

Self-Evaluation Report
Prepaid Higher Education Tuition Board

Submitted to the



Sunset Advisory Commission

August 19, 2005



Carole Keeton Strayhorn
Texas Comptroller of Public Accounts

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August 2005

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The Honorable Jane Nelson, Vice Chair
The Honorable John Carona, Senate Member
The Honorable Mike Jackson, Senate Member
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The Honorable Jim Dunnam, House Member
The Honorable Peggy Hamric, House Member
The Honorable Vicki Truitt, House Member
The Honorable John Shields, House Public Member
Sunset Advisory Commission
1501 North Congress Avenue, 6th Floor
Austin, Texas 78701

Fellow Texans:

As chairman of the Texas Prepaid Higher Education Tuition Board (Board), I am pleased to present the Board's Self-Evaluation Report pursuant to the important work of the Sunset Advisory Commission. Working with the dedicated members of the Board, I appreciate the vital support the people of Texas have shown for the Texas Guaranteed Tuition Plan, the state's prepaid college tuition program, and Tomorrow's College Investment Plan, our newer 529 college savings plan.

During my tenure as Texas Comptroller, more than 81,000 Texas families have bought prepaid tuition contracts for their children and grandchildren. The Board suspended new enrollment in the prepaid tuition plan for the 2003-04 and 2004-05 academic years due to the Legislature taking action during the 78th Regular Session authorizing Texas public colleges and universities to set their own tuition rates. In the future, tuition rates may vary significantly among our public institutions. As a result, historical trends will no longer be a reliable predictor of tuition rates, whose uncertainty will make pricing new prepaid tuition contracts extremely difficult.

I fully intend to protect the benefits of our prepaid tuition plan as well as the state's constitutional guarantee that stands behind the program. The Board will continually assess the effects of tuition deregulation and revisit this decision to determine if tuition rates will allow the sale of new prepaid tuition contracts.

Sunset Advisory Commission
August 2005
Page Two

I want our hardworking Texas families to have as many options as possible to save for rising college expenses. My *e-Texas* report to the 77th Legislature in 2001 recommended that Texas create a 529 college savings plan, which is now a reality. In addition to tuition and fees, Texans may now save for their children's room and board, books, supplies, and more. Enrollment is open year-round. This savings plan includes a choice of 19 different investment portfolios. Earnings and withdrawals for qualified education expenses are federal tax-free and can be used at colleges and universities across the United States. It's also great for grandparents—529 savings contributions are considered completed gifts and are excluded from an estate.

Nothing is more important than education. My number one goal for Texas in the 21st Century is to develop a better-educated workforce. We no longer talk about education in terms of K-12, but K-16 and beyond. The Texas Tomorrow Funds can help families ensure a K-16 education for our most precious resource—our children!

I hope you find the information contained in this report useful. If I may be of assistance, please call me directly at 512/463-4444. Thanks for caring about future generations of Texans!

Sincerely,

A handwritten signature in black ink that reads "Carole Keeton Strayhorn". The signature is written in a cursive, flowing style.

Carole Keeton Strayhorn
Texas Comptroller

c: The Honorable John C. Anderson, Board Member
Michael D. Gollob, C.P.A., Board Member
Jack R. Hamilton, C.F.A., Board Member
E. J. Pederson, Board Member
The Honorable Mark W. Stiles, Board Member
Beth M. Weakley, Board Member

TABLE OF CONTENTS

I.	Agency Contact Information	1
II.	Key Functions and Performance	1
III.	History and Major Events	7
IV.	Polymaking Structure	8
V.	Funding	10
VI.	Organization	14
VII.	Guide to Agency Programs	
	Texas Guaranteed Tuition Plan	16
	Tomorrow's College Investment Plan	23
VIII.	Statutory Authority and Recent Legislation	27
IX.	Policy Issues	28
X.	Other Contacts	29
XI.	Additional Information	
	Complaint Data	30
	HUB Data	30
	EEO Data	34

Prepaid Higher Education Tuition Board Self-Evaluation Report

I. Agency Contact Information

A. Please fill in the following chart.

Prepaid Higher Education Tuition Board Exhibit 1: Agency Contacts				
	Name	Address	Telephone & Fax Numbers	E-mail Address
Agency Head	Texas Comptroller Carole Keeton Strayhorn, Presiding Officer	P. O. Box 13528, Austin, Texas 78711-3528	(512) 463-4000; Fax (512) 463-4965	N/A
Agency's Sunset Liaison	Zulay A. Sanchez; Andrew Ruth	P. O. Box 13407, Austin, Texas 78711-3407	(512) 463-4863; (512) 936-5908 Fax (512) 463-4208	zulay.sanchez@cpa.state.tx.us; andy.ruth@cpa.state.tx.us

II. Key Functions and Performance

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

As created by H. B. 1214, 74th Legislature in 1995, the Prepaid Higher Education Tuition Board (“board”) administers the state’s two college savings programs, the Prepaid Higher Education Tuition Program and the Higher Education Savings Plan. The Prepaid Higher Education Tuition Program was enacted as Subchapter F of Chapter 54 of the Education Code, was formerly known as the Texas Tomorrow Fund, and is presently known as (and will be referred to herein as) the Texas Guaranteed Tuition Plan. The Higher Education Savings Plan was enacted in 2001 as Subchapter G of Chapter 54 of the Education Code and is presently known as (and will be referred to herein as) Tomorrow’s College Investment Plan.

Both plans are authorized under Section 529 of the Internal Revenue Code of 1986, as amended, as qualified tuition programs. The board is the trustee of the assets held by the Comptroller in the Texas Tomorrow Constitutional Trust Fund (“Fund”). The board’s mission is to further the Legislature’s intent to meet “an urgent public necessity to assist young Texans in obtaining a higher education,” an “educated population being necessary to the social development and economic health of this state.” The main objective of the board is to assist Texans by providing a means to save sufficient funds for higher education.

The **Texas Guaranteed Tuition Plan** (“Plan”) is the state’s prepaid college tuition program; it allows Texas families to lock in the cost of tuition and required fees at today’s cost. The program is flexible and offers a variety of college plans and payment options for public, private, and junior/community

institutions. The board invests these payments and uses investments and earnings to cover the costs of college tuition and required fees at eligible institutions of higher education. In 1997, voters approved a constitutional amendment creating a constitutionally protected trust fund backed by the full faith and credit of the state of Texas. Future tuition and fee payments are guaranteed by the state. Since the program opened for enrollment in January 1996, over 158,000 prepaid tuition contracts have been sold. Today, more than 13,000 students using Plan benefits are attending public and private institutions of higher education in Texas and across the nation. The Plan's invested assets are now at \$1.5 billion, with total program assets (which include future prepaid tuition contract payments) in excess of \$2 billion.

Tomorrow's College Investment Plan, launched in September 2002, is commonly referred to in the financial press as a Section 529 college savings plan, after that section of the Internal Revenue Code that governs these state-sponsored plans. The Texas 529 college savings plan provides a tax-advantaged investment vehicle to save for a broad range of college costs. The board holds in trust money contributed to a savings trust account and earnings on the account for the sole benefit of the account owner and beneficiary. Managed by Enterprise Capital Management, Inc., the Texas 529 plan includes a choice of 19 different investment portfolios and offers the opportunity for tax-free investment growth and tax-free withdrawals on earnings used for qualified education expenses like tuition and fees, room and board, books, supplies, and equipment. Assets under management now are more than \$129 million with some 15,600 account owners. No money that is invested in Tomorrow's College Investment Plan is insured by the state of Texas and neither the principal that is invested nor the investment return is guaranteed by the state of Texas or any other entity.

The board comprises seven members. Texas Comptroller Carole Keeton Strayhorn is the presiding officer of the board. By law, the board is in the office of the Comptroller, and Comptroller employees selected by the Comptroller for that purpose serve as the staff of the board. Also by law, two board members are appointed by the Governor and four members are appointed by the Lieutenant Governor, with two of the Lieutenant Governor's appointees coming from a List of Persons recommended by the Speaker of the House of Representatives. The enabling statute requires board members to have experience in higher education, business, or finance.

B. Do each of your key functions continue to serve a clear and ongoing objective? Explain why each of these functions is still needed. What harm would come from no longer performing these functions?

The board's key functions continue to serve a clear and ongoing objective. College costs are rising in Texas and across the United States. In recent years, increases in average tuition and required fees at Texas senior public colleges and universities have been volatile, rising 23 percent from the 2003-04 to the 2004-05 academic year, then moderating to an average 7.4 percent increase for the 2005-06 academic year. New demands on state spending may mean that appropriations for higher education will have a hard time keeping up with projected increases in enrollment. By 2006, Texas public universities are likely to be priced somewhat above national averages, and concern about affordability may increase. In this uncertain environment, working Texas families have an ongoing need for the benefit of affordable, disciplined savings pursued over time with the expectation of offsetting their children's future college expenses.

As noted, more than 158,000 prepaid tuition contracts have been sold to the people of Texas, and these contracts are direct obligations of the state. Under Plan rules, the board must manage and service these existing contracts for 25 years or more (depending on the age of the beneficiary when the contract was

purchased). Even if there were no further new enrollment in the Plan, these contracts are backed by the full faith and credit of the state and must be honored.

