

BILL ANALYSIS

Senate Research Center

S.B. 1094
By: Creighton
Higher Education
6/3/2021
Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

A 529 plan is a tax-advantaged savings plan designed to encourage saving for future education costs. 529 plans are sponsored by states, state agencies, or educational institutions and are authorized by Section 529 of the Internal Revenue Code.

Currently, state-sponsored prepaid tuition and college savings 529 plans in Texas are administered by the Texas Prepaid Higher Education Tuition Board. These 529 plans can be used to pay for tuition and qualified higher education expenses at public and private institutions of higher education. With the availability and growing awareness of workforce aligned technical certifications and non-degree job trainings, a traditional college education may not provide the best path to success for every student. S.B. 1094 promotes alternate pathways in postsecondary education by adding registered apprenticeship programs, which typically combine on-the-job training with classroom instruction, to the list of eligible expenses under the state-sponsored 529 plans.

S.B. 1094 allows students to use their 529 accounts to pay for apprenticeship programs and qualified expenses. Qualified expenses include fees, books, supplies, and equipment required for a designated beneficiary to participate in an apprenticeship program. Eligible apprenticeships must be registered and certified with the United States Department of Labor.

(Original Author's / Sponsor's Statement of Intent)

S.B. 1094 amends current law relating to the payment of certain education expenses using the state's programs for paying, prepaying, or saving toward the costs of attending an institution of higher education.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Prepaid Higher Education Tuition Board in SECTION 2 (Section 54.619, Education Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 54.605(a), Education Code, to provide that a prepaid tuition contract remains in effect after the prepaid higher education tuition program (program) is terminated if, when the program is terminated, the beneficiary has been accepted by or is enrolled in certain educational institutions, including a registered apprenticeship program described by Section 54.619(i). Makes a nonsubstantive change.

SECTION 2. Amends Section 54.619, Education Code, by adding Subsection (i), as follows:

(i) Authorizes that, notwithstanding other provisions of Subchapter F (Prepaid Higher Education Tuition Program), any contract benefits purchased under Subchapter F be applied to the payment of tuition and required fees for a registered apprenticeship program as if the apprenticeship program were an institution of higher education or private or independent institution of higher education. Requires the Prepaid Higher Education Tuition Board (board), on the purchaser's request, to apply, in accordance with Section 54.628 (Conversion to Another Plan), any existing amount of prepaid tuition

contract benefits to the payment of registered apprenticeship program tuition and required fees. Provides that the board is not responsible for the payment of registered apprenticeship program tuition and required fees in excess of that amount. Authorizes the board to adopt rules as necessary to implement this subsection. Defines "registered apprenticeship program."

SECTION 3. Amends Section 54.751, Education Code, by amending Subdivisions (2) and (6) and adding Subdivision (9-a), to redefine "beneficiary" and "prepaid tuition contract" and to define "registered apprenticeship program" for purposes of Subchapter H (Prepaid Tuition Unit Undergraduate Education Program: Texas Tomorrow Fund II).

SECTION 4. Amends Section 54.753(a), Education Code, as follows:

(a) Authorizes a purchaser, under the prepaid tuition unit undergraduate education program, to prepay the costs of all or a portion of a beneficiary's undergraduate tuition and required fees at certain institutions of higher education, including a registered apprenticeship program, by entering into a prepaid tuition contract with the board to purchase one or more tuition units of a type described by Section 54.753 (Prepaid Tuition Units: Purchase; Assigned Value; Types; Price) at the applicable price established by the board for that type of unit for the year in which the unit is purchased. Makes a nonsubstantive change.

SECTION 5. Amends Sections 54.754(a) and (d), Education Code, as follows:

(a) Requires the board, in accordance with Subchapter H, when a beneficiary under a prepaid tuition contract redeems one or more tuition units to pay costs of tuition and required fees, to apply money in the Texas Tomorrow Fund II, in the amount provided by Section 54.765 (Comptroller's Duties; Transfers to Institutions on Redemption of Tuition Units) to pay all or the applicable portion of the costs of the beneficiary's tuition and required fees at certain institutions of higher education, including a career school or registered apprenticeship program, in which the beneficiary enrolls. Makes conforming and nonsubstantive changes.

(d) Makes conforming and nonsubstantive changes to this subsection.

SECTION 6. Amends Section 54.765(f), Education Code, to make conforming and nonsubstantive changes.

SECTION 7. Amends Section 54.767, Education Code, to make conforming and nonsubstantive changes.

SECTION 8. Amends Sections 54.769(b) and (c), Education Code, to make conforming and nonsubstantive changes.

SECTION 9. Amends Section 54.774(a), Education Code, to make conforming and nonsubstantive changes.

SECTION 10. Amends Section 54.775(b), Education Code, to make conforming and nonsubstantive changes.

SECTION 11. Amends Section 54.801(l), Education Code, to define "medical and dental unit" and "registered apprenticeship program" in Subchapter I (Texas Save and Match Program).

SECTION 12. Amends Section 54.806(b), Education Code, as follows:

(b) Authorizes the board or Texas Save and Match Program entity, notwithstanding Subsection (a) (relating to providing that certain records in the custody of the board or program entity are confidential), to release information described by Subsection (a) to the extent required by certain institutions of higher education, including a medical and dental

unit or registered apprenticeship program, at which a beneficiary may enroll or is enrolled. Makes conforming and nonsubstantive changes.

SECTION 13. Provides that the change in law made by this Act regarding the application of prepaid tuition contract benefits to the payment of tuition and required fees for a registered apprenticeship program applies to contract benefits purchased under Subchapters F and H, Chapter 54 (Tuition and Fees), Education Code, as amended by this Act, before, on, or after the effective date of this Act.

SECTION 14. Effective date: September 1, 2021.