

## **RAISE Texas Action Summit Matched Savings Workgroup Notes**

### **Children' Savings Accounts**

- The original Texas Tomorrow Fund (TTF) was a pre-paid tuition plan for post-secondary education that stopped enrollment in '03.
- Texas is still obliged to kids (100,000) because of prepaid commitment.
- In 2007, Texas Tomorrow Fund II (TTFII) was passed by the Texas legislature. It is a newer and different version of the pre-paid tuition plan that was the TTF.
- Each year, the board will set prices for the cost of each unit of tuition. There are 3 tiers of units.
  - Tier I – most expensive (example: UT)
  - Tier II -average 4 year at a public university (example: UH)
  - Tier III- tech trade or community college
- In September of 2008, enrollment will begin for TTFII and they will need to look at:
  - Setting policy
  - Where to invest money
  - Who will run the new TTFII (It will be Oppenheimer)
- After the average unit costs are published, you can determine how much to contribute and how many units you have purchased based on Tier selected.

There already is a place holder for a match and save component to the program but no funding exists at this time.

There is also a new version of the Texas 529 college savings program. The 529 Plan is the traditional college savings program, also known as the Texas College Savings Plan (TCSP).

- Put money in
- Earnings are subject to market forces (balance can go up or down)
- Strategy to engage Oppenheimer
- Currently, no matching mechanism exists
- Once plan doubles (or reaches \$500 million), scholarships will be designed for specific population
  - Money for scholarships will likely come from administrative plan fees
  - Portion of fees that account holders pay that goes to a matching fund
  - Other public & private sources
    - General fund appropriations from legislature
    - Enterprise fund
    - Rainy day fund
    - Unemployment & trust fund
    - Some only want to fund specific high school or city
    - Small group donors (Suggestion by participant in Eagle Pass, Armando Herrera.)
      - Council of Government. Needs must be communicated. County judges and council members are looking for ways to help constituencies.

- Council of government belongs to Texas; all rural counties belong to it. That's how you get legislation passed. There are 9 counties.
- There is \$230 million in the fund now.
- It will take roughly 3 years to get to \$500 million.

Question: What happens if a 529 is set up and the student doesn't go to school or dies?  
 Answer: Transfer to another person. Can cash out but there is tax on earnings. It is like a withdrawal from IRA.

Match is part of enrollment incentive.

1. What are pros and cons between the 2 plans (TTFII and TCSP)
  - By matching the contributions, are you teaching them how to save? Out of our control.
  - Federal tax rules. If have to withdraw, what is penalty? Matching? Contribution?
  - TTFII easier to understand and less risk. More concrete, not going to lose anything.
  - Goal oriented.

Question: Are immigrants legally eligible or not?  
 Answer: The proposed TTFII rules allow the purchaser to hold an ITIN, while the beneficiary must have a social security number.

The following table shows a comparison between the Texas Tomorrow Fund II (TTFII) and the Texas College Savings Plan (TCSP).

<b>TTFII</b>	<b>Applies to Both</b>	<b>TCSP</b>
- Match for low-to-moderate income	- use TANF Block for Match \$\$	- Legislation for Match \$
- Comptroller-rulemaking for "buy in"; min requirements	- public benefit & eligibility	- Oppenheimer Index Fund in Illinois uses vanguard for lower fees. Why can't we have the same deal in Texas? (back door fund to scale)
	- comment for CBA to talk to controller; community based agencies; what is marketing and outreach strategy	
	- Build grassroots plan, RAISE Texas commits to send out to members of the board a consolidated letter of concerns and sign name of institution; one approach! There are many new to this, you tell us what to say and	

	write and we will back you up.	
	- identify people in community who will support match program and partner with them.	
	- Day at capital or Lobby Day	
	- Marketing Plan for 1) adult literacy; 2) success stories; and 3) hospitals and nurseries	
	- Media strategy- create sense of urgency with media. Utilize all education reporters and educate them. Target mid Aug. Fund opens in Sept.	
	- Model letter to editor so everyone can share with their editors	
	- Connect with GYRO and/or Headstart	

Follow-up

- Who is on the board that comptroller chairs? (prepay plan) Relationships with these individuals are crucial. The Texas Prepaid Higher Education Tuition Board consists of seven members. The Board is chaired by Texas Comptroller Susan Combs and includes two other members appointed by the Governor and four members appointed by the Lt. Governor (the House Speaker submits the names of two persons to the Lt. Governor). By law, these board members must have experience in higher education, business or finance. The members of the Texas Prepaid Higher Education Tuition Board are: Texas Comptroller Susan Combs, John C. Anderson, Retired President of Hale County State Bank in Plainview; Theresa W. Chang, Compliance Division Chief, Harris County Attorney's Office in Houston; Jack R. Hamilton, Retired Certified Financial Advisor of Davis, Hamilton, Jackson and Associates in Houston; Harrison Keller, Ph.D., Director of Research for House Speaker Tom Craddick's Office, Richard H. Collins and Zan S. Statham, Director and Officer of First Baird Brancshares, Inc. in Weatherford.

Actions:

- Email members where to sign name to lobby and support through RAISE Texas.
- Effect rule making so TTFII is accessible to all regardless of income.

**Individual Development Accounts (IDAs)**

- Overview was presented by Stephan Fairfield of Covenant Community Capital Corp.
- He noted there are at least two ways to set up an IDA program:
  - 1) Do it all yourself- start your own program entirely: and staff does data management, financial education, and case management.
  - 2) Partner with a current IDA provider in your area or regionally that can do some of the back office operations and provide technical assistance. Covenant is one of the groups that works in a partnership arrangement to help new areas start IDAs.

- In order for an IDA program to succeed, an organization must be able to fund the IDA program for 5 years
- Stephan Fairfield is willing to do a workshop for anyone interested in establishing an IDA program
- He estimated that the capital cost is \$1500 per graduate excluding match cost.
- Stephan noted some general statistics about IDAs here in Houston:
  - 2 years is average savings in this area
  - can buy home, post-secondary education, and small business
  - 75% of graduates of the program purchase a home
  - “Covenant Fellows” used to recruit
- Participant, Jeff Stys, of United Way shared comments
  - First 6 months in program, send the participants a statement on how much they saved and how much match they have earned
  - 10% attrition rate
  - utilize pictures in newsletters, takes time but critical in first year to do all this
- Stable, long-term staff essential because working with them a long time.
- IDAs successful with families with stability.
- Big commitment. Structure it. Do what makes sense for your community.
- RAISE Texas can make connection between groups and models, or can provide technical assistance to IDA programs in Texas.
- Groups are willing to support each other.

We are looking to pass state legislation to provide the match necessary for eligible groups to apply for federal funds under the Assets for Independence (AFI) program.

State matching legislation fund overview:

- real issue is funding
- need to build goodwill, support around the state and bi-partisan sponsorship
- pursue larger pool of funds
- include other matched savings (like from the private sector or local government)
- Shoot high. Think big. Realistically, will not get money from appropriations
- \$1 million a year for IDA is reasonable.
- Today, sketch out big picture. Need a Republican to cosponsor IDA. Need someone to put name on the bill.

Action:

- Prepare talking points for representatives (i.e. role of legislators, what is an IDA) .
- Prepare letter to Comptroller for key rulemaking, if legislation passes.
- Identify opportunities for private funding and pilot programs.