



# Prepaid Higher Education Tuition Board

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## Summary

The Prepaid Higher Education Tuition Board (the Board), established by the Legislature in 1995, oversees the State's two 529 college savings plans. The Texas Guaranteed Tuition Plan allows Texas families to prepay college tuition and is backed by the full faith and credit of the State. The Board temporarily suspended enrollment in the Guaranteed Tuition Plan in 2003 because of the uncertain effects of tuition deregulation. The Board also oversees Tomorrow's College Investment Plan that works much like a 401(k) but with after-tax dollars. This plan helps parents save for college, but is not guaranteed by the State. Housed at the Comptroller's Office, the Board is supported by 21 staff and receives no appropriations but instead relies on guaranteed tuition contract payments, investment income, and fees to cover administrative costs and tuition benefits.

House Bill 2173 continues the Board for 12 years and contains all of the Sunset Commission's recommendations to help the Board reopen enrollment in the Texas Guaranteed Tuition Plan. The list below summarizes the bill's major provisions, and a more detailed discussion follows.

## Sunset Provisions

1. Facilitate the Board's ability to reopen the Guaranteed Tuition Plan by giving the Board the flexibility to more accurately price tuition contracts in the current tuition deregulated environment.
2. Require an ethics policy for Board members and staff to help ensure against any potential conflicts of interest.
3. Require the Board to study how it could leverage prepaid tuition contracts to secure benefits for Guaranteed Tuition Plan beneficiaries from Texas universities.
4. Continue the Prepaid Higher Education Tuition Board for 12 years.

## Provision Added by the Legislature

5. Require Guaranteed Tuition Plan applicants to provide certain demographic information.

## *Sunset Provisions*

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**1. Facilitate the Board’s ability to reopen the Guaranteed Tuition Plan by giving the Board the flexibility to more accurately price tuition contracts in the current tuition deregulated environment.**

For any new guaranteed tuition contracts the Board sells, H.B. 2173 removes the requirement that a university accept only the weighted average amount of tuition of public universities, even if its tuition exceeds the average. The bill also authorizes the Board to issue refunds for new tuition contracts if a purchaser pays more for a contract than the actual cost of tuition. In combination with removing the weighted average requirement, this refund authority will allow the Board to price new tuition contracts high enough to protect the Plan’s assets, but also protect an individual purchaser from paying more than the cost of tuition. For new contracts, H.B. 2173 authorizes the Board to require a maturity period before a beneficiary can use guaranteed tuition benefits, allowing time for the Board’s investments to grow.

The bill requires the Board to create a procedure in rule that clearly outlines criteria to use when annually analyzing whether the Guaranteed Tuition Plan may reopen. As part of this procedure, the Board must consider the Plan’s current structure and whether additional statutory changes are needed for it to reopen.

**2. Require an ethics policy for Board members and staff to help ensure against any potential conflicts of interest.**

The bill places in law the Board’s existing ethics policy that addresses general ethical standards, conflicts of interest, and other ethical matters for Board members and staff.

**3. Require the Board to study how it could leverage Guaranteed Tuition Plan contracts to secure benefits for Plan beneficiaries from Texas universities.**

House Bill 2173 requires the Board to conduct a one-time study to determine whether it could negotiate with Texas universities to secure tuition discounts or other benefits for students with guaranteed tuition contracts.

**4. Continue the Prepaid Higher Education Tuition Board for 12 years.**

The bill continues the Board, housed at the Comptroller of Public Accounts, for the standard 12-year period.

## *Provision Added by the Legislature* \_\_\_\_\_

### **5. Require Guaranteed Tuition Plan applicants to provide certain demographic information.**

The Legislature added a provision to the bill that requires contract purchasers and beneficiaries to report additional information, including purchasers' annual household income, to the Board.

## *Fiscal Implication Summary* \_\_\_\_\_

House Bill 2173 will not have a significant fiscal impact to the State.