Many states currently sponsor a prepaid tuition plan, a college savings plan, or both, evidence of the national commitment to the idea of saving for higher education. More importantly, the IRS generally restricts the creation and maintenance of a “qualified tuition program”—either prepaid or savings—to a *state* (the IRS also permits one or more eligible educational institutions to create a prepaid tuition plan). Accordingly, no entity apart from the state of Texas could offer comparable tax advantages to parents or students seeking a full range of options in higher education. While it is not possible to accurately estimate the harm to the people of Texas from no longer performing these functions, it clearly would close off two successful savings plans that thousands of Texas families have looked to enable their children to pursue their goals in higher education.

C. What evidence can your agency provide to show your overall effectiveness and efficiency in meeting your objectives?

The board has received no state appropriations for either plan. The Comptroller’s Office adds significant value to the board’s activities by defraying its operating costs. Both plans legitimately can be judged effective and efficient in meeting the board’s statutory objectives. Sales of prepaid tuition contracts remained robust throughout the board’s eight annual open enrollment periods from 1996-2003, with over 158,000 prepaid tuition contracts sold. Sales for the most recent enrollment period in 2002-03 were 25,688, the second highest total of new participants since program inception. The state’s prepaid tuition plan, begun in 1996, is now mature, so that the number of matriculating students eligible to receive prepaid tuition benefits is rising significantly. As recently as the 2000-2001 academic year, the board paid benefits on behalf of only 4,381 students. In contrast, during the 2004-05 academic year, the board paid tuition and fees on behalf of 13,636 enrolled students to 36 Texas public senior institutions (9,695 students); to 38 Texas private institutions (1,441 students); and to 66 Texas junior/community colleges (2,500 students). According to board projections, students eligible to use Plan benefits will rise to 19,066 for the 2006-07 academic year and to 23,120 for the 2009-2010 academic year.

In addition, in FY2004 the board’s staff made payments to colleges and universities within an average of 11 days of receipt of invoices; paid out \$41,525,283 in Plan benefits; and mailed out 266,886 pieces of business correspondence to Plan participants. The board operates with optimum efficiency. For fiscal year 2006, the Plan’s operating expenses of \$2.3 million (excluding investment management fees) were projected to be 0.15 percent of invested assets, well below the average of its peer programs in other states.

The board also has demonstrated effectiveness and efficiency in creating and maintaining a successful 529 college savings plan. The Texas 529 college savings plan operates without state appropriation at no cost to the state of Texas. The plan manager has provided funds to pay all marketing, implementation, and administrative costs of the plan. The plan manager also provides a customer service call center (with financial representatives who speak English and Spanish) and marketing literature mailings at no cost to the state.

The state’s 529 college savings plan is comparatively new and must compete nationally with other state-sponsored 529 plans (IRS regulations have no residency requirement for 529 savings plan account owners or beneficiaries). Pursuant to legislative authorization in the 2001 session (S. B. 555), the board conducted a competitive solicitation under the state’s procurement laws, awarded a contract to a financial institution to manage the program, designed the Texas 529 plan with incentives to appeal to the people of Texas (including direct, no-load accounts), and opened the savings plan in September 2002. The board and college savings plan manager contracted to operate a single toll-free number and to have joint

enrollment literature mailing operations. Besides enabling the college savings and prepaid tuition plans to complement each other, the board realized cost savings and operational efficiencies from these shared functions.

Further, the board has structured TCIP to make it attractive to the people of Texas. Texas account owners and beneficiaries pay no account maintenance fee, no enrollment fee, and no sales charges when purchased directly from the state. Texas residents also have low minimums and may open an account for as little as \$25 per investment option or \$15 in an automatic purchase plan or payroll deduction.

Although the board is authorized by law to charge account owners a state administrative fee for program expenses in establishing and maintaining the savings plan, the financial institution that is the plan manager has paid such costs since program inception. The board has a contractual commitment for \$8.5 million from its plan manager that is earmarked for marketing in major Texas media centers in English and Spanish to inform the people of Texas about the advantages of the state's new college savings plan.

D. Does your agency's enabling law continue to correctly reflect your mission, objectives, and approach to performing your functions? Have you recommended changes to the Legislature in the past to improve your agency's operations? If so, explain. Were the changes adopted?

Yes, the board's enabling statutes continue to correctly reflect its mission, objectives, and approach to performing its functions. The 78th Legislature (H. B. 3015, Regular Session) authorized Texas public colleges and universities to set and vary tuition rates to most effectively manage their institutions. In view of this action, the Comptroller's Office recommended that the Legislature give the board the authority to temporarily suspend new enrollment in the prepaid tuition plan to protect the actuarial soundness of the Plan.

The board was concerned that, in the future, tuition rates could vary significantly among the state's public institutions. As a result, historical trends would no longer be a reliable predictor of tuition rates, whose uncertainty would make pricing new prepaid tuition contracts extremely difficult. The board's overriding concern was to protect the benefits of Plan participants as well as the state's constitutional guarantee that stands behind the program. The board is committed to continually assessing the effects of tuition deregulation and to revisiting this decision to determine if tuition rates will allow the sale of new prepaid tuition contracts. The Legislature adopted this recommendation, amending the Education Code with Section 54.619(j) to authorize the board to temporarily suspend new enrollment in the prepaid tuition program on the request of the Comptroller as the Comptroller considers necessary to protect the actuarial soundness of the fund.

The Comptroller's Office also recommended that board payments to institutions of higher education under a public senior prepaid tuition contract be limited to the lesser of: 1) the amount of tuition and required fees charged by the institution; or 2) the weighted average amount of tuition and required fees charged by all Texas public senior colleges and universities for each semester or academic term. This provision was also intended to protect the actuarial soundness of the Plan. The 78th Legislature also adopted this recommendation, amending the Education Code in Section 54.624(b).

The Comptroller's Office also recommended that public senior colleges and universities be required to respond to the board's annual tuition survey by June 1st of each year to assist the board in determining the weighted average amount of tuition and required fees for the following academic year. The 78th Legislature also adopted this recommendation, amending the Education Code in Section 54.624(c).

E. 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?

None of the board's functions overlap or duplicate those of another state or federal entity. Each of the board's key functions is most appropriately placed within the Comptroller's Office. In particular, the Comptroller's Office adds significant value to the board's activities by defraying its operating costs. As the state's chief financial officer, the Comptroller is able to ensure that the staff and agency resources identified to serve the board are among the most knowledgeable and proficient in state government. The Office of the General Counsel in the Comptroller's Office lends considerable expertise and support in monitoring the board's contracts with investment managers, custodians, consultants, actuaries, and other vendors. The General Counsel also ensures that the board's operations and activities comply with the state's Open Meetings Act, Public Information Act, and HUB participation requirements, and provides legal counsel to the board in the areas of federal tax law, securities law, ethics, intellectual property, and family law.

The Comptroller's Office includes the lockbox operations at the Texas Treasury, which in fiscal year 2004 processed and deposited payments of more than \$140 million from Plan participants. Treasury operations also hold and process substantial cash accounts for the Texas Tomorrow Constitutional Trust Fund. The Comptroller's Fiscal Management and Budget and Internal Accounting Divisions provide valuable oversight and support of the board's financial operations. The Comptroller's Information Technology Division provides state-of-the-art data processing, records imaging and administration, and disaster recovery to safeguard account records of Plan participants.

The board's enabling statute authorizes it to administer the state's two college savings plans. There is no duplication with related agencies. As noted previously, only a state may create and maintain an IRS qualified tuition program to offer public and private education savings plans. The board has received an IRS letter ruling that the state's prepaid tuition plan is a qualified tuition program authorized under Section 529 of the Internal Revenue Code of 1986, as amended. The board has submitted an application for an IRS private letter ruling for its college savings plan.

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

Most state-sponsored prepaid tuition and college savings plans are housed in the office of the state treasurer. They are structured much like the Texas plans. These plans may have particular characteristics enacted by state law. For example, a few state prepaid programs provide guarantees that back tuition benefits, while a number of state savings plans offer deductions to offset state personal income tax. All state-sponsored prepaid tuition and college savings plans must comply with provisions of Section 529 of the IRS Code for a qualified tuition program.

G. What key obstacles impair your agency's ability to achieve its objectives?

There are two key obstacles that may impair the prepaid tuition plan: 1) A prolonged or unanticipated downturn in investment markets; and 2) spikes in tuition and fee rates. In recent years, these two market-driven forces have impacted the Plan's reserve level, resulting in an unfunded liability of \$222.8 million on August 31, 2004. This is an actuarial snapshot in time that measures projected assets and liabilities, based on current assumptions, which themselves may change. According to a board actuarial consultant, the reserve level may be expected to fluctuate over time in response to market forces, and for any one-

year basis, the reserve could range from negative 20 percent to positive 30 percent. The Plan was 89 percent funded on 8/31/04, in line with its peer programs in other states.

Under state law, the board must “administer the fund in a manner that is sufficiently actuarially sound to pay the costs of program administration and operations and meet the obligations of the program” (Education Code, Sec. 54.640(a)). It is important to point out that the unfunded liability has no immediate, short-term effect on the Plan’s cash flow or its ability to meet its current obligations, and, as noted, future tuition and fee payments are backed by a constitutional guarantee of the full faith and credit of the state. Preliminary data suggest that the unfunded liability may be reduced significantly on August 31, 2005 by at least \$60 million as a result of a lower actual tuition rate increase than was assumed by the actuary and an improved investment return.

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

The exemption from federal income tax of qualified tuition program gains withdrawn to pay qualified higher education expenses will expire on December 31, 2010, unless Congress extends the tax benefits beyond 2010. If the exemption is not extended, gains on distributions to colleges will revert to being taxable to plan beneficiaries as they were prior to January 1, 2002. While gains on 529 plans would continue to be deferred from income tax until the funds are actually distributed, having the gains used to pay allowable college costs be exempt from tax is obviously more advantageous to parents and students.

