

Approved: \_\_\_\_\_  
Date

2/4/99

MINUTES OF THE SENATE EDUCATION COMMITTEE.

The meeting was called to order by Chairperson Senator Barbara Lawrence at 9:00 a.m. on January 27, 1999 in Room 313-S of the Capitol.

All members were present except:

Committee staff present:     Avis Swartzman - Revisor  
                                  Ben Barrett - Legislative Research  
                                  Carolyn Rampey - Legislative Research  
                                  Jackie Breymeyer - Committee Secretary

Conferees appearing before the committee: Tim Shallenburger, State Treasurer

Others attending:     (See Guest List)

House Chairman Tanner introduced State Treasurer Tim Shallenburger, who was present to present the recommendations of the Kansas College Savings Plan Task Force. Two attachments were distributed to the joint committees. The first attachment was entitled "College Savings Plan Network - Special Report on State College Savings Plans 1998" (Attachment 1) and the second attachment was entitled "Report of the Kansas College Savings Plan Task Force To The House and Senate Education Committees" (Attachment 2).

Treasurer Shallenburger stated that this was his first appearance before a committee in his capacity as State Treasurer. He stated that as far as the Kansas Legislature is concerned, college savings plans and prepaid tuition was first discussed by the LEPC in 1997. The LEPC recommended that a look be taken at it in 1998 and **SB 402** was introduced. The bill passed which directed the State Treasurer to conduct a feasibility study implementing a college savings plan in Kansas. The State Treasurer was directed to appear before the Joint House and Senate Education committees in 1999 to give its report. The task force, appointed by former State Treasurer Clyde Graeber, was composed of representatives of public and private higher education. Treasurer Shallenburger stated that to his knowledge no bill has yet been drafted.

Treasurer Shallenburger stated that the Task force report noted that the key to any successful college savings plan would be making full use of the federal tax code to achieve the most favorable tax treatment for the plan beneficiaries. The federal requirements for a qualified college savings plan were listed in the attachment. The Legislative budget Committee also recommended that the savings plan should be applicable to any post-secondary institution in or outside Kansas that meets federal student aid eligibility guidelines; the savings plan should be exempt from federal and Kansas taxes; and the State Treasurer's office should be authorized to receive, administer, invest, disperse and dispose of funds credited to higher education savings accounts.

Rather than read from testimony, Treasurer Shallenburger stated that he would rather say in his own words how he thinks the college savings plan would operate. Any child under the age of 18, at any age can have a plan established for him/her. Payments would be made into the plan by a variety of means. An account would be established. A set amount would be put in the account; a coupon book could be used; it could be by electronic transfer or payroll deduction. This money goes into a separate account. The plan cannot be directed by the beneficiary or depositor. An annual statement would be provided showing how much the account had earned. The money can be invested in a variety of ways. The account grows. There should be a penalty for withdrawal. He thinks the state should not want to allow withdrawal for hardship cases. When the child becomes 18, the money could be used at that time. It can be any type of public/private institution. Fees paid can include room and board, as well as tuition. When the money is paid out, the benefits then becomes taxable. The federal government has allowed for a lower tax rate for the beneficiary. If the child decides not to go to college, the account is left on the books for a certain number of years. After that time it becomes the obligation of the beneficiary or family to request the money. If the child would get a full scholarship to a college or university, the account could be transferred to a brother or sister.

## CONTINUATION SHEET

MINUTES OF THE SENATE EDUCATION, Room 313-S Statehouse, at 9:00 a.m. on January 27, 1999.

An account could have any number of contributors who could take advantage of the tax deduction.

Treasurer Shallenburger thinks this is a good idea. Forty states now participate with some type of college savings plan or prepaid tuition plan. Eight states, including Kansas, are looking at this.

The State Treasurer introduced Peggy Hanna, Assistant State Treasurer, and then stated he was open for any questions the joint committees might have.

Treasurer Shallenburger was asked if proprietary schools would be included in this plan. His response was that he thinks the money should go to any college or institution that the federal government would allow. He thinks that an entity such as DeVry or other entities would be allowed.

He was asked about the caps on the money. He replied that most states have annual caps and a maximum; somewhere between \$2,000 and \$10,000. Some caps are higher in the northeast.

