

SUBJECT: Authorizing the dissolution of certain prepaid scholarship foundations

COMMITTEE: Higher Education — committee substitute recommended

VOTE: 9 ayes — C. Turner, Stucky, Button, Frullo, Howard, E. Johnson,
Pacheco, Schaefer, Walle

0 nays

2 absent — Smithee, Wilson

WITNESSES: For — None

Against — None

On — Linda Fernandez, Texas Comptroller of Public Accounts

BACKGROUND: Education Code sec. 54.602 establishes the Prepaid Higher Education Tuition Board, which is responsible for administering prepaid tuition programs to help students attend institutions of higher education.

The Texas Guaranteed Tuition Plan, formerly known as the Texas Tomorrow Fund, is a prepaid tuition plan created in 1995 and directly supported by the Texas Prepaid Tuition Scholarship Foundation (TPTSF). The plan previously allowed students to enter into contracts to lock in tuition rates. When the Legislature deregulated college tuition in 2003, the plan stopped accepting new contracts in anticipation of higher tuition rates.

Education Code sec. 54.631 requires a prepaid tuition contract to terminate on the 10th anniversary of the date the beneficiary is projected to graduate from high school and entitles the person named in the contract to a refund following the contract's termination. For Texas Guaranteed Tuition Plan contracts, TPTSF is given the refund.

Interested parties have noted that although TPTSF has not awarded new

scholarships in many years, the foundation continues to receive refunds for terminated prepaid tuition contracts. It has been suggested that funds returned to TPTSF could be better used by other foundations to support higher education.

DIGEST:

CSHB 2668 would authorize the comptroller of public accounts to dissolve an organization established for the direct support of a prepaid higher education tuition scholarship if the comptroller determined that the purpose of the organization had been met.

On dissolution of the organization, title to all funds and property held by the organization would be transferred to the Texas Match the Promise Foundation or a successor entity.

The bill would take effect September 1, 2019.