I. What are your agency’s biggest opportunities for improvement in the future?

The agency is currently planning to implement online account access for prepaid plan participants. This improvement would give them the ability to inquire on the current account status, order forms, and update certain purchaser and beneficiary information, such as mailing address. (This capability is already in place for 529 college savings plan account owners.)

J. In the following chart, provide information regarding your agency’s key performance measures included in your appropriations bill pattern, including outcome, input, efficiency, and explanatory measures. See Example 2 or [click here to link directly to the example](#).

Prepaid Higher Education Tuition Board			
Exhibit 2: Key Performance Measures C Fiscal Year 2004			
Key Performance Measures	FY 2004 Target	FY 2004 Actual Performance	FY 2004 % of Annual Target
N/A			

Note: Because the board’s financial activities are outside of the appropriations bill process, the board does not have key performance measures as contemplated in the appropriations bill.

III. History and Major Events

Prepaid Higher Education Tuition Board	
1995	H.B. 1214, 74 th Legislature, creates board and the state's prepaid college tuition program.
1996	The Texas Tomorrow Fund, the Texas prepaid college tuition program, opens for enrollment in January.
1997	H.J.R. 8, 75 th Legislature, creates the Texas Tomorrow Fund as a constitutionally protected trust fund backed by the full faith and credit of the state. Texas voters approve Proposition 13, a constitutional amendment to this effect (Article 7, Section 19). H.B. 9, 75 th Legislature, authorizes the board to create a direct-support organization to award prepaid tuition contract scholarships to certain students; and board is directed to adopt prudent-person rule in investing the assets of the prepaid tuition program. The IRS issues interim regulations governing Qualified Tuition Programs under Section 529 of the Code.
1999	IRS issues favorable letter ruling to accredit the prepaid college tuition plan as a Qualified Tuition Program under Section 529 of the Code. S.B. 315, 76 th Legislature, authorizes board to pay prepaid tuition contract benefits to certain approved proprietary schools.
2001	Congress enacts the Economic Growth and Tax Relief Reconciliation Act of 2001, which exempts Internal Revenue Code Section 529 withdrawals from federal taxes when used for qualified higher education expenses effective January 1, 2002. The provision expires on December 31, 2010, unless Congress extends the tax benefits under the act beyond 2010.
2001	S.B. 555, 77 th Legislature, authorizes board to create and administer a higher education savings plan. The Texas Tomorrow Constitutional Trust Fund ("Fund") is renamed and designated as a trust fund to be held with the Comptroller. The Fund consists of the assets of the prepaid college tuition program and the higher education savings plan. The board administers, and is the trustee of, the Fund's assets.
2002	Following competitive solicitation, board awards a contract to a financial institution to manage the Texas higher education savings plan. Tomorrow's College Investment Plan (TCIP) opens in September. Board requests private letter ruling from the IRS on TCIP. Board adopts service mark of the "Texas Tomorrow Funds," which include the Texas Guaranteed Tuition Plan and Tomorrow's College Investment Plan.
2003	H. B. 3015, 78 th Legislature (Regular Session), authorizes governing boards of Texas public colleges and universities to set and vary tuition rates to most effectively manage their institutions.
2003	H. B. 2425, 78 th Legislature (Regular Session), authorizes board to temporarily suspend new enrollment in the prepaid college tuition plan to protect the actuarial soundness of the plan. Board temporarily suspends new enrollment in June for the 2003-04 academic year. H. B. 2425 also limits the board's payment to institutions on behalf of a senior prepaid tuition contract beneficiary to the lower of actual tuition and required fees or the weighted average of all Texas public senior institutions.
2004	After review of latest Texas public university tuition data in September, board renews suspension of new enrollment for the 2004-05 academic year.

IV. Policymaking Structure

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

Prepaid Higher Education Tuition Board Exhibit 3: Policymaking Body			
Member Name	Term/ Appointment Dates/ Appointed by _____ (e.g., Governor, Lt. Governor, Speaker)	Qualification (e.g., public member, industry representative)	City
Honorable Carole Keeton Strayhorn, Texas Comptroller and Presiding Officer	1999-07; Comptroller named in enabling statute	Elected Comptroller	Austin
Honorable John C. Anderson	2001-07; Appointed by Lt. Governor from Speaker’s List	Public member	Plainview
Michael D. Gollob, C.P.A.	2003-09; Appointed by Governor	Public member	Tyler
Jack R. Hamilton, C.F.A.	2001-07; Appointed by Lt. Governor	Public member	Houston
E. J. Pederson	1997-2003; Appointed by Lt. Governor	Public member	Galveston
Honorable Mark W. Stiles	2001-05; Appointed by Lt. Governor from Speaker’s List	Public member	Dallas
Beth M. Weakley	1999-2005; Appointed by Governor	Public member	San Antonio

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

The board is the trustee of the assets held by the Comptroller in the Texas Tomorrow Constitutional Trust Fund (“Fund”). The board administers the state’s two qualified tuition programs pursuant to state law and Section 529 of the Internal Revenue Code of 1986, as amended. The board invests the assets of the Fund; pays prepaid tuition contract distributions to institutions of higher education and Plan participants; adopts administrative rules for both prepaid tuition and college savings plans; issues Requests for Proposals under the state’s procurement laws; enters into contracts for professional services; supervises the activities of its investment committee; approves investment portfolio asset allocation, policies, guidelines, and assumptions; approves prepaid tuition contract prices and actuarial assumptions as developed by its

consultants and actuaries; determines an annual open enrollment period for the prepaid plan; enforces board ethics policies; approves the program's operating budget; and approves marketing materials and activities for both prepaid tuition and college savings plans.

C. How is the chair selected?

By statute, the Comptroller serves as the presiding officer of the board. (Education Code, Sec. 54.611(a)).

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

N/A

E. In general, how often does your policymaking body meet? How many times did it meet in FY 2004? in FY 2005?

Generally, the board meets quarterly. In FY 2004 the board met in September 2003, December 2003, and June 2004 (a scheduled March 2004 meeting was cancelled due to lack of a quorum). In FY 2005 the board met in September 2004, December 2004, March 2005, and June 2005. The board's investment committee, composed of three members, also met in Open Meeting seven times in FY 2004 and four times in FY 2005.

F. What type of training do members of your agency's policymaking body receive?

New board members and Comptroller's Office staff receive training in applicable state and federal law and regulations; board policy, ethics, procedures, and rules.

G. Does your agency have policies that describe the respective roles of the policymaking body and agency staff in running the agency? If so, describe these policies.

The enabling statute stipulates the powers of the board. Among other powers, the board may enter into contracts and other instruments for necessary goods and services and engage the services of private consultants, actuaries, trustees, records administrators, marketing agents, managers, legal counsel, and auditors for administrative or technical assistance (Education Code, Sec. 54.618). As the trustee of the assets held in the Fund, the board sets broad policy in all areas of its operations. The board's investment policy statement describes the fiduciary duties and responsibilities of the board, its investment committee, investment advisor, custodial bank, and external investment managers. The board's ethics policy specifies standards of legal and ethical conduct and addresses conflicts of interest for board members and staff.

Staff of the Comptroller's Office that are identified to serve the board carry out the daily operations of the prepaid tuition plan, including all customer service and accounting functions for Plan participants; payment of Plan benefits to institutions of higher education and Plan participants; authorizing investment transactions approved by the board; monitoring of contract compliance with external vendors, consultants, custodians, and investment managers, including the college savings plan manager; and payment of the board's operating expenses.

H. What information is regularly presented to your policymaking body to keep them informed of your agency's performance?

Board members receive regular reports on major aspects of the prepaid tuition and college savings plans, including the following: investment performance by its external managers; current investment markets; account activity and sales; actuarial soundness; the results of an annual survey requesting tuition and fee rates for colleges and universities in Texas; trends in state and national tuition and fees; legislative updates; and best practices and bench-marking among state-sponsored Section 529 qualified tuition programs.

I. 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?

The board provides a scheduled opportunity for public comment at board and investment committee meetings that are open to the public. Staff also conduct customer satisfaction surveys on how service can be improved.

J. If your policymaking body uses subcommittees or advisory committees to carry out its duties, fill in the following chart.

Prepaid Higher Education Tuition Board Exhibit 4: Investment Committee			
Name of Subcommittee or Advisory Committee	Size/Composition/How are members appointed?	Purpose/Duties	Legal Basis for Committee
Investment Committee	Three board members selected by the board (currently, Hon. John C. Anderson, Jack R. Hamilton, and E. J. Pederson)	Provides recommendations to the board on investment and actuarial policy guidelines, asset allocation, and selection of investment managers, consultants, or actuaries.	Education Code Sec. 54.618 (12); Education Code Sec. 54.636 (c); and Texas Guaranteed Tuition Plan, Investment Policy Statement, page 3.

V. Funding

A. Provide a brief description of your agency's funding.

The board has received no state appropriations for either plan. The source of funding for the Texas Guaranteed Tuition Plan consists of money paid under prepaid tuition contracts, including fees for administrative services, and investment income earned on fund assets. Enterprise Capital Management, under its contract with the board, has provided funds to pay marketing, implementation, and

administrative costs of Tomorrow’s College Investment Plan. If necessary in the future, the board has the authority in statute to charge administrative fees and service charges to account owners in amounts not exceeding the cost of maintaining the college savings plan.

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

No riders impact our agency’s budget. Because the program’s assets are held in a constitutional trust fund, financial activity for the board is not included in the state appropriations bill.