Treasurer Shallenburger was questioned why he didn't recommend hardship cases. His response was that in case of death the money would definitely go back to the family; both money and earned interest. Most states if it is just a hardship will return the money minus a fee.

Treasurer Shallenburger also stated in response to a question that it would be the beneficiary's decision on how to spend the money and not a contributor to the account that would like to see the money dispersed over a period of time. If the beneficiary so desired, the entire amount could be taken in one year. He went into detail of how the account monies would be handled by the treasurer's office. He also stated that he thinks it should be a closed enrollment period so there would be incentive to get it done. One of the states has an open enrollment period of one year at birth. An open enrollment from August through December would catch other students.

The cost of administering the program was discussed. There will have to be up-front money to get it started; probably in the area of a half-million dollars.

The comment was also made that federal law specifies that the money be put in a bank. If it would go to another investment entity it would require some type of legislation. It would require that it be written into the law to open up the treasurer's office in order to do this. Federal law does not specify that the treasurer's office can do it.

Treasurer Shallenburger stated that it is estimated that at the inception of the program approximately 1% of the people over the first four years will participate. He referred to the fiscal note.

After further comments, Chairman Tanner called on Senator Oleen, who offered the suggestion of some type of working group that could work with the treasurer's office to bring forward some type of plan.

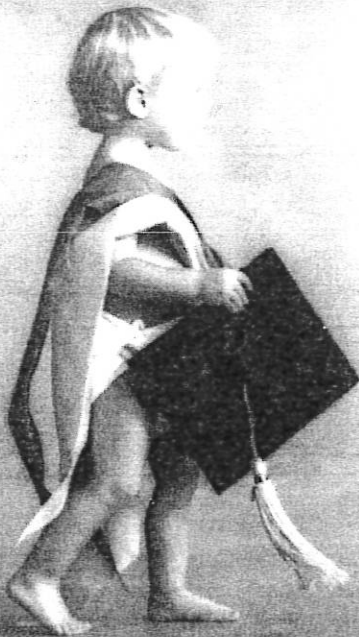
Chairman Tanner responded by stating that with college costs escalating as they are and will, it is an idea whose time has come. He said he will confer with the Senate Chairperson and will either accept volunteers or will appoint members to a group.

The Senate Education Committee adjourned.



# College Savings Plans Network

## Special Report on State College Savings Plans 1998



A Network of the  
National Association of  
State Treasurers

*Senate Education  
Attachment 1  
1-27-99*



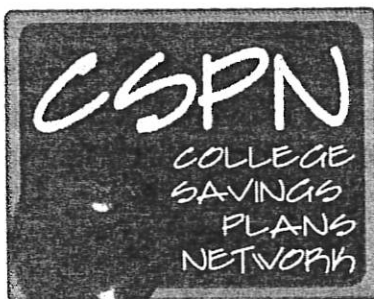
## About CSPN

In 1991, the College Savings Plans Network (CSPN) formed as an affiliate to the National Association of State Treasurers. Intended to make higher education more attainable, the Network serves as a clearinghouse for information among existing college savings programs. Additionally, CSPN monitors federal activities and promotes legislation that will positively affect state programs.

CSPN is a networking conduit for professional staff from across the nation to share innovations and experiences. Membership in the Network is open to all officials and senior staff in the executive, legislative and administrative branches of state government with responsibilities in the college savings area. Private sector membership is available, as well. Members of the Network meet annually to network with counterparts from other states, review technical aspects of the different program types, and examine federal activities relating to college savings plans. In addition, a Management Training Institute is available annually for program staff to provide training for program operations.

The phenomenal expansion in the number of programs and the interest in college savings plans has brought incredible growth to the College Savings Plans Network. Participation in Network events and forums has continued to develop as the Network works to enrich the communication between its members and the public.

For more info, visit the web page at [www.collegesavings.org](http://www.collegesavings.org) or call 1-877-CSPN4YOU.



## About NAST

The National Association of State Treasurers (NAST), founded in 1976, is a professional, nonpartisan organization that provides a forum for the exchange of information and significant developments in state finance. Membership is composed of all state treasurers, or state finance officials with comparable responsibilities, from the United States, its commonwealths, territories, and the District of Columbia. The private sector is represented through the Corporate Affiliate program, started in 1986.

