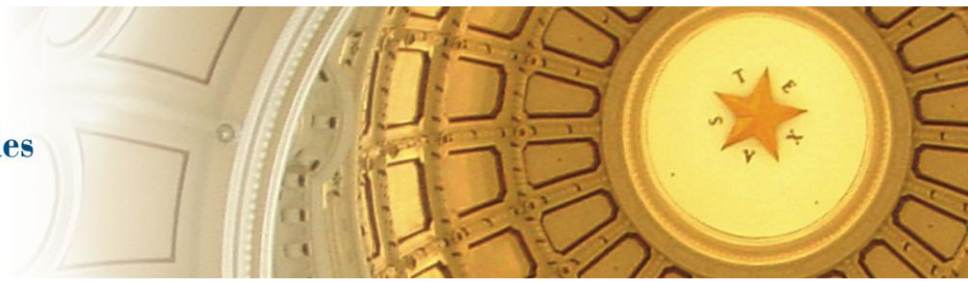




Center for Public Policy Priorities



OpportunityTexas™

*“Building a Strong Middle Class: The
Role of College Savings Accounts”*

RAISE Texas CSA Learning Forum

Federal Reserve Bank of Dallas

November 1, 2011

Don Baylor, Jr.

Senior Policy Analyst, Economic Opportunity

What CPPP Does

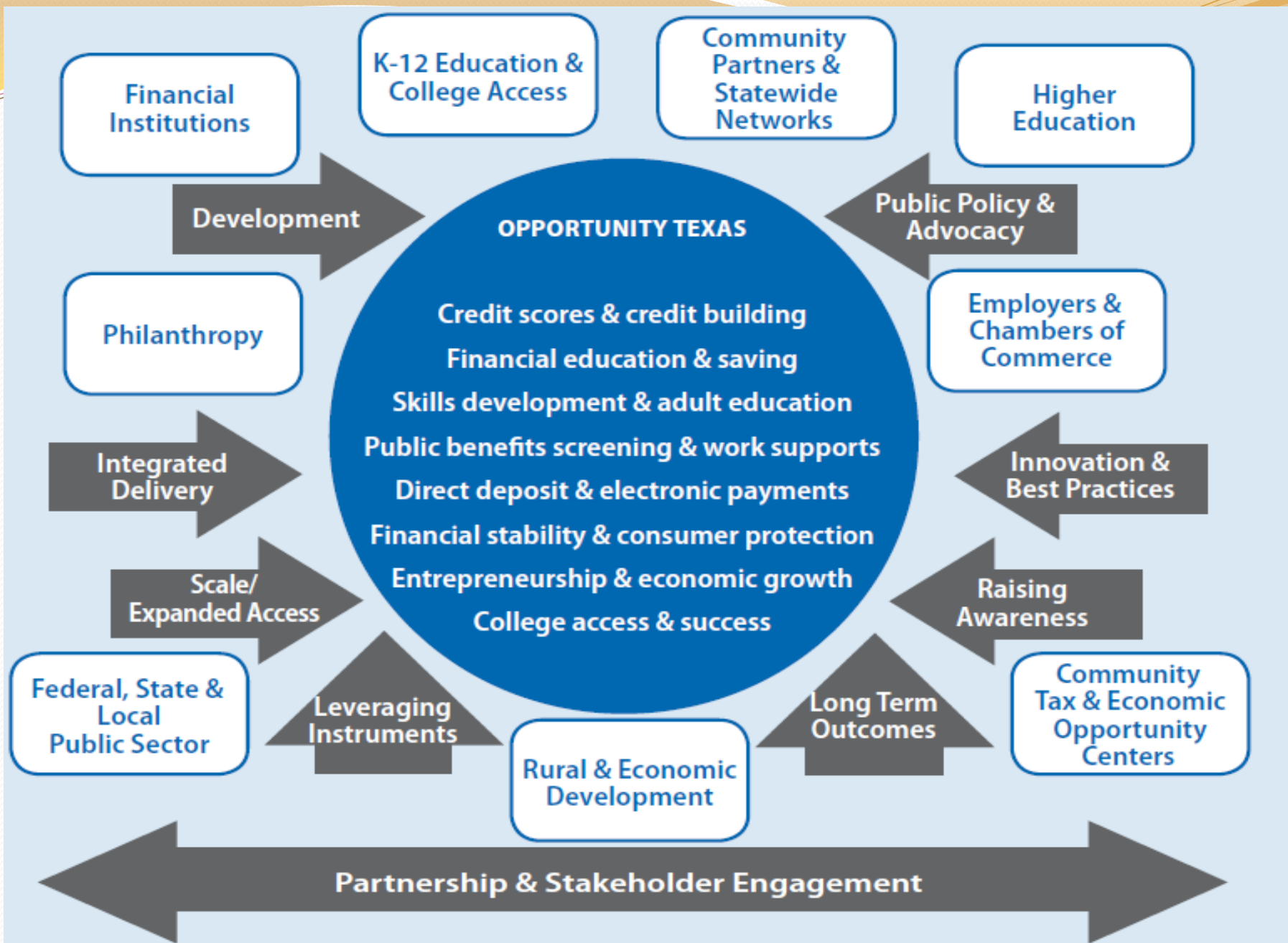


Improving public policies to better the economic and social conditions of low- and moderate-income Texans.

