



May 7, 2007

Senate Subcommittee on Higher Education

80th Legislature

**HB 3900 Relating to the Texas tomorrow fund II prepaid tuition unit
undergraduate education program**

Texas Tomorrow Fund II should align with participation and success goals outlined in *Closing the Gaps*

- The program should seek to engage a broad and diverse range of purchasers and beneficiaries;
- College savings is a key part of the puzzle in promoting college participation and attainment among underrepresented groups;
- Prepaid tuition and college savings programs have a practical and psychological effect on families and children.

529 Matching programs are viewed as highly effective in promoting plan participation among low and moderate-income residents:

- Louisiana matches deposits on a sliding scale (2-14%) depending on gross household income;
- Michigan matches up to \$200, \$1 for every \$3 deposited; eligible during first year of child's life; open to families with incomes of \$80,000 or less;
- Arkansas (Act 597) has created the "Aspiring Scholars Matching Grant Program" to encourage low-income families to participate.

Recommendations;

- Market the Texas Tomorrow Fund II in a manner that also promotes goals outlined in *Closing the Gaps*;
- Authorize the Tuition Board to develop a unit matching provision for Texas participants to increase participation and to enhance actuarial soundness;
- Integrate Prepaid Tuition recruitment efforts with Earned Income Tax Credit (EITC) outreach;
- Develop participation goals for the Texas Tomorrow Fund II plan, by demographic group.