The National Association of State Treasurers, an organization of state financial leaders, encourages the highest ethical standards, promotes education and the exchange of ideas, builds professional relationships, develops standards of excellence and influences public policy for the benefit of the citizens of the states.

For more info, visit the web page at [www.nast.net](http://www.nast.net) or call 606-244-8175.



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During the Summer of 1998, data was collected from mailed questionnaires, previous publications, and telephone interviews conducted by NAST/CSPN staff.

The greatest financial worry of most American families used to be "Will I have enough to live on after retirement?" Some public opinion polls now indicate that this has changed. The new greatest area of financial concern is "How will I be able to afford a college education for my children?"

Many middle-income parents relied on the traditional forms of student financial aid – scholarships, grants, work-study, and subsidized loans – to pay for their own higher education. Now they wonder if those options will be enough (or even be available) for their children in the future. Middle-class assistance programs are clearly on the endangered list, as the past over-dependence on financial aid has caused the total annual costs of federal financial aid programs (originally designed and targeted to assist low-income families) to spiral upward at rates that cannot be indefinitely sustained. Major changes in financial aid programs will occur: it is just a matter of how soon.

The most logical answer to these questions and concerns is to encourage family savings for the costs of college education. In response to this problem, many state governments have created innovative college savings programs designed to meet the savings needs of their citizens. Across the nation, college savings trusts, prepaid tuition plans and

college savings bond programs are effectively and efficiently run by state governments. These programs seek to make the savings option easier for the average family. They represent positive, productive and affordable options that can ensure the education of our most precious resources: the children of America. State sponsored savings plans promote:

-  Planning for education expenses instead of wishful thinking about financial aid;
-  Saving for education expenses instead of relying on debt;
-  Reliance on family resources instead of total reliance on government aid programs; and
-  State-level planning designed to meet the differing needs in each state instead of a "one size fits all" national approach.

Some may ask if this is an appropriate role for state governments. The simple answer to that question is that encouraging savings for college costs promotes the legitimate public policy goal of increasing access to higher education. This ensures an educated citizenry and, it increases economic growth opportunities for all.

Organized in 1991 as a states-sponsored affiliate to the National Association of State Treasurers,

the College Savings Plans Network (CSPN) works to champion ways to encourage families to save ahead for college. CSPN promotes the sharing of information among existing state programs, provides information to states interested in starting new college savings programs, and monitors federal activities and legislation affecting the state programs. We are proud of the 1996 and 1997 recognition our efforts received as the benefits of state savings plans were recognized by federal law.

CSPN believes that more and more responsibility will fall on the families of our nation to pay for college costs. The American people want the opportunity to replace debt with savings and the states are stepping up to that challenge.

The document in your hands is CSPN's third annual "Special Report on State College Savings Plan." This report is designed to document the phenomenal growth in state college savings plans, and to provide information about the association serving the state college savings plans. We invite your careful attention the savings options presented herein. Feel free to contact your home state's plan or the network office for more information on these savings opportunities.

*Marshall Bennett*  
Chairman  
College Savings Plans Network  
State Treasurer of Mississippi

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*Programs represent . . . positive, productive and affordable options that can ensure the education of our most precious resources: the children of America.*

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# State of the Programs

*The new education IRA has gotten all the press. But state by state, a better savings opportunity is quietly emerging for parents or grandparents saving for a youngster's future college expenses.*

"A Winning Way to Save for College," *Kiplinger's Personal Finance Magazine*. Stephanie Gallagher. May, 1998

*Over 75% of parents with children who currently or recently attended college would advise a friend with a newborn to start a college savings program immediately.*

The Reality of College Financing, 1998.  
Mosaic Mutual Funds

**L**ast year, great-grandfather and Denver attorney Leonard Campbell and his wife Dot Jo decided to purchase a contract in the Colorado Prepaid Tuition Fund for their great-granddaughter, Kelsi Jo Nusbaum, who was 11 months old. Believing that "a little now means a lot later," Leonard Campbell became the first purchaser of a contract in the fund.