- Creating **economic opportunity** to strengthen families and grow the middle class;
- Increasing access to **quality, affordable health insurance**;
- Helping families meet **basic needs**;
- Enhancing **child well-being and child protection**;
- Ensuring **effective public administration**; and
- Securing **fair and adequate taxation** to pay for critical public investments in Texas.

The logo features the text "BETTER TEXAS™" in white, centered within a white circle on a blue background. The word "BETTER" is in a bold, sans-serif font, while "TEXAS" is in a regular weight of the same font, followed by a trademark symbol (TM).

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www.facebook.com/OpportunityTexas

Laura Rosen

OpportunityTexas Coordinator

info@opportunitytexas.org

Don Baylor

Senior Policy Analyst, CPPP

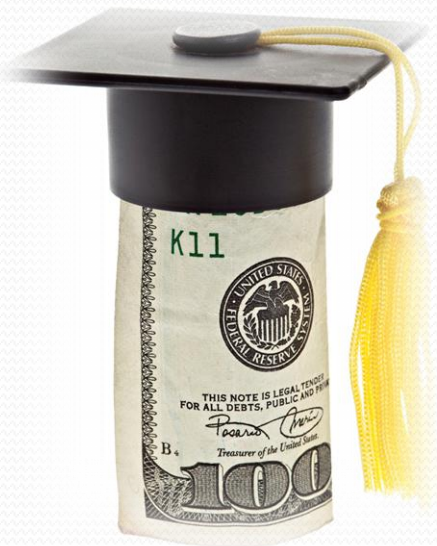
baylor@cphp.org

Opportunity TexasTM

LEARN. EARN. SAVE.

College Financial Preparation

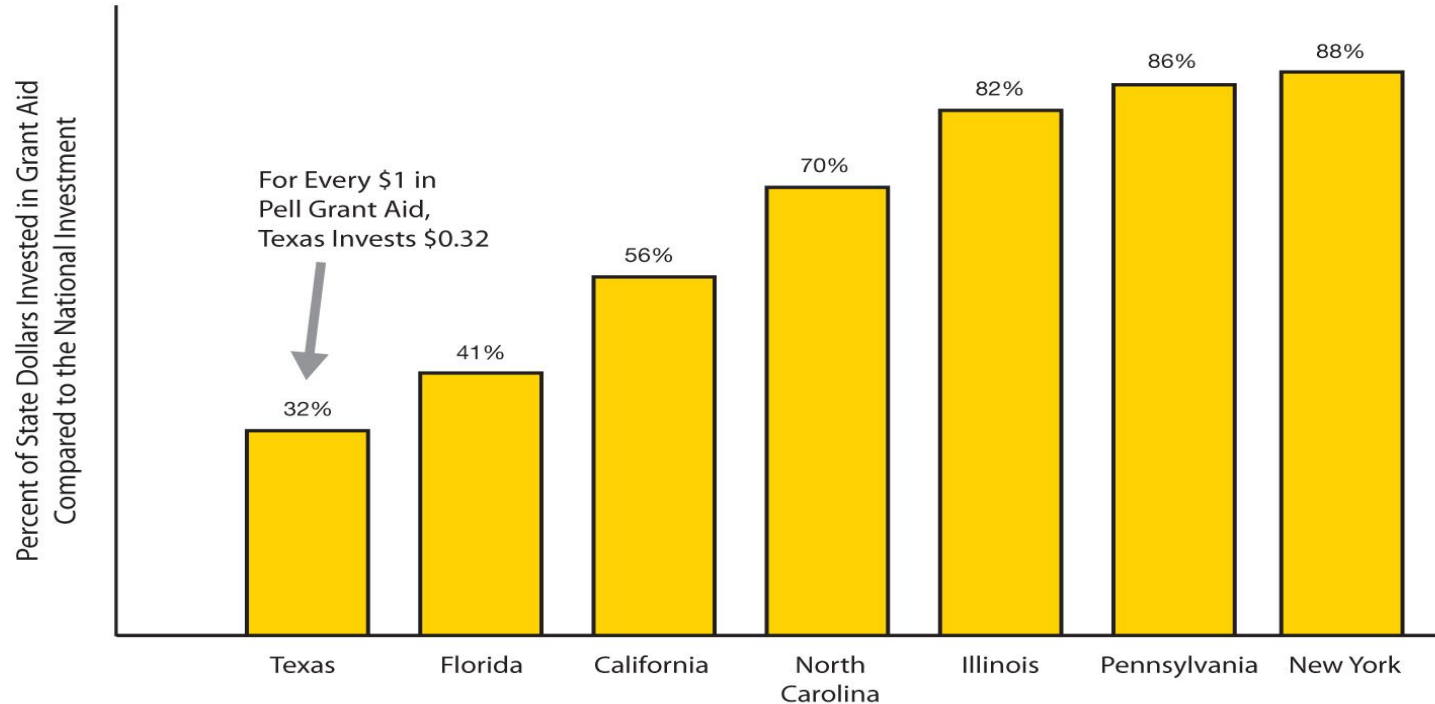
Postsecondary Financial Barriers In Texas



- Rising college costs
- Inadequate financial aid
- Increasing Student loan dependence
- Rising student debt
- High Unmet Need