C. Show your agency’s expenditures by strategy. See Exhibit 5 Example or [click here to link directly to the example.](#)

Prepaid Higher Education Tuition Board Exhibit 5: Expenditures by Strategy C Fiscal Year 2004 (Actual)	
Goal/Strategy	Amount
Prepaid Plan - Tuition Payments & Other Distributions	\$43,480,625
Administration – Prepaid Plan	\$6,077,683
Administration – College Savings Plan	\$45,610
Marketing – College Savings Plan	\$1,077,472
GRAND TOTAL:	\$50,681,390

Note: Since the board’s financial activities are outside of the appropriations process, it does not have goals and strategies adopted in the appropriations bill. The strategies shown above are from the Uniform Statewide Accounting System (USAS).

D. Show your agency’s objects of expense for each category of expense listed for your agency in the General Appropriations Act FY 2005-2006. See Exhibit 6 Example or [click here to link directly to the example.](#) Add columns and rows as necessary.

Prepaid Higher Education Tuition Board Exhibit 6: Objects of Expense by Program or Function C Fiscal Year 2005			
Object-of-Expense	Texas Guaranteed Tuition Plan	Tomorrow’s College Investment Plan	Total – All Programs
Salaries and Wages	\$974,962		\$974,962
Other Personnel Costs	\$245,272		\$245,272
Professional Fees and Services	\$6,317,140	\$874,500	\$7,191,640
Consumable Supplies	\$130,000		\$130,000

Utilities	\$55,377		\$55,377
Travel	\$7,000		\$7,000
Rent – Machine and Other	\$29,065		\$29,065
Other Operating Expense	\$639,036		\$639,036
Total	\$8,397,852	\$874,500	\$9,272,352

Note: Since the board's financial activities are outside of the appropriations process, the objects of expense and the amounts shown above are from the FY 2005 operating budget approved by the board. Payments to colleges are not included in the board's operating budget because all valid tuition invoices must be paid.

E. 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 or [click here to link directly to the example](#).

Prepaid Higher Education Tuition Board	
Exhibit 7: Sources of Revenue C Fiscal Year 2004 (Actual)	
Source	Amount
Prepaid Tuition Contract Payments	\$137,774,990
Prepaid Tuition Contract Fees	\$2,137,554
Interest and Investment Income	\$29,814,154
Marketing Contribution from Enterprise Capital Management	\$1,081,607
Other Revenue	\$30,023
TOTAL	\$170,838,328

Note: Since the board's financial activities are outside of the appropriations process, the sources of revenue shown above reflect the primary sources of funding for the prepaid program rather than revenue types used in the appropriations bill and used by the LBB. All prepaid tuition contract payments and fees are paid by contract purchasers.

F. If you receive funds from multiple federal programs, show the types of federal funding sources. See Exhibit 8 Example or [click here to link directly to the example](#).

N/A

G. If applicable, provide detailed information on fees collected by your agency. See Exhibit 9 Example or [click here to link directly to the example.](#)

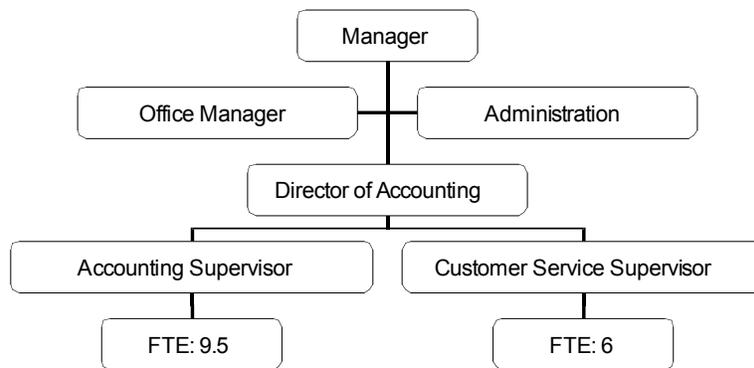
Prepaid Higher Education Tuition Board Exhibit 9: Fee Revenue C Fiscal Year 2004				
Fee Description/ Program/ Statutory Citation	Current Fee/ Statutory maximum	Number of persons or entities paying fee	Fee Revenue	Where Fee Revenue is Deposited (e.g., General Revenue Fund)
Prepaid Tuition Application Fees / TGTP / TEX. EDUC. CODE ANN. Sections 54.618 and 54.619	\$50 / No statutory maximum	692 *	\$34,600	Texas Tomorrow Constitutional Trust Fund (Comptroller fund no. 0892)
Fees for Administrative Services (on Prepaid Tuition Contracts) / TGTP / TEX. EDUC. CODE ANN. Section 54.618	Various (see list of fees adopted by board below) / No statutory maximum <ul style="list-style-type: none"> • <u>Account Maintenance Fee</u> \$3 per month for installment purchases or \$20 lump sum contract purchases • <u>Cancellation or Benefits Transfer Fee</u> \$25 • <u>Change of Beneficiary Fee</u> \$50 • <u>Plan Conversion Fee</u> \$50 • <u>Change in Purchaser</u> \$20 • <u>Late Fee</u> \$10 • <u>Insufficient Funds Fee</u> \$20 • <u>Change in Payment Schedule Fee</u> \$15 	Approximately 58,000 contracts were making monthly or annual installment payments in FY 2004 and paid the account maintenance fee (which represents the majority of fees paid)	\$2,102,954	Texas Tomorrow Constitutional Trust Fund (Comptroller fund no. 0892)

* This represents newborn applications from the 2002-2003 Enrollment Period that were postmarked by the August 31, 2003 enrollment deadline and received in FY 2004. New enrollment in the prepaid tuition plan is currently suspended by the board.

VI. Organization

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division.

Texas Guaranteed Tuition Plan



Total FTEs: 21.5

B. If applicable, fill in the chart listing field or regional offices.

N/A

C. What are your agency's FTE caps for fiscal years 2004 - 2007?

The board has no direct employees and therefore has no FTE caps. By statute, certain employees of the Comptroller are selected by the Comptroller to serve as the staff to the board (Education Code Sec. 54.615(b)). As a result, there are no FTE caps for the board for fiscal years 2004-2007. Staff serving the board are counted against the Comptroller's FTE cap instead.

D. How many temporary or contract employees did your agency have as of August 31, 2004?

The board has no temporary or contract employees.

E. List each of your agency's key programs or functions, along with expenditures and FTEs by program. See Exhibit 11 Example [or click here to link directly to the example.](#)

Prepaid Higher Education Tuition Board Exhibit 11: List of Program FTEs and Expenditures C Fiscal Year 2004		
Program	FTEs as of August 31, 2004	Actual Expenditures
Texas Guaranteed Tuition Plan	21.5	\$49,558,308
Tomorrow's College Investment Plan	0	\$1,123,082
TOTAL	21.5	\$50,681,390

VII. Guide to Agency Programs—Part A

Complete this section for **each** agency program (or each agency function, activity, or service if more appropriate). Copy and paste the questions 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 Guaranteed Tuition Plan
Location/Division	
Contact Name	Zulay A. Sanchez
Actual Expenditures, FY 2004	\$49,558,308
Number of FTEs as of August 31, 2004	21.5

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

The **Texas Guaranteed Tuition Plan** (“Plan”) is the state’s prepaid college tuition program; it allows Texas families to lock in the cost of tuition and required fees at today’s cost. The objective of the program is to assist Texans by providing a means to save sufficient funds for higher education. To this end the Plan offers an affordable, flexible variety of college plans and payment options for public, private, and junior/community institutions. The board invests prepaid tuition contract payments and uses the payments and investment earnings thereon to cover the costs of college tuition and required fees at eligible institutions of higher education. Since the program opened for enrollment in January 1996, over 158,000 prepaid tuition contracts have been sold. Today, more than 13,000 students using Plan benefits are attending public and private institutions of higher education in Texas and across the nation. The Plan’s invested assets are now at \$1.5 billion, with total program assets in excess of \$2 billion.

Responsibility for serving purchasers and beneficiaries in the prepaid tuition program is divided into three areas: 1) Customer Service; 2) Accounting; and 3) Administrative Support.

Customer Service representatives are responsible for responding to customer requests, inquiries, and problems in a proficient and professional manner. A professional and proficient manner includes: (1) showing respect to the customer; (2) listening to customer needs; (3) making customer service decisions quickly; (4) meeting customer-defined business needs; (5) communicating timely and effectively; and (6) being accessible, responsive and trustworthy. The Customer Service area comprises a supervisor and five customer service representatives.

Specific activities include:

- Responding to customer requests via toll-free telephone, written correspondence, email, Internet messages, facsimiles, or in person to accurately determine their information needs or account status.

Self-Evaluation Report

- Taking the initiative to make follow-up calls to the customer or other agency employees to ensure the customer's concern has been addressed.
- Responding appropriately to all correspondence received in a timely manner.
- Answering customer inquiries pertaining to account status.
- Maintaining courteous, effective, and productive working relationships with internal and external customers associated with the Texas Tomorrow Funds.
- Updating account information as needed through the use of the record keeping system and/or other data sources.
- Routing all non-standard external and internal requests through supervisor or manager for approval prior to release to the customer.
- Assisting with special projects as necessary.
- Assisting with accounting and administrative support functions as needed.
- Conducting a survey in order to determine the effectiveness and response time of the Customer Service area.