### *What motivated the Campbells?*

*"I was attracted to the Fund because we can invest for her no matter where she lives, and she can use the investment to attend a private or public college anywhere in the country," said Campbell. "The investment can be used toward payment of tuition, fees, books and supplies, and room and board."*

*"I was also attracted to the Fund because of the tax benefits," he said. "The fact that taxes are deferred until Kelsi Jo uses the investment for college, and then paid at the student's rate, is definitely a plus."*

*"Being able to offer our great-granddaughter this opportunity gives us a great deal of pleasure," said Campbell. "By investing in the Fund, we can be certain that Kelsi Jo will have a better chance of affording college."*

Why do states have an interest in providing greater access to higher education? It is in the state's best interest to have a well educated population because education translates into better jobs. According to the National Bureau of Economic Research, economists estimate that, all things remaining

constant, each year of schooling produces an annual increase in earnings by 5 to 11 percent. Higher skilled jobs bring better wages and increased tax revenues. In short, the people of a state are its greatest resource. Educating and planning for the future increases the value of that resource.

The cost of college tuition rose nationally by 234 percent during the period from 1980-1995; at the same time, median household income rose by 82 percent while the cost of consumer goods rose by 74 percent, according to U.S. General Accounting Office. States entered the college savings arena to help families overcome the obstacles of tuition increases and decreasing federal aid. Mosaic Mutual Funds reported almost half of American families go into debt to cover college costs. More than 72 percent of families using student loans show some level of concern over this incurred debt. This, compounded by the fact that parents do not ordinarily have sufficient savings to help students attend college, resulted in a massive rise in debt-ridden graduates.

Non-profit state college savings programs encourage families to consider future costs of providing a college education. They are secure and affordable ways to budget early for future college expenses. These plans provide an attractive investment vehicle with significant tax advantages for parents looking to get an early start on their children's future.

States involvement in these types of programs began in late 1980s with Alabama, Florida, Michigan, Ohio, and Wyoming establishing prepaid tuition programs and,

1-5



Kentucky implementing a savings plan trust. Each plan varies by state because each state's citizens have different needs and expectations. In a federal system, states have the self-determination to make choices that best fit the needs of its constituents.

Prepaid tuition plans guarantee an account's future ability to cover the cost of college tuition. Savings plan trusts, however, act more like traditional and popular savings vehicles. They have a broad range of earning potential that can be used to pay for future college expenses like tuition, room and board, and other fees. Predating either of these types of programs, however, is the college savings bond program. These programs issue bonds that can be purchased and redeemed to pay for college expenses.

When the Michigan Education Trust's (MET) prepaid tuition program debuted, the plan assumed program operations would be entitled to both federal and state tax-exemption. In 1988, however, the Internal Revenue

Service ruled that MET's program was not deemed to be an essential function of state government, consequently the program was not given tax-exempt status. MET contested the IRS's ruling in court for many years, and in November 1994, the Sixth Circuit Court of Appeals reversed the ruling of the IRS.

With this reversal, the IRS changed its stance regarding prepaid tuition programs. The agency proposed classifying prepaid contracts as a form of contingent debt instruments and proposed that participants pay annual taxes on the "phantom" income earned by the prepaid accounts. States operating college savings plans were very concerned by this proposed change, because participants would then have to file annual tax reports for beneficiaries. Although taxes would probably not be owed, mandated paperwork would have been a disincentive for savings.

Working closely with the College Savings Plans Network and the National Association of State

