EEO Statistics for Service and Maintenance

6. Skilled Craft

Year	Total Number of Positions	Percent African American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2016	(number)	(percent)	10.6%	(percent)	50.7%	(percent)	11.6%
2017	(number)	(percent)	10.6%	(percent)	50.7%	(percent)	11.6%
2018	(number)	(percent)	10.6%	(percent)	50.7%	(percent)	11.6%

Table 31 Exhibit 20 EEO Statistics for Skilled Craft

- I. Does your agency have an equal employment opportunity policy? How does your agency address performance shortfalls related to the policy?

The Texas Comptroller of Public Accounts' equal employment policy applies to the employees in the Educational Opportunities and Investments Division that serve as board staff.

XII. Agency Comments

Provide any additional information needed to gain a preliminary understanding of your agency.

See the attachments that follow for additional information about the agency.

ATTACHMENTS

The following attachments are provided separately.

Attachments Relating to Key Functions, Powers and Duties	
A.	Enabling Statutes
B.	Administrative Rules
C.	FY 2016 Annual Report
D.	FY 2017 Annual Report
E.	FY 2018 Annual Report
Attachments Relating to Policymaking Structure	
F.	Biographical Information of Board Members
G.	Board Member Training Manual
H.	Ethics Policy
I.	Use of Technology Policy
Attachments Relating to Funding	
J.	Audited Financial Statements FY 2016

K.	Audited Financial Statements FY 2017
L.	Audited Financial Statements FY 2018
M.	Operating Budget FY 2017
N.	Operating Budget FY 2018
O.	Operating Budget FY 2019
Attachments Relating to Organization	
P.	Complaint Procedures
Attachments Relating to Agency Performance Evaluation	
Q.	Quarterly Performance Reports for the Educational Opportunities and Investments Division FY 2017
R.	Quarterly Performance Reports for the Educational Opportunities and Investments Division FY 2018
S.	FY 2020 Marketing Plan
T.	List of internal audit reports from FY 2014–2019 completed by or in progress at the agency
U.	Customer service surveys conducted by or for your agency in FY 2017–2019