The **Accounting Section** is responsible for working with the Plan's records administration system and the state of Texas' Uniform Statewide Accounting System (USAS). Responsibilities include performing research and analysis of customer accounts, including highly responsible duties related to the accounting, financial reporting, and forecasting for the Plan. A high degree of interaction and cooperation with various groups and the general public is essential to carry out the duties and responsibilities of this area. The Accounting Section is composed of a director and nine full-time positions and one part-time position.

The Accounting Section is also responsible for the development, distribution, and follow-up of the annual survey of undergraduate tuition and required fees at Texas community/junior colleges and public and private colleges and universities. The purpose of the surveys is to determine the current and/or projected costs charged for tuition and required fees at each institution and academic program or course of study. Work is performed in conjunction with the board's actuary, Comptroller's expenditure analysts, and investment consultant to determine prepaid tuition contract prices when new enrollment is offered and the projected increases in fees and tuition for the actuary's soundness report. The tuition survey data is also used to set an average tuition and required fee rate for each type of plan sold that will be used in calculating the amount to pay universities and contract cancellation refunds.

Specific activities include:

- Conducting research and analysis on the Plan's accounting system.
- Auditing state expenditures for compliance with both statutory requirements and processing requirements in the Uniform Statewide Accounting System (USAS).
- Assisting with the annual tuition survey of universities and colleges.
- Reconciling daily postings of all accounts and related financial information with the Texas Treasury, USAS and Banner, the record administration software system.
- Preparing Annual Financial Reports (AFR) including planning, scheduling and writing reports.
- Using personal computers and various software programs to create/edit/review documents, graphics, reports, and publications.
- Responding to phone inquiries and written correspondence from the general public, contract purchasers, and institutions of higher education.
- Examining, evaluating, and testing the adequacy and effectiveness of the agency's system of internal control and the quality of performance of the Plan.
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.

- Assisting in the preparation of management audit reports including summaries, findings, conclusions and recommendations.
- Managing division funds using proper audit and analysis procedures to ensure the accuracy and legality of accounting transactions.
- Researching items related to contracts on the records administrator accounting system when necessary.
- Responding to purchaser inquiries about individual prepaid tuition accounts. Activities involve verifying the accuracy of a purchaser receiving a late and delinquent letter, researching postings that may have been credited to the wrong account, verifying requests for cancellations, handling overpayments, refund requests and researching suspense refunds.
- Recording the investment accounting transactions for the Plan into USAS.
- Disbursing funds to universities and colleges for tuition and required fees on behalf of beneficiaries.
- Processing refunds to purchasers whose contracts are voluntarily or involuntarily cancelled.
- Reconciling the Plan's annual financial report balances with those amounts shown in USAS for the Plan.
- Working with the board's investment consultant in the preparation of quarterly investment report for the Plan.
- Preparing financial statements for board meetings.
- Verifying the invoices received from the board's external investment managers for accuracy.
- Allocating shared costs between the prepaid tuition and college savings plans.

The **Administrative Support Section** is responsible for personnel actions and Comptroller's Office employee policies, budgeting, business planning, and various other support services. Administrative Support includes the program manager and an office manager.

Specific activities overseen by the program manager include:

- Ensuring adherence to board meeting guidelines and requirements concerning board officers, meetings, and agenda for board meetings, investment committee meetings, recording meetings, voting procedures, public comments, public hearings, and complaints.
- Assisting the board with responsibilities that are not delegated to the program manager including: (1) initiation, settlement, or defense of litigation and the retention of legal counsel in connection with litigation; provided that limited authority with respect to litigation is delegated to the executive director as set forth in the rules and regulations; (2) adoption of rules relating to the program; (3) development of investment guidelines; (4) approval of prepaid tuition contract prices; (5) facilitating educational seminars regarding investment activities; (6) negotiation and execution of purchase, contracts, leases, lease purchases, licenses and agreements involving payments of more than \$10,000; and (7) implementation of all policy-making responsibilities of general applicability, provided that the board may delegate policy making responsibility to the program manager where parameters have been adopted by the board.
- Selecting and supervising staff and monitoring contractors or consultants retained by the board and performing such other functions as may be necessary to supervise, direct, conduct, and administer the day-to-day duties of the board as authorized by law or by rules and policies adopted by the board.
- Acting as an agent for service of process and an official liaison with agencies of the state, other states, the federal government, and the public.
- Assisting the General Counsel's Office with initiating, settling or defining litigation by, on behalf of or against the board in collection matters, contract disputes or other matters involving less than \$10,000.
- Initiating all rulemaking and adopting internal procedures and guidelines.
- Supervising, managing, conducting, and administering the day-to-day activities of the Fund.

Self-Evaluation Report

- Authorizing refunds, changes of beneficiaries, conversions to another plan and assessing fees as specified by the board or consistent with rules and policies adopted by the board.
- Developing and assembling board packets with meeting agendas and related materials in preparation of board meetings.
- Making travel reservations and processing travel reimbursements for board members when necessary.

Additional activities include:

- Entering division requisitions and keeping efficient records of purchases.
- Monitoring contracts.
- Maintaining software and hardware that supports the operations of the Plan.
- Creating and maintaining a variety of business documents, using several software applications, including contract information, correspondence, statistical reports, and information requests.
- Tracking services defined as shared cost with the plan manager of the college savings plan.
- Collecting the state administrative fees as approved and adopted by the board.
- Working with the college savings plan program manager to ensure compliance with the administrative day-to-day operations.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The prepaid tuition plan has operated without state appropriation at no cost to the state of Texas. The program has continued to utilize new technology to automate processes and develop more efficient ways of processing payments to colleges. While the number of matriculating students eligible to receive prepaid tuition benefits is rising significantly each year as Plan beneficiaries graduate from high school, management anticipates this increase in work load can be performed with existing staff because of automated efficiencies. As recently as the 2000-2001 academic year, the board paid benefits on behalf of only 4,381 students. In contrast, during the 2004-05 academic year, the board paid tuition and fees on behalf of 13,636 enrolled students to 36 Texas public senior institutions (9,695 students); to 38 Texas private institutions (1,441 students); and to 66 Texas junior/community colleges (2,500 students). According to board projections, students eligible to use Plan benefits will rise to 19,066 for the 2006-07 academic year and to 23,120 for the 2009-2010 academic year.

In addition, in FY2004 Comptroller's Office staff who served the board made payments to colleges and universities within an average of 11 days of receipt of invoices; paid out \$41,525,283 in Plan benefits; and mailed out 266,886 pieces of business correspondence to Plan participants.

The board operates with optimum efficiency. For fiscal year 2006, the Plan's operating expenses of \$2.3 million (excluding investment management fees) were projected to be 0.15 percent of invested assets, well below the average of its peer programs in other states. Part of the reason for the plan's low administrative costs is its placement by statute in the office of the Comptroller of Public Accounts, which allows it to utilize the valuable financial expertise of Comptroller staff and to take advantage of the size and economies of scale of the Comptroller's support functions. Students and plan purchasers alike benefit from the opportunity that the prepaid plan provides to save for college and make attending college possible.

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.

N/A

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Since inception of the prepaid tuition plan in 1996, purchasers have bought contracts for nearly 157,000 beneficiaries. The most consistently popular Plan choice is the public senior university plan. Indeed, some 84 percent of all purchasers chose the public senior plan. Approximately 83 percent of all purchasers bought their prepaid tuition contracts before the child completed the 6th grade; 46 percent of purchasers bought before the child completed kindergarten. Some 79 percent of purchasers are the parent or parents of the beneficiary; 11 percent of purchasers are grandparents of the beneficiary. Under state law, either the purchaser or the beneficiary must be a Texas resident to participate in the prepaid tuition plan; beneficiaries must be under 18 years of age and not graduated from high school. For additional demographic information about purchasers and beneficiaries, please see the Plan's *Annual Report* (Attachment 2).

A beneficiary has 10 years after graduating high school to use the prepaid hours purchased. Any time spent as an active duty member of the United States Armed Services is not counted against this ten-year period. Provided the beneficiary has not used any contract benefits, the contract purchaser may substitute another of the members of the original beneficiary's family as beneficiary on a prepaid tuition contract. The new beneficiary must meet the Plan's beneficiary requirements at the time of the change.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Under the prepaid tuition plan, purchasers are buying higher education tuition hours today that will be used when the beneficiary attends college. This enables a purchaser to be assured that tuition and required fees will be fully paid if the student attends a Texas public college or university.

Each spring, the board surveys every Texas college and university to learn what tuition and required fees will be charged for the next academic year. The tuition survey data is compiled by program staff and then sent to the board's actuary who calculates a separate weighted average tuition rate for Texas senior public institutions, junior/community colleges, and private institutions. If the board has announced an enrollment period during which new contract applications will be accepted, the actuary uses these average tuition and fee rates as a starting point for developing prepaid tuition contract prices. Hourly average tuition rates are also calculated from the survey data and are used to pay plan benefits when beneficiaries attend a Texas private college or an out-of-state college and to calculate refunds on canceled accounts that are due earnings.

All during the fiscal year, the Comptroller's Treasury Operations lockbox deposits monthly and annual installment payments from prepaid tuition contract purchasers. Funds that are not needed to pay colleges or administrative expenses are invested with external investment managers with whom the board has contracted.

At the beginning of each semester, institutions invoice the prepaid plan for tuition and required fees for students that have a Texas Guaranteed Tuition Plan contract. Payment is made to each college based on the type of prepaid tuition plan the student has and the number of prepaid hours he or she has remaining. Annual statements that provide information on the customer's contract are sent to every active contract purchaser. Usage statements are also mailed each year that list all payments made to colleges from the prepaid contract. IRS requires qualified tuition plans to report all distributions made during the calendar year on Form 1099-Q.