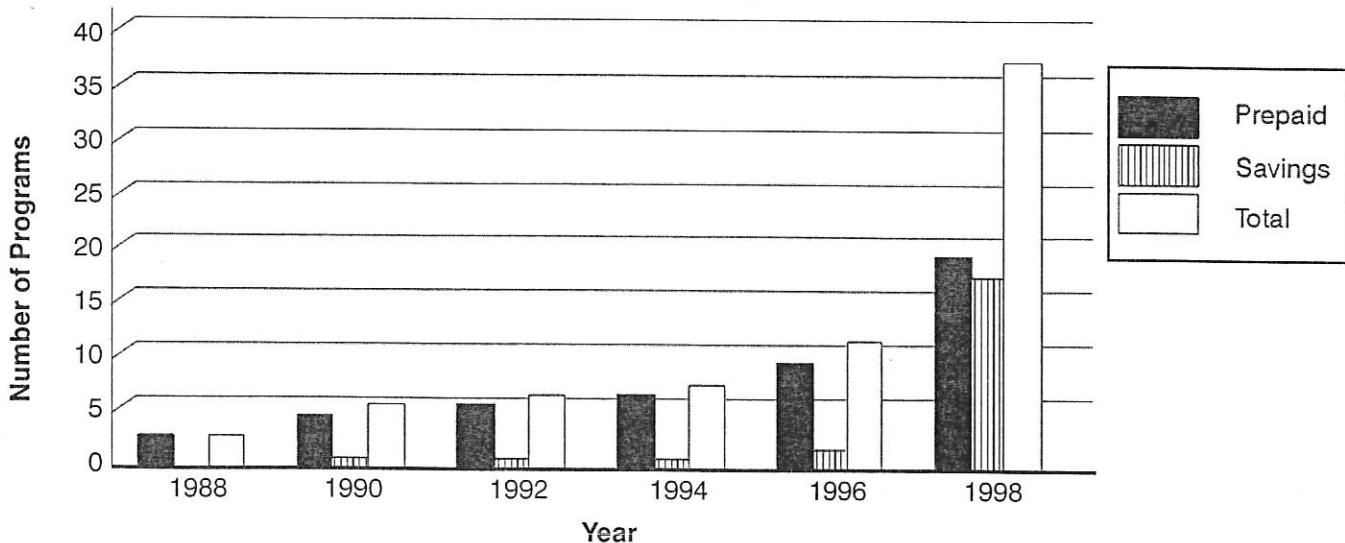
*"It is unrealistic to assume that the government can afford to provide federal assistance for everyone. However, at a modest cost, we can help families help themselves by rewarding savings. This reduces the cost of education and will not unnecessarily burden future generations with thousands of dollars in loans."*

Honorable Mitch McConnell, U.S. Senator, Kentucky,  
Introduction of the College Savings Act of 1997,  
April 16, 1997

*"Prepaid tuition programs nationwide are giving hundreds of thousands of young people a chance at a college education... We need to give families permanent assurance that educational security is not going to be derailed by the Internal Revenue Service."*

Honorable Bob Graham, U.S. Senator, Florida,  
Introduction of the College Savings Act of 1997,  
April 16, 1997

Growth of College Savings Program: 1988-1998



# State of the Programs

*"The best potential deals for parents or grandparents are prepaid tuition plans."*

*"State savings plans are unglamorous-but attractive."*

*"...with the Dow stumbling ...these unsexy accounts look pretty comforting right now."*

*"Grandparents should look into the plans' generous treatment of gift and estate taxes."*

"Give it the New College Try," *Newsweek*,  
September 7, 1998

Treasurers, the 104th Congress of the United States stopped the IRS proposal by passing the Small Business Job Protection Act of 1996. The bill, signed into law (P.L. 104-188) on August 20, 1996, included a section that defined the federal tax treatment of qualified state tuition programs. It outlines qualifications required to establish tax-exempt status of the agency which administers the programs, the tax-deferred status of the earnings until the time of distribution, and the policies and procedures related to the refund of the account if the beneficiary dies before distribution of the funds. Under the Act, earnings from the plans will not be included in the gross income of either the beneficiary or the contributor until disbursement; at that time, disbursed funds were decided to be taxed at the beneficiary's rate.

Spurred by favorable federal tax treatment contained within the Small Business Job Protection Act of 1996, more states entered into the arena to provide their citizens with innovative college savings programs. In 1997, Congress further clarified the federal

language and expanded qualified expenses to include room and board, and additional fees. Changes in the treatment of state college savings plans opened the door for more states to provide increased access to higher education.

This legislation removed some federal roadblocks by allowing more average Americans to save for their children's education and begin to reduce the growing debt burden from student loans.

In 1998, the effort to achieve full tax-exemption for these valuable programs continues. It is essential that all levels of government recognize the negative message sent by penalizing families that earnestly save for their children's education. Similarly, work continues on changes in financial aid calculators that punish diligence rather providing assistance to all families who dream of sending their children on to higher education. The College Savings Plans Network actively works to make such changes a reality. ☺



**Prepaid tuition** features vary from state to state. Essentially, parents, grandparents, and other interested parties may lock in today's tuition rates and guarantee that the beneficiary will receive a college education in the future. The program guarantees college tuition at any of the state's participating colleges or universities (or an equal payment minus fees to private and out-of-state institutions), in exchange for early tuition purchase of either full tuition coverage or units of future tuition costs. Units may be purchased through a one-time lump sum purchase or monthly installment payments. The prepayment of tuition creates a state trust that pools the money and makes long range investments so that the earnings meet or exceed the inflationary rise of college tuition. A child's future choices may not include a college education, but the money saved in these accounts may often be transferred to other family members for their qualified higher education expenses.