Texas Lags Behind Other States in Financial Aid Investments

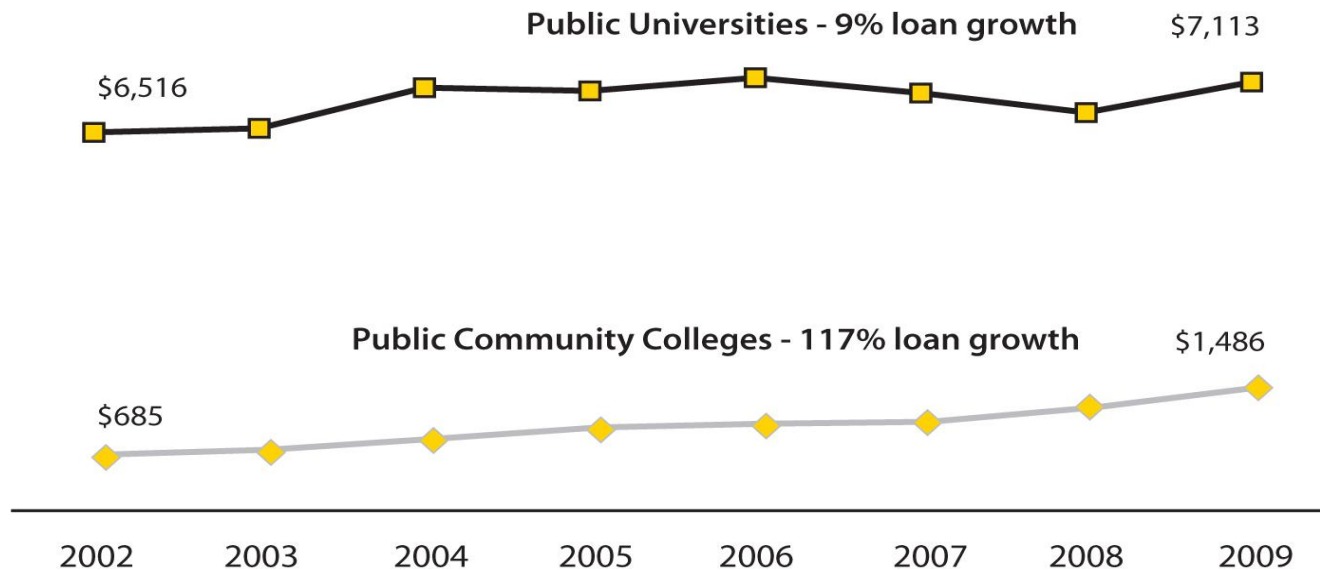
Texas Invests Less in Need-Based Aid Compared to Other Large States



Source: CPPP Analysis, National Center for Public Policy and Higher Education, Measuring Up 2008

