



COMMENTS ON TEXAS TUITION PROMISE FUND RULES

CPPPP commends the Prepaid Higher Education Tuition Board for improving the program's accessibility throughout the rulemaking process. As such, we appreciate the opportunity to provide comments on the program rules as published in the *Texas Register*. As the TTPF goes live and grows, the Board will need to address some lingering questions and concerns. In order to maximize the program's reach and effectiveness, the Board should establish a working group of stakeholders to fulfill the intent of HB 3900 and to leverage the potential of the *Save & Match* provision. In these comments, we have provided a few major recommendations: increase participation by creating "provisional" accounts between open enrollment periods, and drive contributions to the Save & Match fund by harnessing the tax-deductibility of donations to a nonprofit foundation. These and our other comments are discussed more fully below, by order of appearance in the Board's proposed rules.

1. Enrollment Period -- Section §7.122 (5)

Comment: The abbreviated enrollment period places the program at a competitive disadvantage and erects a barrier for many families, especially those households eligible for the Earned Income Tax Credit (EITC). To address this issue, the Board should establish a provisional application or status during the proposed interim period (March-August).

Rationale: As currently drafted, many prospective Tuition Promise contract purchasers would have to wait up to 6 months to enroll in the program. During the interim, the plan may lose potential purchasers who decide to invest in another state 529 plan, opt for another investment vehicle, or postpone saving altogether. To retain such purchasers, the Board should consider creating a provisional or pending account status that would secure the investors' standing and ensure that the Plan does not lose market share during the interim period.

For example, the Florida Prepaid College Plan allows potential purchasers to apply outside of the designated enrollment period, but the tuition contract is not effective until the ensuing fall and prices are reset. While such applicants are not able to purchase units until the fall, the Florida plan boasts that "you can open a Florida College Investment Plan year-round." For more information, see <http://www.florida529plans.com/signuptoday/index.html>.

Given the close of tax season in April and the mandate to serve the EITC population, this "closed door" will prevent too many working families and EITC recipients from enrolling in the Tuition Promise Fund. *In fact, this obstacle may violate the mandates set forth in Section 54.752 (c) (HB 3900).*

2. Minimum Number of Tuition Units -- Section §7.124 (h)(1)

Comment: The one-unit minimum is extremely important to ensuring equal access to enrollment, and we therefore strongly support this provision.

Rationale: National research has shown that high minimum purchase amounts and account fees serve as significant barriers to working families and the *Closing the Gaps* population. Therefore, the one-unit/\$25 minimum is one of the most important

provisions to ensure equitable access. This threshold will send a clear message that all Texans are welcome to participate. Likewise, this provision should remain as a core feature of the program for years to come.

3. Redemption of Tuition Units -- Section §7.125 (h-i)

Comment: We support this provision to ensure flexibility for those students who may encounter unexpected fees throughout the academic year.

Rationale: Many postsecondary students, especially working adults, attend part-time and may not be seeking a degree. We support giving the Board a systematic method for computing the beneficiary's true institutional costs for the academic year.

4. Information Required for Enrollment -- Section §7.126 (b)(3)

Comment: To populate the projected graduation date, we suggest exploring the feasibility of using a date-of-birth-plus-18 methodology. Additionally, current language requiring the stated income of the purchaser should be clarified to ensure that purchasers are providing the appropriate year of income desired.

Rationale: Because of the inherent guesswork, the projected date for beneficiary graduation may pose an unnecessary barrier to enrollment. Also, the "date" of graduation is rather specific, as opposed to the "year." If an applicant doesn't know this information and leaves it blank, will he or she be unable to continue the enrollment application?

5. Change of Beneficiary -- Section §7.130 (d)

Comment: We agree with this provision to give purchasers flexibility.

Rationale: The ability to change beneficiaries without a fee recognizes the uncertainties of family life.

6. Tuition Contract Statement -- Section §7.142 (a)(1),(3)

Comment: Under these provisions, the statement does not include an accounting of any possible matching funds—"only the amount paid by the purchaser." We recommend having the ability to include any eligible matching funds in a tuition contract statement. We also recommend translating the number of tuition units into its semester equivalent.

Rationale: The statement should be able to capture any and all units available to the purchaser, so the contract statement should include eligible matching units.

Translating tuition units into their semester equivalent would emphasize the "real" value of the accounts to purchasers and beneficiaries, enhancing goal-setting and motivating further saving.

7. Save & Match -- Section §7.143 (d)

Comment: The Board should consider using a nonprofit foundation to stimulate and accept tax-deductible donations. This nonprofit could be an existing foundation, or the Board could facilitate the creation of a new foundation for this purpose.

Rationale: The Board can facilitate general Save & Match donations by utilizing a 501(c)(3) foundation to accept donations. By providing potential donors with a federal tax deduction, the frequency and magnitude of contributions could be enhanced. One possibility could be the existing College for All Texans Foundation, a 501(c)(3) corporation dedicated to promoting broader access to higher education and meeting the goals outlined in *Closing the Gaps*. For more information, see <http://www.collegeforalltexansfoundation.com/CFT.cfm>.

Florida's Prepaid College Board has such an instrument at its disposal. Established in 1990, the Florida Prepaid College Foundation functions as the 501(c)(3) direct support organization for the Florida Prepaid College Board. For more information, see <http://www.floridaprepaidcollegefoundation.com/foundation/foundation.html>.