**Savings plan trusts** allow participants to save money in a special college savings account. People can save as much or as little as they like on behalf of a designated beneficiary's qualified higher education expenses. A parent or other contributor may vary the participation in the program depending on their individual savings goals, and deposits may be as low as \$25. The programs generally guarantee a minimum rate of return. Also, favorable tax treatment is available in the form of some exemptions at the state level and deferment at the national level. Savings plans are portable. They allow a participant to use the funds at any qualified institution of higher learning throughout the United States. Savings trusts have differing degrees of transferability; but, many allow monies saved in accounts to be transferred to other family members for qualified higher education expenses.



**State college savings bond programs** sell general obligation, zero-coupon and municipal bonds to participants who wish to save for their children's college education. Bonds are often sold at a discount and use compounded interest over the life of the bond to help offset the rising cost of college. Although bonds do not guarantee to keep pace with tuition increases, proceeds may be used to pay any expense a student incurs during college. They represent the building blocks for today's prepaid and savings trust programs.



## Alabama

### *Prepaid Affordable College Tuition*

PACT, Alabama's Prepaid Affordable College Tuition plan was created by the Alabama Legislature in 1989 and began operation on March 21, 1990. Over 60,000 contracts have been purchased, and the Trust Fund now exceeds \$470 million. Currently, 6,274 students are eligible to receive benefits. Payment of benefits began in 1994, with approximately \$11 million paid out in benefits to date. The plan, which allows parents, grandparents, or others to prepay college tuition, is administered by the Office of the State Treasurer of Alabama, with the guidance of a 10-member board. Contract purchasers are offered three payment options: lump sum, monthly payments over five years, or monthly payments until the beneficiary graduates from high school. Contracts provide payment of 135 semester hours and mandatory fees for eight semester registrations or the equivalent at any public Alabama institution. The plan also provides for payment of the weighted-average tuition and mandatory fees of the four-year Alabama public schools to out-of-state or private institutions.

## Alaska

### *University of Alaska Advance College Tuition (ACT) Payment Plan*

This prepaid tuition program is administered by the University of Alaska (UA), Alaska's only state university. The legislation that

started the program was passed in 1991. Participants purchase ACT credits (units equal to one credit hour of tuition) at the current UA rate for future use. If the credits are redeemed at UA, each ACT Credit is equal to one credit of undergraduate tuition even if the initial purchase price plus earnings does not equal the increase in tuition. If the student attends an institution other than UA or redeems credits for educational purposes other than tuition, ACT Credits are redeemed for the initial purchase price plus earnings. A contract may be canceled at any time. There are currently 9,126 children represented by tuition contracts.

## Arizona

### *Arizona Family College Savings Program*

In 1997, Arizona established the Arizona Family College Savings Program (AFCSP), administered by the Arizona Commission for Postsecondary Education, to offer Arizona citizens and appealing process to begin saving for post-high school education and training opportunities. The AFCSP offers no limit on who qualifies, and the flexibility to use the money at any accredited college/university or vocational school in the nation. Earnings are free from state tax and, any relative of a prospective student is allowed to contribute. Arizona partners with multiple private investment firms who offer multiple investment options. The launch date for full implementation of AFCSP is August/September 1998.

## California

### *Golden State Scholarshare Trust College Savings Program*

The Golden State Scholarshare Trust Act was passed by California's legislature in 1997 and became effective on January 1, 1998. Through Scholarshare, families will be able to invest in their children's college education at modest levels over a number of years from birth until the time of college enrollment. Contributions to the trust will be pooled together in the California savings plan and invested by experienced professionals selecting diversified investments in order to maximize earnings while reducing long term risk. Allowable investments are determined by an investment board which is chaired by the State Treasurer. Interest earnings disbursed from the fund will be added to the beneficiary's gross income during college and will be taxed at the beneficiary's, rather than the contributor's income level. It is anticipated that the program will be open for contributions beginning in the last quarter of 1998.