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 board has received no state appropriations for the prepaid tuition plan. The source of funding for the Texas Guaranteed Tuition Plan consists of money paid under prepaid tuition contracts, including administrative fees, and investment income earned on fund assets.

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

None of the board's programs overlap or duplicate those of another entity. As noted, IRS regulations generally restrict the creation and maintenance of a qualified tuition program to a *state* (the IRS also permits one or more eligible educational institutions to create a prepaid tuition plan). While prepaid tuition plans exist in several other states, these plans restrict enrollment to their own state residents.

Other than the Texas college savings plan, which is also administered by the board, there are no similar programs administered by a Texas state agency. Both the board's prepaid tuition plan and college savings plan provide federal tax-advantaged methods of saving for college as authorized by Section 529 of the Internal Revenue Code, and as such, must both meet the same IRS requirements. The primary difference between the two plans is who bears the risk of accumulating sufficient funds to pay future college costs and what college expenses each plan can pay.

Under the prepaid tuition plan, the board invests assets of the trust fund in order to provide sufficient funds in the future to pay the tuition and required fees for plan beneficiaries. This is similar to a defined benefit pension plan. In contrast, the college savings plan operates more like a 401(k) retirement account where the plan participants only have the funds they have accumulated in their account available to pay college costs. While the prepaid tuition plan can only pay for a college's tuition and required fees, funds in the college savings plan can be used for any qualified higher education expense, including books, room and board, and course-specific fees. For more detailed information about key differences, see Attachment 4, Texas Tomorrow Funds Plan Comparison brochure.

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 Plan must operate pursuant to the federal requirements of Section 529 of the Internal Revenue Code of 1986, as amended, and in compliance with any regulations concerning “qualified tuition programs” as may be promulgated by the Internal Revenue Service. As previously noted, the Plan has applied for and received a favorable letter ruling from the Internal Revenue Service as to the Texas Guaranteed Tuition Plan’s qualification as a qualified tuition program and has applied for a similar letter ruling for Tomorrow’s College Investment Plan. The foregoing statute and the anticipated regulations include program structure and reporting requirements.

K. If this program or function is contracted out, provide a description of how you ensure accountability for funding and performance.

N/A

L. What statutory changes could be made to assist this program in performing its functions? Explain.

Please see discussion under Section IX, Policy Issues.

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

N/A

- N. 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

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency’s practices.

N/A

VII. Guide to Agency Programs—Part B

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

Name of Program or Function	Tomorrow's College Investment Plan
Location/Division	
Contact Name	Andrew Ruth
Actual Expenditures, FY 2004	\$1,123,082
Number of FTEs as of August 31, 2004	- 0 -

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

Tomorrow's College Investment Plan (TCIP) is the state's second qualified tuition program, authorized by state law and Section 529 of the Internal Revenue Code, as amended. It also is commonly known as a 529 college savings plan. The board holds in trust money contributed to a savings trust account and earnings on the account for the sole benefit of the account owner and beneficiary. TCIP's objective is to assist Texans by providing a means to save sufficient funds for higher education. Opened in September 2002, TCIP provides a tax-advantaged investment vehicle to save for qualified higher education expenses like tuition, fees, room and board, books, supplies, and equipment. Enrollment is open year-round. Managed by Enterprise Capital Management, Inc., the Texas 529 college savings plan includes a choice of 19 different investment portfolios and offers the opportunity for tax-free investment growth and tax-free withdrawals on earnings. Assets under management now are more than \$129 million with some 15,600 account owners. No money that is invested in Tomorrow's College Investment Plan is insured by the state of Texas and neither the principal that is invested nor the investment return is guaranteed by the state of Texas or any other entity.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

TCIP has operated without state appropriation at no cost to the state of Texas. The board holds in trust money contributed to a savings trust account and earnings on the account for the sole benefit of the account owner and beneficiary. The board successfully negotiated a contract with a financial institution that is the plan manager. The plan manager has provided funds to pay all marketing, implementation, and administrative costs of the plan since inception. The plan manager also provides a customer service call center (with financial representatives who speak English and Spanish) and marketing literature mailings at no cost to the state.

Further, the board has structured TCIP to make it attractive to the people of Texas. Texas account owners and beneficiaries pay no account maintenance fee, no enrollment fee, and no sales charges when purchased directly from the state. Texas residents also have low minimums and may open an account for

as little as \$25 per investment option or \$15 in an automatic purchase plan or payroll deduction. For additional information about investment options offered in the Texas college savings plan, please see the *Plan Description* for Tomorrow's College Investment Plan (Attachment 4).

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.

N/A

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Since inception of TCIP in 2002, more than 15,000 accounts have been established. Under federal regulations, the college savings plan has no residency or age requirements. Some 71 percent of all account owners/beneficiaries are Texas residents.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Following a competitive solicitation pursuant to S. B. 555 (77th Legislature) and the state's procurement laws, the board in 2002 awarded an exclusive contract to Enterprise Capital Management, Inc., as the financial institution that acts as plan manager of TCIP. The initial term of this contract terminates on August 31, 2007, with two one-year renewal options available to the board. The board administers the higher education savings plan established in the Education Code, Chapter 54, subchapter G. The board holds in trust money contributed to a savings trust account and earnings on the account for the sole benefit of the account owner and beneficiary. Contributors can select from a choice of 19 different investment options.

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 board has received no state appropriations for Tomorrow's College Investment Plan. Enterprise Capital Management, under its contract with the board, has provided funds to pay marketing, implementation, and administrative costs. The program also has received depository interest on funds held in the State Treasury. If necessary in the future, the board has the authority in statute to charge administrative fees and service charges to account owners in amounts not exceeding the cost of maintaining TCIP.

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

TCIP does not overlap or duplicate the services or functions of another entity. As noted, IRS regulations generally restrict the creation and maintenance of a qualified tuition program to a *state* (the IRS also

permits one or more eligible educational institutions to create a prepaid tuition plan). All 529 college savings plans are state-sponsored.

See H under the Texas Guaranteed Tuition Plan program for a discussion of the similarities and differences between the board's college savings and prepaid 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.

When in 2002 the board opened TCIP as the state's second qualified tuition program, the board coordinated its activities to avoid conflict with its prepaid tuition program and to educate the agency's customers. In its marketing literature, media campaigns, and customer service operations, the board emphasized two key points: 1) TCIP would serve the board's customers by complementing rather than supplanting the prepaid program (as the two plans could be used to offset different higher education expenses); and 2) TCIP was an investment vehicle (with all the attendant risks of any investment) and did not carry the constitutional guarantee of the prepaid program. (See the two-pocket folder in Attachment 4.)

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 Plan must operate pursuant to the federal requirements of Section 529 of the Internal Revenue Code of 1986, as amended, and in compliance with any regulations concerning a qualified tuition program as may be promulgated by the Internal Revenue Service. As previously noted, the Plan has applied for and received a favorable letter ruling from the Internal Revenue Service as to the Texas Guaranteed Tuition Plan's qualification as a qualified tuition program and has applied for a similar letter ruling for Tomorrow's College Investment Plan. The foregoing statute and the anticipated regulations include program structure and reporting requirements.

K. If this program or function is contracted out, provide a description of how you ensure accountability for funding and performance.

The board regularly reviews activities conducted by the TCIP plan manager, including investment performance, account sales and new contributions, changes in the investment options offered, marketing, and customer satisfaction. The board's investment consultant also reviews the investment performance and management of each of the plan manager's investment options quarterly and reports the results to the board. The plan manager has an annual independent audit. All marketing activities of the plan manager are subject to review and approval by the board's marketing agent. Legal issues in the savings plan are reviewed by the board's outside legal counsel. The board's contract with the plan manager requires the manager to obtain board approval for proposed changes to investment options, the offering statement, and related marketing materials. The plan manager provides weekly and monthly reports to the board and a representative attends all board or investment committee meetings. As noted, the state under its contract provides no funding or compensation to the plan manager. (Similar to mutual fund investment managers, the plan manager receives its compensation from fees of the underlying investment options.)

L. What statutory changes could be made to assist this program in performing its functions? Explain.

N/A

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

N/A

N. 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

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

N/A

VIII. Statutory Authority and Recent Legislation

A. Fill in the following chart, 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 2001 - 2005, or earlier significant Attorney General opinions, that affect your agency's operations.

Prepaid Higher Education Tuition Board Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	Authority/Impact on Agency (e.g., Provides authority to license and regulate nursing home administrators@)
Education Code, Chapter 54, Subchapter F, Sections 54.601 et seq.	Enabling authority for Prepaid Higher Education Tuition Program
Education Code, Chapter 54, Subchapter G, Sections 54.701 et seq.	Enabling authority for Higher Education Savings Plan
Section 529 of the Internal Revenue Code, as amended.	Federal tax treatment of qualified tuition programs, such as the Prepaid Higher Education Program and the Higher Education Savings Plan
Attorney General Opinions	
Attorney General Opinion No.	Impact on Agency
GA – 0021	No legislative action required.

B. Provide a summary of recent legislation regarding your agency by filling in the chart below or attaching information already available in an agency-developed format. Briefly summarize the key provisions. For bills that did not pass, 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). See Exhibit 14 Example or [click here to link directly to the example](#).