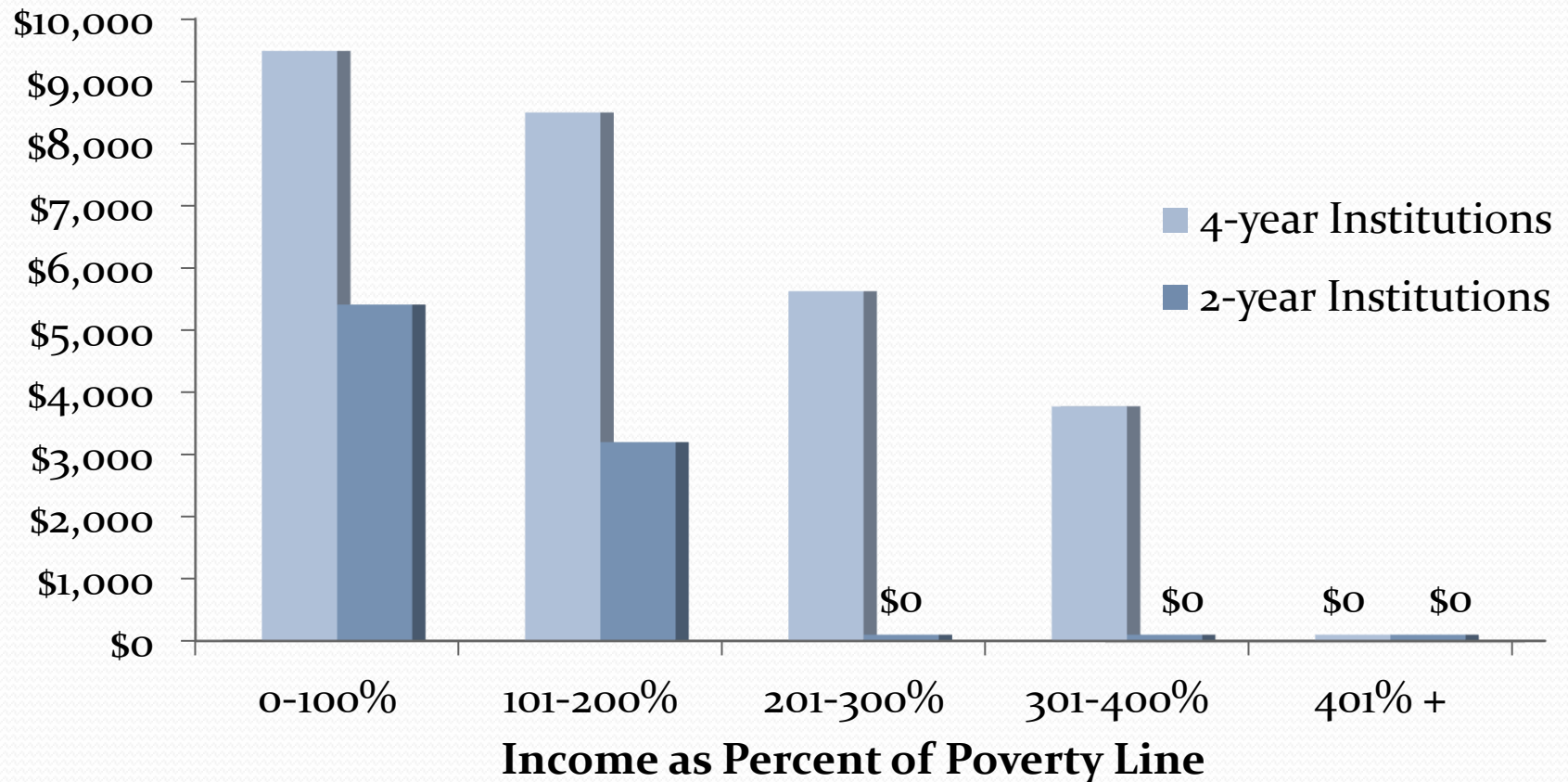
Student Borrowing on the Rise

**Dependence on Student Loans Increases
for Texas College Students (2009 Dollars)**



Source: CPPP Analysis, Texas Higher Education Coordinating Board Financial Aid Reports 2002-09

Despite Federal & State Grants, Lower-Income Students Face Higher Unmet Need



Source: CPPP Analysis of National Postsecondary Student Aid Study of 2008, NCES Powerstats.

Strategies to Enhance Financial Preparation for College



FAFSA
Completion

Financial Screening
& EFC Estimate

College Savings

Financial Education

College Savings Accounts Lift Aspirations & Promote Postsecondary Access

- **Elliott and Beverly, *The Role of Savings and Wealth in Reducing Wilt Between Expectations And College Attendance* (2010)**
 - Youth who have a savings account in their names are *nearly seven times more likely* to attend a four-year college than youth with no accounts
 - The account itself, regardless of savings amounts, is associated with academic achievement
- **SEED Initiative CSA demonstration (2006-2010)**
 - Community-based organizations play an important role in families' enrollment in CSAs
 - 57% of SEED families saved.
 - A higher match amount was positively associated with a participant's savings
 - Foundation Communities (TX) participated in the demonstration

College Savings in Texas

- Texas Tuition Promise Fund (prepaid) & Texas College Savings Plan
- Assets Exempt from Public Benefits & State Financial Aid
- Texas Save & Match
 - Targeted for Students in Free & Reduced Lunch (economically disadvantaged)
 - Texas Match the Promise Foundation
 - Save & Match Trust Fund
 - Innovative Pilots authorized for:
 - Academic Milestones
 - Seeding New Accounts
 - Employer Match Incentives
 - New Partnerships with K-12 platforms