## Colorado

### *Colorado Prepaid Tuition Fund*

The Colorado Prepaid Tuition Fund was established by the Colorado General Assembly in its 1996 legislative session to provide families with a new opportunity to invest toward future college education expenses. The Fund is administered by the Colorado Student Obligation Bond Authority. The Fund may be used throughout the U.S at public and private colleges and universities, as well as vocational schools.



Contract prices and payout are based on average resident undergraduate tuition at Colorado's four-year public colleges and universities and state community colleges. Contracts may be purchased in a lump sum, in monthly installments or in a combination. During the 1997 enrollment period, over \$60 million was committed to the Fund through more than 7,000 contracts. The 1998 enrollment period is from October 5 to December 8; however, newborns can enroll at any time of the year.

## Connecticut

### *CHET: Connecticut Higher Education Trust*

CHET is a state-sponsored savings program unanimously passed by the General Assembly and signed into law in July 1997. CHET is a trust, available for families to save and invest for higher education expenses, that is privately managed under the supervision of the State Treasurer. Participants' contributions are invested in stocks and bonds using asset allocation models designed to maximize returns while minimizing risk. While money is invested in CHET, earnings are tax deferred. When the child is ready to attend college or graduate school, amounts can be withdrawn to pay for any qualified higher education expense at either in-state or out-of-state, public or private institutions of higher education. Upon distribution, earnings are federally taxed at the beneficiary's rate and free from Connecticut state taxes. There are no income limits and the contribution limit is \$150,000 over the life of the account. The enrollment period is

continuous. Contributions and earnings may continue to be used for the payment of higher education expenses until they are either fully exhausted, transferred to another beneficiary, or refunded to the participant (with penalty). Within the first six months, more than 2,300 beneficiaries enrolled. The program now has over \$9 million in assets.

## Delaware

### *Delaware College Investment Plan*

Legislation establishing the Plan was passed in 1997, and the program was launched July 13, 1998. This savings plan, open to residents of any state, is designed to remove barriers to saving with flexible rules, low fees, and a \$50/month minimum investment. Benefits may be used at any accredited college or school in the U.S. The program contracts with a private partner for investment management and records administration. Neither the State of Delaware nor its private partner guarantees a specific rate of return or guarantees against loss of principal.

## Florida

### *Florida Prepaid College Program*

For 10 years now, the Florida Prepaid College Program has provided an affordable way for Florida families to plan and save for college. The program locks in the costs of tuition and dormitory housing at today's rates with a guarantee to cover the cost when the child is ready to enroll in college. The benefits can be used at any Florida university or community college, and the value

of benefits transfers to most out-of-state and private in-state colleges. Payments can be made in a lump sum, monthly or over five years. It allows customers to request a refund at any time. Florida's program is the oldest continuously operating prepaid plan in the country and the largest - having sold more contracts than all other states combined. To date, the Florida program has sold 468,000 contracts serving 375,000 children. Assets now exceed \$2 billion. In fall 1998, the Florida Prepaid College Program hopes to introduce a new prepaid plan covering other college fees known as "local fees."

## Georgia

### *Helping Outstanding Pupils Educationally (HOPE) Scholarship Program*

Governor Zell Miller founded Georgia's HOPE Scholarship Program in September 1993. The Governor, a former college professor, created the program to increase academic achievement, keep Georgia's best and brightest students in Georgia, and expand educational opportunities beyond high school to all Georgians. HOPE is Georgia's unique scholarship program that rewards students' hard work with financial assistance in degree, diploma, and certificate programs at any eligible Georgia public or private college, university, or public technical institute. Awards are based on attaining a qualifying grade point average while attending high school. Funded by the Georgia Lottery for Education, the program has, since its inception in 1993, contributed to over 315,000 Georgians who have received over \$570,000,000 in benefits.

## Illinois

### *Illinois Prepaid Tuition Plan*

The Illinois General Assembly, in November 1997, established the Illinois Prepaid Tuition Plan (College Illinois!) to be administered by the Illinois Student Assistance Commission, a state agency responsible for student financial aid. College Illinois! enables citizens to prepay tuition and mandatory fees for their family members by locking-in tomorrow's tuition and fees at today's prices through a lump sum payment, five-year installments, or, in the case of a four-year contract, ten year installments. College Illinois! offers a Public University Plan and a Community College Plan with contracts for as little as one semester or as much as nine semesters. Plans are transferable to other members of the immediate family, and may be used for private or out-of-state institutions with the exception that full tuition and fees are not guaranteed. There are no age limits for beneficiaries, and they may enroll at any semester or quarter. The first contract purchase period is planned for October 15, 1998 through January 31, 1999.

