

BILL ANALYSIS

Senate Research Center
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S.B. 1094
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Higher Education
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As Filed

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.

As proposed, S.B. 1094 amends current law relating to the payment of apprenticeship 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, as follows:

(a) Provides 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 an institution of higher education, a private or independent institution of higher education, a career school or college, or an apprenticeship program described by Section 54.619(i).

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 apprenticeship program expenses 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 apprenticeship program expenses. Provides that the board is not responsible for the payment of apprenticeship program expenses in excess of that amount. Authorizes the board to adopt rules as necessary to implement this subsection. Defines "apprenticeship program expenses."

SECTION 3. Amends Section 54.701(8), Education Code, as follows:

(8) Redefines, for purposes of Subchapter G (Higher Education Savings Plan), "qualified higher education expenses" to include expenses for fees, books, supplies, and equipment required for the beneficiary to participate in an apprenticeship program that is registered and certified with the United States Department of Labor under the National Apprenticeship Act (29 U.S.C. Section 50 et seq.).

SECTION 4. Amends Section 54.751, Education Code, by adding Subdivisions (1-a) and (9-a) and amending Subdivisions (2) and (6), to, for purposes of Subchapter H (Prepaid Tuition Unit Undergraduate Education Program: Texas Tomorrow Fund II) define "apprenticeship program expenses" and "registered apprenticeship program" and to redefine "beneficiary" and "prepaid tuition contract" to include payment of apprenticeship program expenses.

SECTION 5. Amends Section 54.753(a), Education Code, as follows:

(a) Authorizes a purchaser, under the 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 or all or a portion of the beneficiary's apprenticeship program expenses 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.

SECTION 6. Amends Sections 54.754(a), (d), and (e), 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 or apprenticeship program expenses, to apply money in the fund, 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 the general academic teaching institution, two-year institution of higher education, private or independent institution of higher education, medical and dental unit, or accredited out-of-state institution of higher education in which the beneficiary enrolls or the beneficiary's apprenticeship program expenses. Makes a conforming change.

(d) Provides that, if a beneficiary redeems fewer tuition units of the type or combination of types necessary to pay the total cost of the beneficiary's tuition and required fees at certain institutions of higher education at which the beneficiary enrolls or apprenticeship program expenses, the beneficiary is responsible for paying the amount of the difference between the amount of tuition and required fees or expenses for which the beneficiary pays through the redemption of one or more tuition units and the total cost of the beneficiary's tuition and required fees at the institution or unit or the beneficiary's apprenticeship program expenses.

(e) Authorizes a purchaser, if the beneficiary redeems fewer tuition units to pay the cost of tuition and required fees or apprenticeship program expenses than the number of units purchased on behalf of the beneficiary under a prepaid tuition contract, other than to defer redemption as permitted in accordance with Section 54.758 (Deferred Use of Prepaid Credit Hours), to take certain actions.

SECTION 7. Amends Section 54.758(a), Education Code, as follows:

(a) Requires that a prepaid tuition contract permit the beneficiary to elect to pay from a source other than tuition units purchased under the contract the beneficiary's tuition and required fees or apprenticeship program expenses for some or all of the tuition and required fees or apprenticeship program expenses to which the beneficiary is entitled to payment under the contract, and to defer to a subsequent semester or other academic term the right to payment of the beneficiary's tuition and required fees or apprenticeship program expenses by using tuition units remaining under the contract.

SECTION 8. Amends Section 54.765(f), Education Code, as follows:

(f) Requires the Comptroller of Public Accounts of the State of Texas (comptroller) or the comptroller's authorized representative, when a beneficiary enrolls at certain institutions of higher education, or registered apprenticeship program, on written authorization from the purchaser of the tuition unit or units for that beneficiary, to transfer to the institution the lesser of:

(1) an amount equal to the current cost of the tuition and required fees or apprenticeship program expenses that would be covered by redemption of the number and type of certain tuition units the beneficiary is redeeming if the beneficiary were redeeming the unit or units at a general academic teaching institution or two-year institution of higher education; or

(2) Makes no changes to this subdivision.

SECTION 9. Amends Section 54.767, Education Code, as follows:

Sec. 54.767. USE OF FUND ASSETS. Provides that the assets of the fund may be used only to make certain payments, including to make payments to certain institutions of higher education and registered apprenticeship programs on behalf of beneficiaries. Makes a nonsubstantive change.

SECTION 10. Amends Sections 54.769(b) and (c), Education Code, as follows:

(b) Provides that the rights of a purchaser, beneficiary, or successor in interest of a purchaser or beneficiary in and under a prepaid tuition contract and the payment of tuition and required fees for a beneficiary under a prepaid tuition contract to certain institutions of higher education or apprenticeship program expenses under Chapter 54 (Tuition and Fees) are exempt from attachment, levy, garnishment, execution, and seizure for the satisfaction of any debt, judgment, or claim against a purchaser, beneficiary, or successor in interest of a purchaser or beneficiary.

(c) Provides that a claim or judgment against a purchaser, beneficiary, or successor in interest of a purchaser or beneficiary does not impair or entitle the claim or judgment holder to assert or enforce a lien against the right of a beneficiary to the payment of tuition and required fees to certain institutions of higher education or apprenticeship program expenses under a prepaid tuition contract.

SECTION 11. Amends Section 54.774(a), Education Code, as follows:

(a) Provides that a prepaid tuition contract remains in effect after the program is terminated if, when the program is terminated, the beneficiary has been accepted by or is enrolled at certain institutions of higher education or registered apprenticeship program. Makes a nonsubstantive change.

SECTION 12. Amends Section 54.775(b), Education Code, as follows:

(b) Authorizes the board, notwithstanding Subsection (a) (relating to the confidentiality of certain records in the custody of the board) , to release information described by that subsection to certain institutions of higher education, or registered apprenticeship program at which a beneficiary is authorized to enroll or is enrolled. Requires the

institution, unit, or program to keep the information confidential. Makes nonsubstantive and conforming changes.

SECTION 13. Amends Section 54.806(b), Education Code, as follows:

(b) Authorizes the board or program entity, notwithstanding Subsection (a) (relating to the confidentiality of certain records in the custody of the board or program entity), to release information described by Subsection (a) to the extent required by certain institutions of higher education or a registered apprenticeship program at which a beneficiary is authorized to enroll or is enrolled. Requires the institution, school, or program receiving information described by Subsection (a) to keep the information confidential.

SECTION 14. Provides that the change in law made by this Act regarding the application of prepaid tuition contract benefits to the payment of apprenticeship program expenses for a registered apprenticeship program applies to contract benefits purchased under Subchapters F and H, Chapter 54, Education Code, as amended by this Act, before, on, or after the effective date of this Act.

SECTION 15. Effective date: September 1, 2021.