Comptroller Will Ask Board to Preserve Original Refund Policy for Texas Guaranteed Tuition Plan Contract-Holders

Combs cites need to be responsive to public, allow Legislature to adopt solution

(AUSTIN) — Texas Comptroller Susan Combs announced she will recommend to the Texas Prepaid Higher Education Tuition Board that it adopt the former refund rule for the Texas Guaranteed Tuition Plan (TGTP). The Board will meet on Nov. 5, 2009.

“My first obligation is to protect the state’s assets, especially in this economic climate. I commend the board for its hard work and focus on their efforts to fix a hard problem,” said Combs. “A recent decision to limit refunds for cancelled contracts was due to a grave concern over the solvency of the TGTP and my commitment to fiscal responsibility. At the same time, I have listened to the concerns of legislators and contract-holders, and I am recommending any changes to the program be postponed until the Legislature convenes in 2011.”

If the board adopts Combs’ recommendation, families will no longer need to decide by Nov. 30 whether to cancel their contract in order to receive tuition-based earnings. Combs will also present recommendations to allow families who cancelled contracts during an ongoing opt-out period to resume their contracts if they choose to do so.

“My concern over the solvency of the plan has not changed. As I have said since January 2007, we face a situation in which Texas taxpayers would have to fund a projected deficit in the guaranteed tuition plan,” Combs said. “Various legislators have expressed that this is a legislative issue. This decision would allow legislators concerned about the proposed refund rule change to formulate a solution that preserves the long-term stability of the fund. I believe in responding to legislators, and concur that this issue would be best addressed by the Legislature.”

- On Jan. 31, 2007, the Comptroller’s testimony to the Senate Finance Committee included concerns about the TGTP.
- On Feb. 15, 2007, the Comptroller sent a letter to legislative leadership with an advisory board’s report on the looming deficit of the TGTP.
- On June 28, 2007, the Comptroller and experts testified about the deficit before a House Select Committee on Higher and Public Education Finance.
- On June 10, 2009, the Comptroller sent an updated analysis of the TGTP deficit to the legislative leadership.

(more)
“I am very pleased by the interest and attention shown by legislators and their willingness to address the financial stability of the guaranteed tuition plan,” said Combs. “I ask that the Legislature conduct an interim study of the projected $1.7 billion – $2.1 billion shortfall, which may start to appear as soon as 2015. This is an issue that should be addressed sooner than later, and I believe the Legislature needs to start funding the plan in 2011 to fix the projected plan deficit.”