

# College Savings Incentive Plan

## **Tennessee Investments Preparing Scholars (TIPS) Program Background**

---

The TIPS Program was created as a matching grant program to encourage families of lower to moderate income levels to save for the growing costs associated with post-secondary education through the TNStars College Savings 529 Program.

### **Funding for TIPS**

Tennessee Code Annotated § 65-5-113(c) allows a portion of the funds in the Small and Minority-Owned Business Assistance Program to be transferred to the Board of Trustees of the College Savings System Trust Fund Program to fund an incentive plan to encourage Tennessee residents to participate in a college savings program established by the state.

### **Income Eligibility and Qualifying Period**

The TIPS Program offers incentives to Tennessee residents with household incomes up to 250% of the federal poverty guidelines to participate in the TNStars Program. When a qualifying participant enrolls a beneficiary, age 15 or under, in the TIPS program, the state will contribute a 4:1 match based on contributions made by the participant during the annual qualifying period. Beneficiaries are eligible to receive a maximum match of \$500 per year for up to three years.

A qualifying period and income eligibility guidelines are established annually by the Board of Trustees. The most recent qualifying period began on August 1, 2017 and ended on June 30, 2018.

TIPS Historical Quick Facts:

	June 30, 2015	
Number of Accounts	Contribution Amount (at least)	Amount of Matching Funds (at least)
11	\$25	\$100
9	\$50	\$200
3	\$100	\$400
<u>141</u>	\$125	\$500
164		

	June 30, 2016	
Number of Accounts	Contribution Amount (at least)	Amount of Matching Funds (at least)
0	\$25	\$100
4	\$50	\$200
0	\$100	\$400
<u>244</u>	\$125	\$500
248		

	June 30, 2017	
Number of Accounts	Contribution Amount (at least)	Amount of Matching Funds (at least)
9	\$0	\$0
5	\$25	\$100
4	\$50	\$200
0	\$100	\$400
<u>326</u>	\$125	\$500
344		

	June 30, 2018	
Number of Accounts	Contribution Amount (at least)	Amount of Matching Funds (at least)
4	\$0	\$0
4	\$25	\$100
14	\$50	\$200
12	\$100	\$400
<u>189</u>	\$125	\$500
223		

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Number of TIPS applicants	94	173	153	96
Number of TNStars accounts	164	248	344	223
Average household size	3.76	4.02	4.09	3.98
Average household income	\$33,196	\$39,652	\$41,640	\$40,435
Average contribution (per account)	\$345	\$857	\$682	\$459
Total contributions	\$56,644	\$212,612	\$234,545	\$102,279
Total match amount	\$74,100	\$122,600	\$165,040	\$103,500

There have been 978 TIPS enrollees since inception in 2014 with contributions of \$606,080 and matches totaling \$465,240.

#### **FY 2018-2019 Qualifying Period Recommendation**

Since inception of the TIPS program, \$465,240 has been transferred from the SMOB program to the college savings program. There are sufficient funds remaining in the SMOB program to be transferred to college savings to establish another Qualifying Period. Rule 1700-05-03-.01(t) of the Official Rules and Regulations of the State of Tennessee provides that the Qualifying Period is the time period set by the Board each year during which a Purchaser must meet the conditions in the rules to be eligible for a TIPS matching grant incentive program contribution. It is recommended that the Board adopt the following:

- Qualifying Period for TIPS to begin on August 1, 2018 and end on June 30, 2019;
- 2017 and 2018 federal tax returns be used for purpose of establishing income eligibility for TIPS applicants;
- and that 250% of the Federal Poverty Guidelines be used as the threshold for income eligibility.

Persons in Household	2018 250% Poverty Guidelines (Annual)
1	\$30,150
2	\$40,600
3	\$51,050
4	\$61,500
5	\$71,950
6	\$82,400
7	\$92,850
8	\$103,300

Add \$4,180 for each person over 8