Prepaid Higher Education Tuition Board Exhibit 14: 79th Legislative Session Chart		
Legislation Enacted - 79th Legislative Session		
Bill Number	Author	Summary of Key Provisions
N/A		

Legislation Not Passed - 79th Legislative Session		
Bill Number	Author	Summary of Key Provisions/Reason the Bill Did Not Pass
H.B. 3133	Martinez Fischer	This bill would amend Section 54.619 of the Education Code by adding Subsection (k) to allow the board, with authorization from the comptroller, to enter into a prepaid tuition contract with a purchaser to enroll a first-generation higher education student in the program, regardless of whether the board temporarily suspends other new enrollment. Bill was not voted out of committee.

IX. Policy Issues

A. Brief Description of Issue: Out-of-State Proprietary Institutions

Under current law, the board may pay prepaid tuition contract benefits to a proprietary or “career school or college” that “offers a two-year associate degree as approved by the Texas Higher Education Coordinating Board” (Education Code, Secs. 54.601(9) and 54.619(h)). In effect, the board may not pay tuition benefits to out-of-state proprietary or vocational institutions. This statutory provision disadvantages a prepaid tuition contract beneficiary that is accepted at an out-of-state proprietary school.

B. Discussion

Current law unnecessarily penalizes beneficiaries who are accepted at out-of-state proprietary institutions. In a dynamic economy, the workforce must adapt to market forces that make careers, for example, in electronics, information technology, photojournalism, the film industry, and culinary art increasingly attractive and viable for college-age students. Moreover, the provision is inconsistent both with state law governing Plan payments to other out-of-state institutions of higher education and with federal guidelines in IRS Section 529, which place no state restrictions on eligible institutions. There is no compelling reason to prohibit the prepaid plan from paying out-of-state proprietary schools that meet the requirements of a qualified educational institution under Section 529 of the IRS Code.

C. Possible Solution and Impact: Amend the Education Code to permit the board to pay prepaid tuition plan benefits to out-of-state proprietary institutions.

A possible option would be to amend the Education Code to remove the statutory provision that prohibits the board from paying prepaid plan benefits to out-of-state proprietary schools. Such an amendment to Section 54.601(9) of the Education Code could define a career school or college to include a comparable institution in another state that meets the requirements of an eligible educational institution in Section 529

of the Internal Revenue Code. This option would eliminate the existing inconsistency between state and federal treatment of proprietary institutions. There are no foreseeable drawbacks, nor any actuarial or fiscal impact, to this proposed change.

X. Other Contacts

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

Prepaid Higher Education Tuition Board Exhibit 15: 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	E-mail Address
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	E-mail Address
National Association of State Treasurers – College Savings Plan Network	2760 Research Park Drive Lexington, KY 40511	800-244-8175	nast@csg.org
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	E-mail Address
N/A			

XI. Additional Information

- A. Fill in the following chart detailing information on complaints regarding your agency. Do not include complaints received against people or entities you regulate. The chart headings may be changed if needed to better reflect your agency's practices.

Prepaid Higher Education Tuition Board Exhibit 16: Complaints Against the Agency C Fiscal Years 2003 and 2004		
	FY 2003	FY 2004
Number of complaints received	43	36
Number of complaints resolved	11	17
Number of complaints dropped/found to be without merit	32	19
Number of complaints pending from prior years	0	0
Average time period for resolution of a complaint	11 days	8 days

- B. Fill in the following chart detailing your agency's Historically Underutilized Business (HUB) purchases. See Exhibit 17 Example [or click here to link directly to the example.](#)

Prepaid Higher Education Tuition Board Exhibit 17: Purchases from HUBs				
FISCAL YEAR 2002				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	-	-	-	11.9%
Building Construction	-	-	-	26.1%
Special Trade	\$677	-	0.0%	57.2%
Professional Services	\$2,696,699	\$92,769	3.4%	20.0%
Other Services	\$3,726,685	\$2,618,167	70.3%	33.0%
Commodities	\$1,950,824	\$5,077	0.3%	12.6%
TOTAL	\$8,374,885	\$2,716,013	32.4%	

FISCAL YEAR 2003				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	-	-	-	11.9%
Building Construction	-	-	-	26.1%
Special Trade	\$2,318	\$1,052	45.4%	57.2%
Professional Services	\$2,576,666	\$83,149	3.2%	20.0%
Other Services	\$6,222,338	\$5,684,793	91.4%	33.0%
Commodities	\$170,271	\$1,888	1.1%	12.6%
TOTAL	\$8,971,593	\$5,770,882	64.3%	
FISCAL YEAR 2004				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	-	-	-	11.9%
Building Construction	-	-	-	26.1%
Special Trade	\$3,373	\$3,373	100.0%	57.2%
Professional Services	\$3,963,148	\$62,005	1.6%	20.0%
Other Services	\$1,895,276	\$1,127,264	59.5%	33.0%
Commodities	\$73,877	\$13,969	18.9%	12.6%
TOTAL	\$5,935,674	\$1,206,611	20.3%	

C. Does your agency have a HUB policy? How does your agency address performance shortfalls related to the policy?

The Comptroller’s mission in advocating the HUB Program is to continually work to make a good faith effort to eliminate barriers for HUBs, to purchase from HUBs, and to include HUBs in the procurement process based on the results of the Texas Disparity Study and in accordance with the objectives of the state’s HUB Program.

The Comptroller’s Office establishes and implements policies governing purchasing and public works contracting that foster meaningful and substantive inclusion of HUBs. The Comptroller’s HUB goals are based on the results of the Texas Disparity Study conducted December 1994, the rules adopted by the Texas Building and Procurement Commission (TBPC) to implement the disparity study found in 1 TAC 111.11-111.24, and also TBPC’s Chairman’s letter dated September 13, 1995, regarding “Implementation of New HUB Rules, 1 TAC 111.11-111.24.” The state disparity study found that in some categories, a group is not underutilized if their actual utilization rate exceeded 80% of their availability within a particular contracting category during the program period studied. Goals have been “adjusted” in those categories. Another disparity study is scheduled to be conducted in FY05.

Good-Faith Effort

Comptroller purchasers search for HUB vendors on TBPC’s CMBL/HUB Directory to find bidders on all agency goods and services. They also encourage all vendors who come to our agency directly and who we meet at economic opportunity forums to become certified, if qualified, with TBPC.

In addition to seeking HUB vendors as prime contractors, HUB vendors are also encouraged to be subcontractors in our contracts with non-HUB primes. One of the ways the Comptroller's Office encourages HUB subcontracting is to include a HUB Subcontracting Plan (HSP) in each of the agency's formal written solicitations (\$25,000 & over). The Comptroller's Office asks prime contractors to identify dollars spent on HUB subcontractors and material suppliers with whom they work in the execution of an agency contract. By reporting subcontractor purchases each month, prime contractors help the agency make a good faith effort to meet the goals set by the Legislature.

Match-Maker Program

The Match-Maker Program is a specialized effort by the HUB Program Administrator in the Comptroller's Office to help both Comptroller personnel, including purchasers, and outside contractors to identify HUBs. This program helps purchasers identify potential certified HUBs for subcontracting in their geographic region and helps contractors whom we ask to make a good faith effort to award a portion of their contracts to HUBs in accordance with the state's goals. Many need help matching up with qualified HUBs in their particular region and line of work for subcontracting purposes. The Program Administrator makes this service known in publications and when attending forums and speaking with vendors.

Bid Line Service

The agency offers a 1-800 Bid Line to inform interested businesses of upcoming bid and forum opportunities. The Bid Line includes automated information on available bid invitations, the HUB Program and certification process, as well as other current agency procurement news.

Window on State Government

Window on State Government, www.window.state.tx.us, is the Internet web site of the Comptroller's Office. Window provides detailed HUB program information.

Mentor Protégé Program

It is the intent of the Comptroller's Office to carry out programs and procedures for the Mentor Protégé Program to encourage vendors to foster long-term relationships between contractors/vendors and HUBs, and to increase the ability of HUBs to contract with the state or to receive subcontracts under a state contract, primarily in providing goods and services for the agency. This policy is written in accordance with the Texas Government Code, Section 2161.065, in which TBPC is directed to design such a program. It is the intent of the Comptroller's Office to comply with statutory requirements in lieu of guidelines from TBPC.

The objective of the Comptroller's Mentor Protégé Program is to provide professional guidance and support to the protégé to facilitate their development and growth. All participation is voluntary and program features strive to remain flexible so as to maximize participation.

D. 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? (Tex. Government Code, Sec. 2161.252; TAC 111.14)

Yes, we comply with the mandatory HUB Subcontracting Plan and procedures for all contracts of \$100,000 or more. In addition, we have chosen to voluntarily implement the same HUB Subcontracting Plan and procedures for contracts valued between \$25,000 and \$100,000. This plan sets out the facts

Self-Evaluation Report

about the HUB Program, including specific goals, and declares that prime contractors are required to assist in the effort to reach or exceed these goals. The agency requires each prime contractor to provide a list of HUB subcontractors who will be used in conjunction with the contract and a completed HSP, which delineates specific steps the prime contractor took to make a good faith effort.

At the time of award, if the prime contractor has declared subcontracting will be done with HUBs, the agency’s HUB Program Administrator works directly with the Prime Contractor to establish reporting procedures and assure compliance with monthly HUB reporting procedures.