TEXAS TUITION
PROMISE FUND

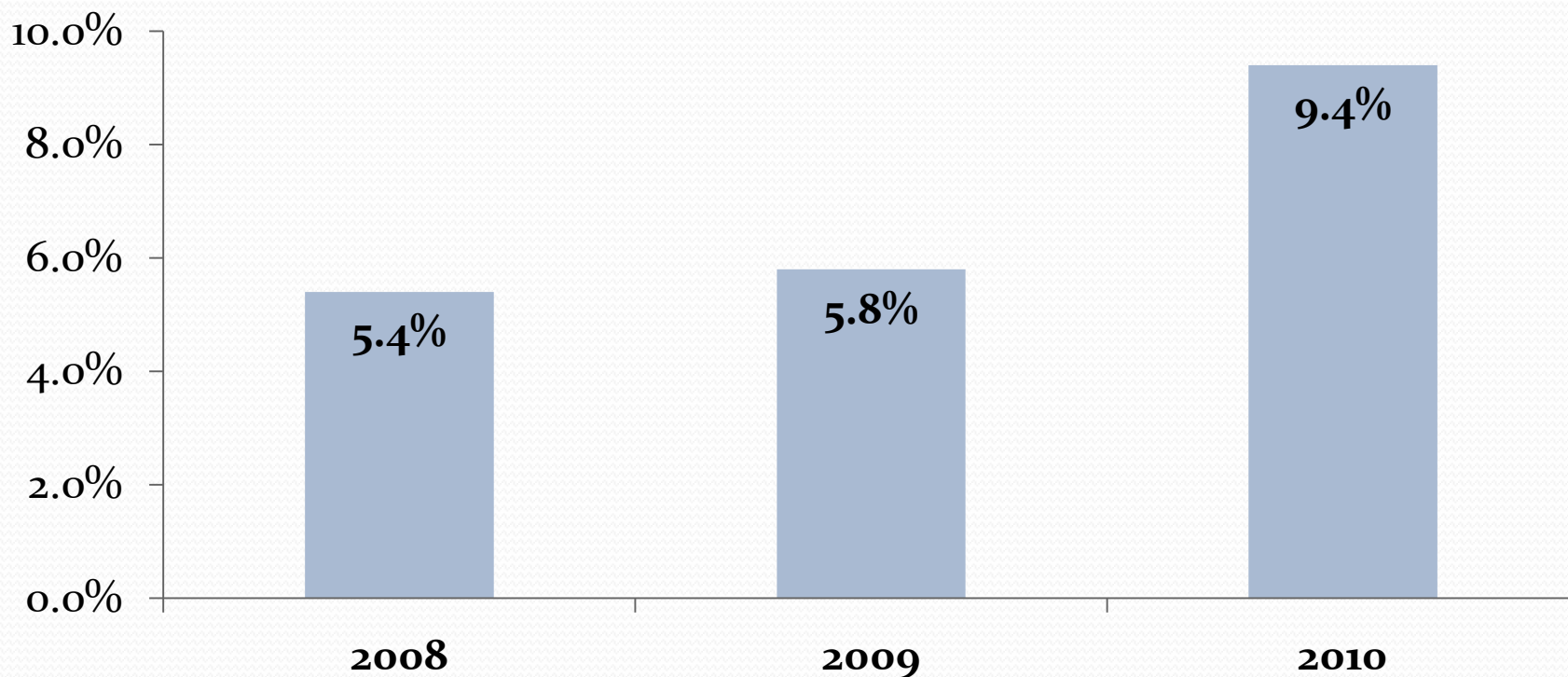
A Prepaid Plan as Smart as You Are

Sherraden's Ingredients for Savings Success

Ingredients for Inclusive 529 Platform	Texas College Savings Plan	Texas Tuition Promise Fund	Status/Comments
Access	Both plans have relatively low (\$) barrier to entry		Lack of visible/retail presence a barrier
Incentives (Match for Low-Income students)	Texas Save & Match/Match the Promise Foundation established vehicle for raising matching funds		Philanthropic & Public \$ not yet leveraged
Facilitation	Employer payroll deduction most active with public employers; Autosave/installment contract		Need Private Sector Platforms/Partners
Restrictions	TTPF 3- year minimum; standard 529 restrictions & penalties ; state financial aid/public benefits penalties removed		In Place
Simplicity	TTPF = 3 unit types		In Place
Information (Financial Education)	Policy ingredients in place (HB 34, HB 2615, SB 290)		Need to engage K-12 & community partners
Expectations	TTPF Targets are tied to academic unit cost		In Place

TTPF Enrollment Trends

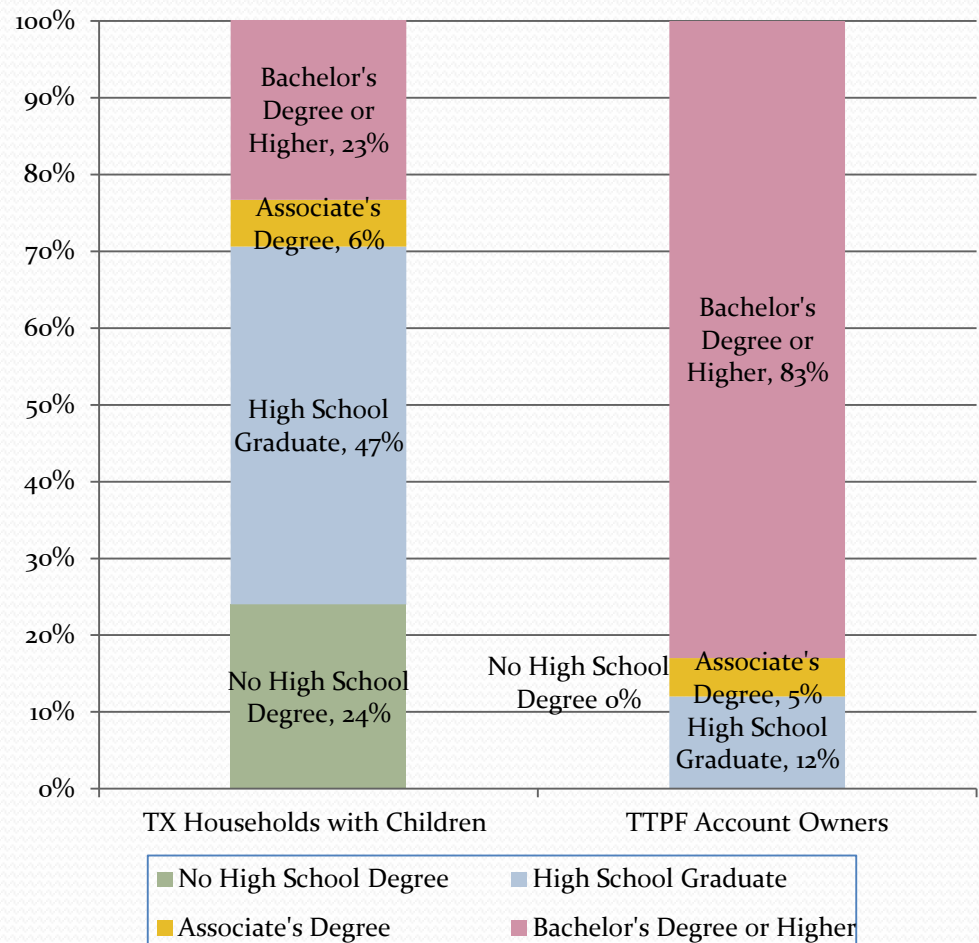
**Enrollments of households earning less than
\$50,000**



Source: CPPP Analysis, Texas Comptroller of Public Accounts, 2011

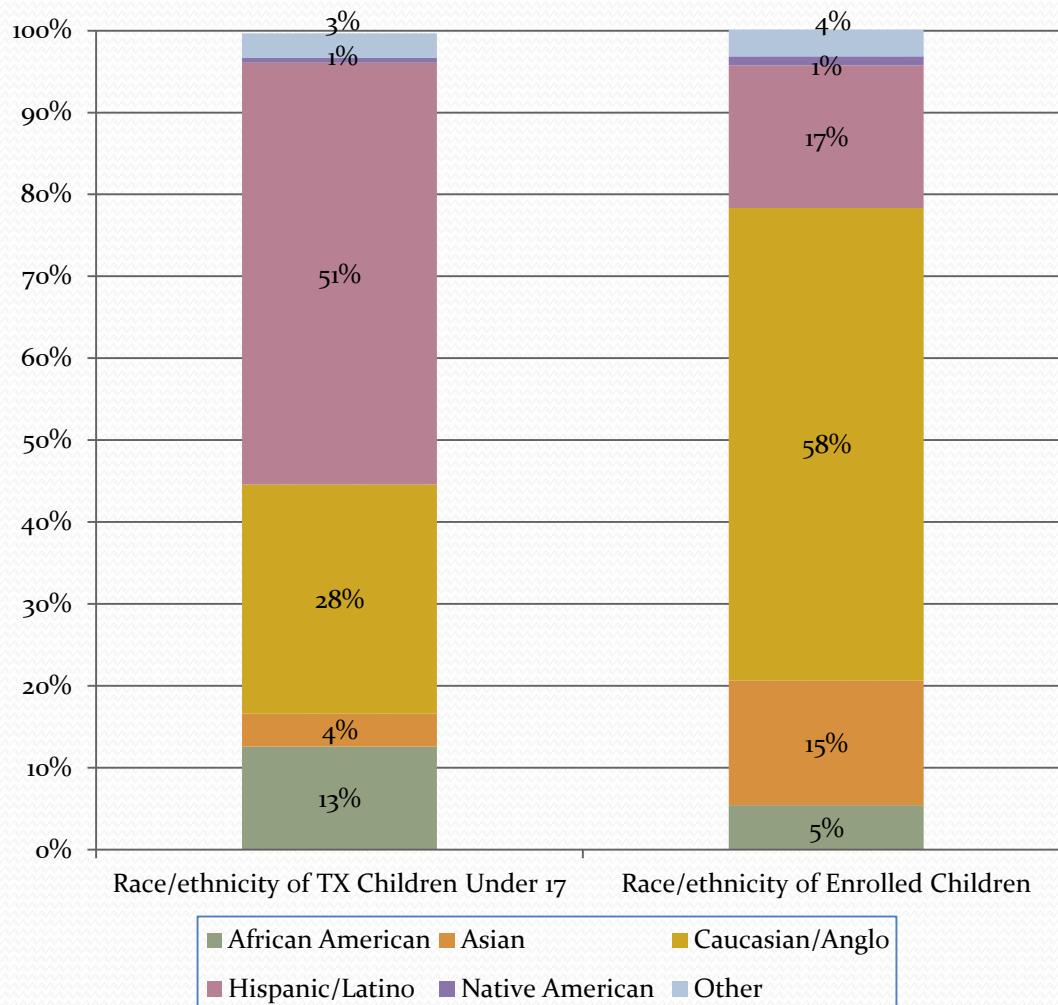
Educational Attainment: TTPF- Enrolled and Statewide

- Texans with bachelor's degrees are sixteen times more likely than non-graduates to open a TTPF account



Race/Ethnicity: TTPF- Enrolled and Statewide

- In Texas, relative to Caucasian children, **Hispanic children** are **6 times less likely** to enroll in TTPF and **African American children** are **5 times less likely** to enroll

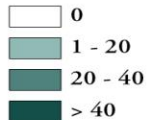


Texas College Savings Gap

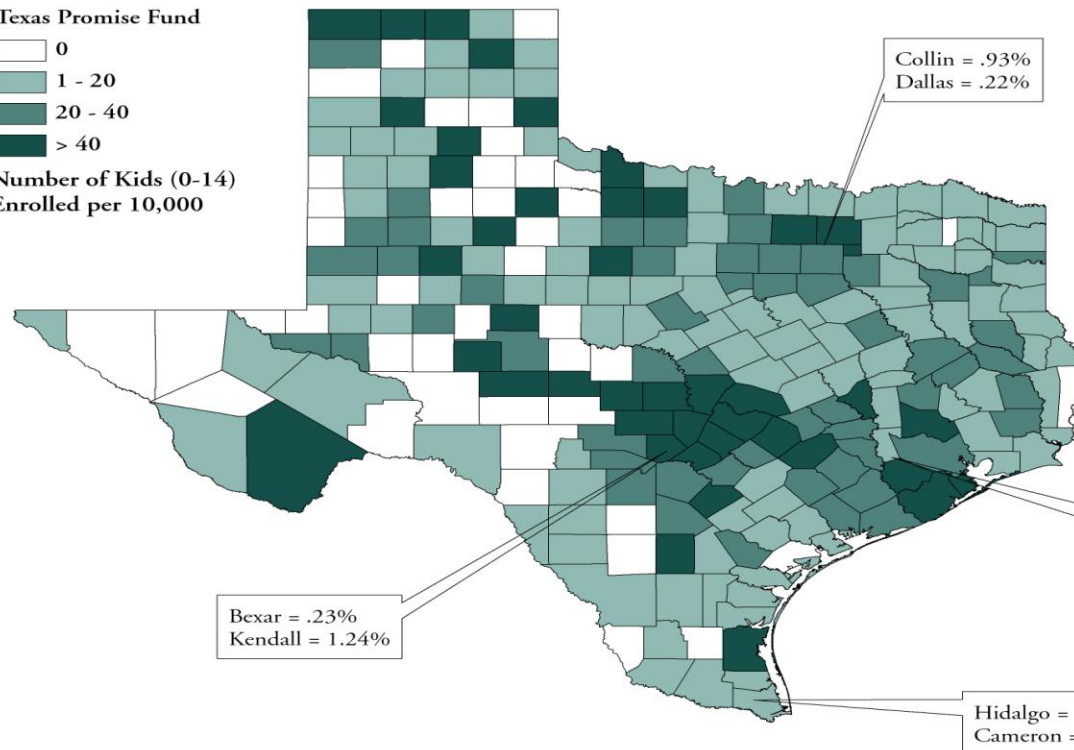
Texas College Promise Rate

Children who have a savings account for college are 7 times more likely to attend a 4-year college than youth with no account.