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

	Response / Agency Contact
1. Do you have a HUB coordinator? (Tex. Government Code, Sec. 2161.062; TAC 111.126)	Yes, Ms. Cathy Navarro for the Comptroller’s Office.
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? (Tex. Government Code, Sec. 2161.066; TAC 111.127)	On December 9, 2004, The Greater Austin Hispanic Chamber of Commerce (GAHCC), the Comptroller of Public Accounts, the Texas Workforce Commission, the Texas Building & Procurement Commission, the University of Texas, and the Frost Bank hosted the “GAHCC - First Annual Bid Fair.” On June 15, 2005, The Capital City African-American Chamber of Commerce’s held its June Monthly Membership Luncheon “Doing Business with the State.” Hilda Galaviz, HUB Program Administrator, served as one of the seven panelists representing various state agencies.
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? (Tex. Government Code, Sec. 2161.065; TAC 111.128)	Yes. The Comptroller’s Office currently has two mentor agreements : BMC Software Distribution and FileNet Corp.; and two protégé agreements: Floyd Thomas, LLC and Adjacent Technologies, Inc.

F. Fill in the chart below detailing your agency’s Equal Employment Opportunity (EEO) statistics. See Exhibit 18 Example or [click here to link directly to the example.](#)

Note: Because under statute the Comptroller’s Office provides all staff for the board, the data provided below reflects EEO statistics for the Comptroller employees who served the board.

Prepaid Higher Education Tuition Board							
Exhibit 18: Equal Employment Opportunity Statistics							
FISCAL YEAR 2002							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	1	0%	7%	100%	11%	100%	31%
Professional	3	33%	9%	0%	10%	33%	47%
Technical	2	0%	14%	0%	18%	50%	39%
Protective Services	N/A	N/A	18%	N/A	21%	N/A	21%
Para-Professionals	8	0%	18%	63%	31%	63%	56%
Administrative Support	1	0%	19%	100%	27%	100%	80%
Skilled Craft	N/A	N/A	10%	N/A	28%	N/A	10%
Service/Maintenance	N/A	N/A	18%	N/A	44%	N/A	26%

FISCAL YEAR 2003							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	2	0%	7%	50%	11%	50%	31%
Professional	7	29%	9%	0%	10%	43%	47%
Technical	2	0%	14%	0%	18%	50%	39%
Protective Services	N/A	N/A	18%	N/A	21%	N/A	21%
Para-Professionals	8	0%	18%	63%	31%	75%	56%
Administrative Support	N/A	N/A	19%	N/A	27%	N/A	80%
Skilled Craft	N/A	N/A	10%	N/A	28%	N/A	10%
Service/Maintenance	N/A	N/A	18%	N/A	44%	N/A	26%

FISCAL YEAR 2004							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	2	0%	7%	50%	11%	50%	31%
Professional	7	29%	9%	14%	10%	43%	47%
Technical	2	0%	14%	0%	18%	50%	39%
Protective Services	N/A	N/A	18%	N/A	21%	N/A	21%
Para-Professionals	12	50%	18%	50%	31%	67%	56%
Administrative Support	N/A	N/A	19%	N/A	27%	N/A	80%
Skilled Craft	N/A	N/A	10%	N/A	28%	N/A	10%
Service/Maintenance	N/A	N/A	18%	N/A	44%	N/A	26%

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

Yes, the Comptroller’s Office is an equal opportunity employer and is committed to promoting equal opportunity in the workplace. This policy ensures that all facets of employment (recruitment, selection, assignment, training, promotion, and compensation) are based solely on individual experience, education, qualifications, ability, and performance.

All employees and applicants receive an equal opportunity for employment, advancement, and other benefits of employment without regard to race, color, national origin, gender, age, religion, veteran status, or physical or mental disability. In all circumstances employees and applicants must be able to perform the essential job functions, with or without reasonable accommodation.

Note: In accordance with the Texas Labor Code, Section 21.556 and consistent with agency policy, Equal Employment Opportunity and Sexual Harassment training is mandatory for all Comptroller employees once each biennium.

Our policy also addresses the second question concerning the steps we take if/when we receive a complaint (which would indicate a performance shortfall) relative to the EEO policy:

Non-Harassment Policy

The Comptroller’s Office will not tolerate the harassment of any employee, taxpayer, or member of the public by another employee, supervisor, manager, or director on the basis of a person’s race, color, national origin, religion, veteran status, disability, or age. The Comptroller’s Office is committed to maintaining a work environment free of harassment and will take positive, prompt, and remedial action as required.

Dispute Resolution Officer (DRO)

The DRO is an employee of the Human Resources Division and is independent from the employee's chain of command. The DRO is an objective resource available to answer or research questions concerning agency personnel policies and procedures and is also responsible for investigating claims of discrimination and sexual harassment. The DRO may formally or informally mediate employee disputes. Comptroller employees do not need the permission of a supervisor to discuss matters with the DRO. Such discussions are kept confidential to the extent allowed by law.

Disciplinary Action

Any employee, supervisor, manager, or director, who engages in conduct involving sexual harassment or discrimination is subject to immediate disciplinary action, up to, and including termination from employment.

Employees, supervisors, managers, or directors who do not follow proper procedures in reporting sexual harassment or discrimination complaints or who interfere in the investigation of a sexual harassment or discrimination complaint are subject to disciplinary action, up to, and including termination from employment.

Americans with Disabilities Act

The Comptroller's Office is dedicated to making all agency services and programs accessible to individuals who have a disability. The Comptroller's Office will provide reasonable accommodation based on a medically documented physical or mental limitation of a qualified applicant or employee with a disability unless the accommodation imposes an undue hardship on the agency.

Workplace Violence Policy

The Comptroller's Office is committed to promoting a workplace that is free from any type of violence or harassment. Furthermore, every employee has the right to seek assistance through the Employee Assistance Program (EAP) to deal with any issues of violence, wherever they happen, including outside of the workplace. For purposes of this policy, violence is defined as any act in which one person seeks to hurt or intimidate another through the use of physical contact, verbal harassment, or manipulation. This includes actions of employees, supervisors, managers, directors, or any other person.

Ethics Policy

The Ethics Policy for employees of the Comptroller's Office establishes minimal requirements that are not to be considered all-inclusive. The absence of a specific rule covering any act discrediting an employee or the agency does not mean that the act is condoned, is permissible, or would not call for disciplinary action including termination when considered necessary. Disciplinary action is based on the assumption that the employee is familiar with the Ethics Policy and is aware of his or her obligations to abide by its provisions.

ATTACHMENTS

Submit the following supplemental data or documents with the hard copy of the Self-Evaluation Report. Label each attachment with its number (e.g., Attachment 1). As part of the electronic version, attach a list of items submitted, but do not attach the actual documents to the electronic submission.

Attachments Relating to Key Functions, Powers, and Duties

1. A **copy** of the agency's enabling statute.
2. A **copy** of each annual report published by the agency from FY 2000 - 2004.
3. A **copy** of each internal or external newsletter published by the agency from FY 2003 - 2004.
N/A
4. A **list** of publications and brochures describing the agency.
 - Postcard introducing Tomorrow's College Investment Plan
 - Year round newborn enrollment plan brochure (English and Spanish)
 - Texas Guaranteed Tuition Plan Student Handbook
 - Texas Tomorrow Funds Plan Comparison brochure
 - Texas Guaranteed Tuition Plan Student I.D. Cards
 - Two-pocket folder with the following:
 - Texas Tomorrow Funds Plan Comparison brochure
 - Texas Guaranteed Tuition Plan information: a detailed brochure, application, master agreement, contract pricing guide, and return envelope
 - Tomorrow's College Investment Plan: a detailed brochure, plan description, application, and return envelope
5. A **list** of studies that the agency is required to do by legislation or riders.
N/A
6. A **list** of legislative or interagency studies relating to the agency that are being performed during the current interim.
N/A
7. A **list** of studies from other states, the federal government, or national groups/associations that relate to or affect the agency or agencies with similar duties or functions.
 - College Savings Plans Network Program Statistics

Attachments Relating to Policymaking Structure

8. Biographical information (e.g., education, employment, affiliations, and honors) or resumes of all policymaking body members.
9. A **copy** of the agency's most recent rules.
10. A copy of the board's Ethics Policy.

Attachments Relating to Funding
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11. A **copy** of the agency's Legislative Appropriations Request for FY 2006-2007.
N/A
12. A **copy** of each annual financial report from FY 2002 - 2004.
13. A **copy** of each operating budget from FY 2003 - 2005.

Attachments Relating to Organization

14. If applicable, a map to illustrate the regional boundaries, headquarters location, and field or regional office locations.
N/A
15. A **copy** of each quarterly performance report completed by the agency in FY 2002 - 2004.
N/A
16. A **copy** of any recent studies on the agency or any of its functions conducted by outside management consultants or academic institutions. N/A
17. A **copy** of the agency's current internal audit plan.
18. A **list** of internal audit reports from FY 2001 - 2005 completed by or in progress at the agency.
 - Internal Audit Division, Fiscal Year 2002 – Record Administration for Texas Tomorrow Fund
 - Interoffice Memo – Post-Payment Audit of the Prepaid Higher Education Tuition Board
 - Summary of Reportable Conditions
19. A **list** of State Auditor reports from FY 2001 - 2005 that relate to the agency or any of its functions.
 - An Audit Report on the State Treasury and Its Trust Company, the Texas Tomorrow Fund, and TexPool, October 2001, Report No. 02-007
 - A Follow-up Audit Report on the Texas Treasury Safekeeping Trust Company, the Texas Guaranteed Tuition Plan, and the Texas Local Government Investment Pool, October 2003, Report No. 04-007
 - An Audit Report on the State Treasury, the Treasury Safekeeping Trust Company, and the Texas Guaranteed Tuition Plan at the Office of the Comptroller of Public Accounts, July 2005, Report No. 05-044
20. A **copy** of any customer service surveys conducted by or for your agency in FY 2004.