Texas Promise Fund



Number of Kids (0-14)
Enrolled per 10,000

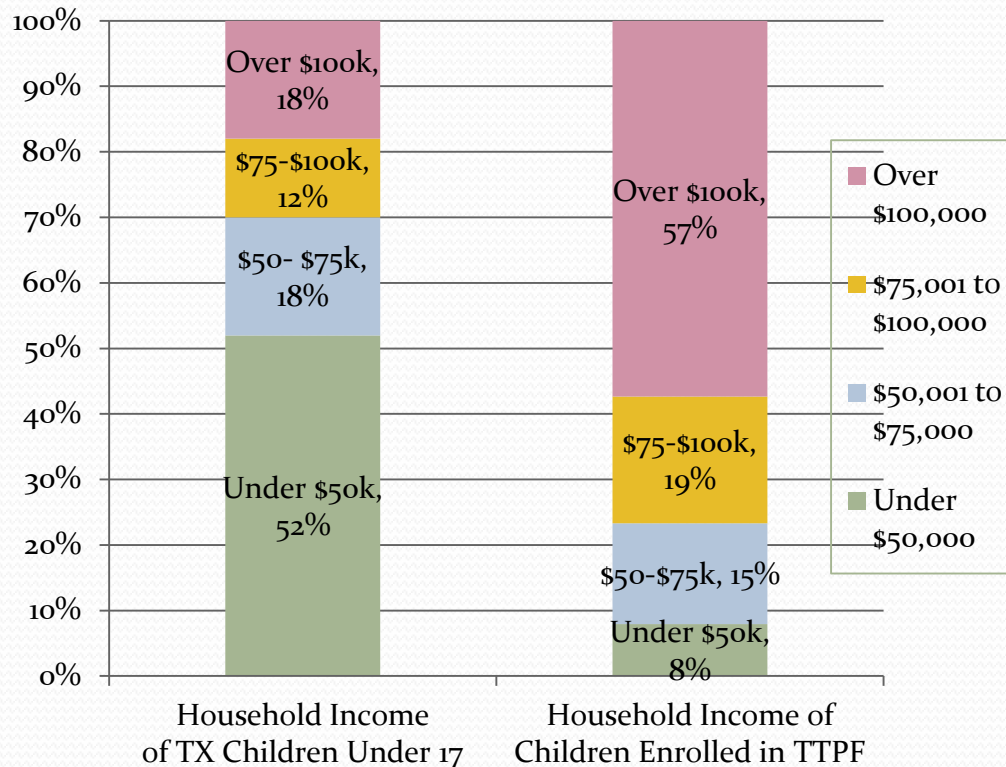


Demographics of Enrolled Children

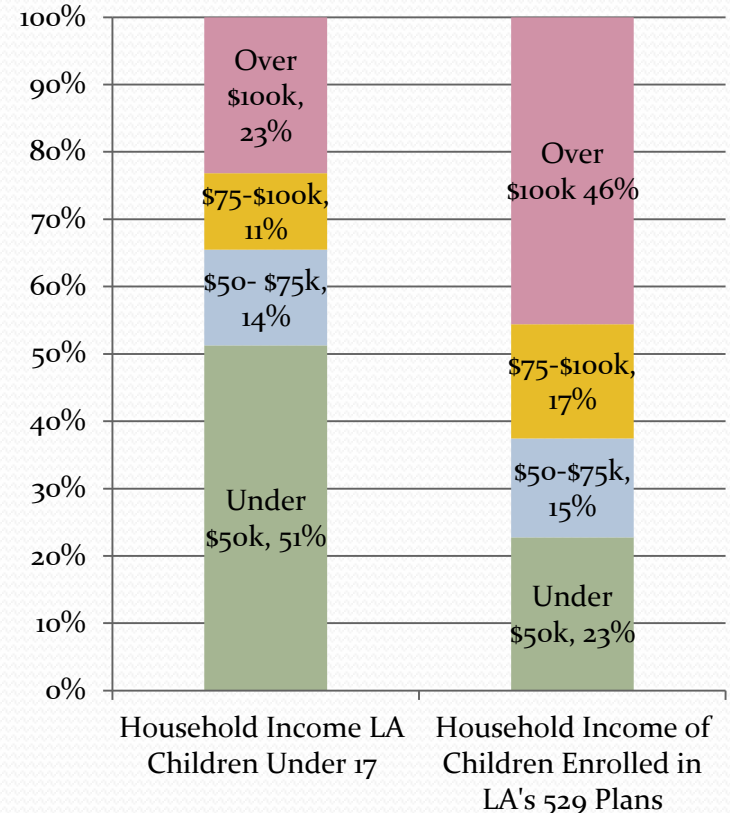
- Half of all Texas children are in families making less than \$50K, but make up only 6% of enrollees.
- African American and Hispanic children are 7 times less likely to be enrolled than Anglos.
- Children whose parents only have a high school education are 12 times less likely to be enrolled than the average child.

With a Match, Louisiana's 529 Plan Enrolls More Lower-Income Households

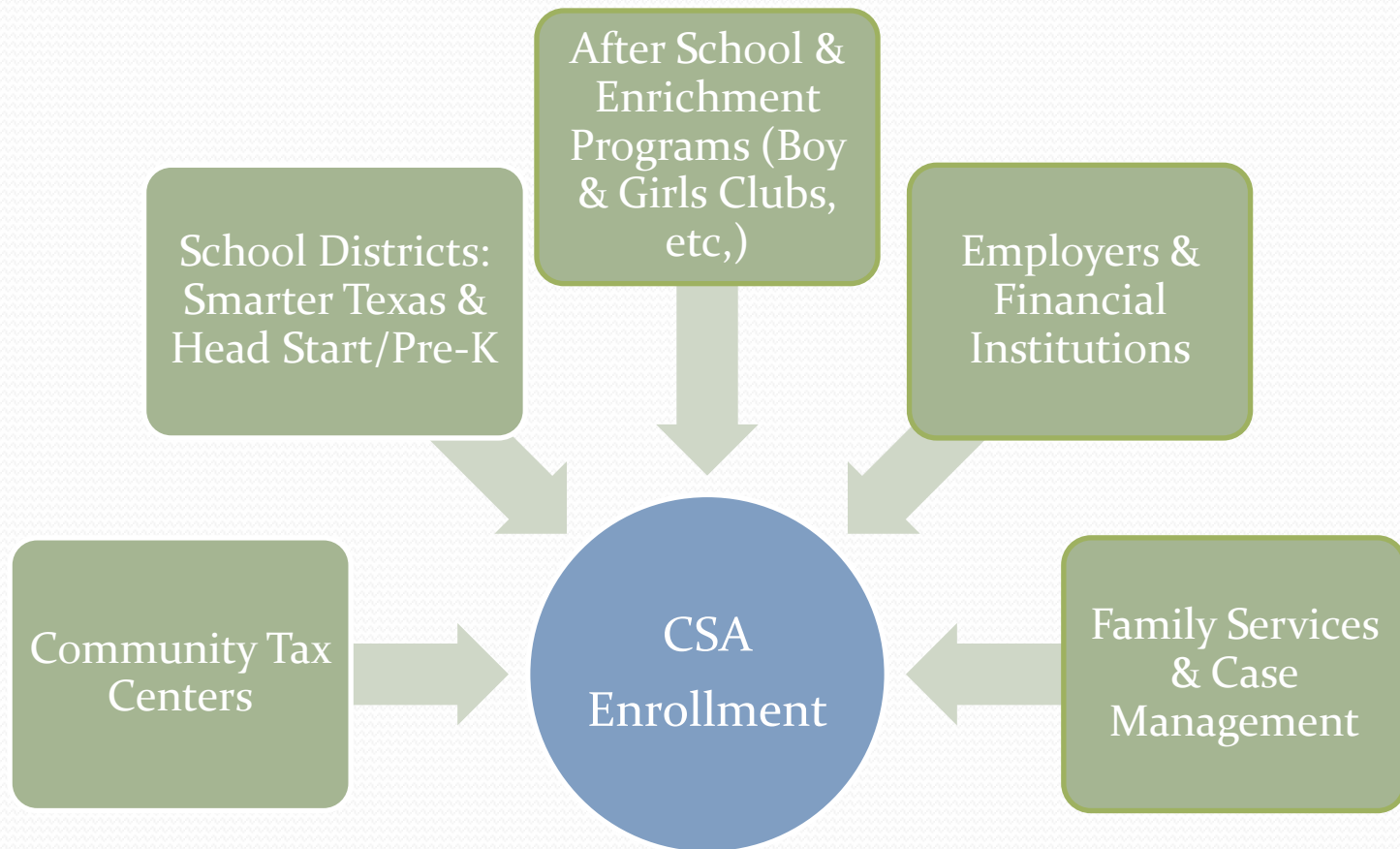
Texas Tuition Promise Fund



Louisiana START Saving



Potential CSA Enrollment Platforms & Partners



Next Steps to Improve Texas CSA Enrollment

- ★ Save & Match Trust Fundraising
- ★ Identifying and Building Interest in Local 529 Enrollment Efforts
- ★ Enhanced Data Analysis
- ★ Retail & Private Sector Partner Development



Ways to Get Involved, Be Informed

500% Interest
is Wrong

It hurts communities. Texas needs a law.



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- Payday and Auto Title Lending: Stop the Cycle of Debt (www.stoppaydayabuse.org)
- State Revenue: Balanced Budget=Balanced Approach (www.texasforward.org)
- Savings, Asset Building, & Financial Success (www.raisetexas.org)
- Issues Affecting Low- and Moderate-Income Texans (www.cpppr.org)
- Creating Good Jobs, Increasing Income, & Promoting Savings (www.opportunitytexas.org)



LEGACY LUNCHEON

Celebrating 25 Years

CENTER *for* PUBLIC POLICY PRIORITIES

Wednesday, November 16 • Four Seasons Hotel
Keynote Speaker Jim Lehrer



WORKING FOR A **BETTER** TEXAS™

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**Center for Public Policy Priorities
900 Lydia Street
Austin, TX 78702
P 512/320-0222 F 512/320-0227**