## Indiana

### *Indiana Family College Savings Plan and Save Indiana*

The 1996 Indiana General Assembly created the Indiana Education Saving Authority. It established the Indiana Family College Savings Plan to assist those families who wanted to save money for a child's post-high school education. Administered by the state treasurer's office, contributions are invested by the

Indiana Education Savings Authority in Class A shares of a privately managed assets balanced fund. With over 2,000 current accounts, more than \$5.2 million has been saved. The Indiana Education Savings Authority directs both the Indiana Family College Savings Plan and the Save Indiana Program. Save Indiana is an in-school program that combines curriculum and high technology, hands-on experience to instill in elementary age children the value and mechanics of saving money, while at the same time providing an incentive for post-secondary education. After graduation from high school, students are eligible for a flat grant which may be applied toward their tuition if they have mastered the savings ethic by participating in the Save Indiana curriculum for a required number of years; and, they must have saved a predetermined amount.

## Iowa

### *College Savings Iowa*

College Savings Iowa has been designed to help Iowa families meet the escalating costs of higher education. The program, administered by the State Treasurer, provides families with a flexible, user-friendly, affordable plan that includes valuable tax relief for participants. Parents, grandparents, and others may save for one or more child regardless of the child's state of residence. And, the beneficiary may attend any qualified institution of higher education in the United States. Joining the plan requires minimal work and no cost to enroll. Earnings follow age-based asset allocations that maximize an account's return based on a child's anticipated disbursement date.

## Kansas

The 1998 Kansas Legislature passed Senate Bill No. 402 that provides for the State Treasurer to conduct a feasibility study to develop criteria for a post secondary education savings program and to evaluate the financial soundness of such programs based on such criteria, including a study of the use of private service providers for investment, marketing and records administration of such programs. A College Savings Plan Task Force has been established and consists of representatives from Kansas Association of Community Colleges, Kansas Universities, Kansas National Education Association, Kansas Bankers Association, Department of Revenue, the Governor's Office and the State Treasurer's Office. The State Treasurer will present the finding regarding feasibility of a post secondary education savings program at a joint meeting of the education committees of the house of representatives and the senate no later than January 15, 1999.

## Kentucky

### *Kentucky Educational Savings Plan Trust*

The Kentucky Educational Savings Plan Trust, created by the Kentucky General Assembly in 1988 and administered by the Kentucky Higher Education Assistance Authority, provides families with an easy, safe, and affordable way to save for college. Earnings are free from Kentucky taxes and a four percent rate of return is guaranteed. Deposits can be as small as \$25. Savings can be

used for qualified higher education expenses at any eligible institution in the United States, and savings are excluded from the calculation of state student aid eligibility. With over 2,800 beneficiaries, over \$7 million has been saved.

## Louisiana

### "START" Saving Program

The Student Tuition Assistance and Revenue Trust Program, administered by the Louisiana Office of Student Financial Assistance, is a savings program which is intended to encourage families to save for their children's post-secondary education. Families may save at rates within their means and still have their investment professionally managed through the Office of the State Treasurer. There are no fees to reduce deposits nor state taxes on earnings and a competitive rate of interest is paid quarterly. As an additional incentive to save, state tuition assistance grants are annually credited to qualifying accounts based upon the income of the account owner and the amount deposited during the calendar year. These grants range from 4% to 14% of annual deposits and are capped at incomes of \$100,000 or more. The program was implemented in July 1997. Savings may be used to pay the qualified higher education expenses at any accredited college or university in our out-of-state, or at a Louisiana technical institute or licensed proprietary school. Qualified expenses include tuition and fees, room, board, books and supplies. Interest paid on deposits and grants has exceeded 6% since inception.

## Maryland

### Maryland Prepaid College Trust

In 1997, the Maryland General Assembly established the Maryland Higher Education Investment Program. The prepaid tuition program allows citizens to buy a contract that is intended to pay for a college education in the future. The programs' three tuition plans are the University, Two-Plus-Two and Community College; prices are based in part on public in-state colleges but, the benefits can be used at any accredited college in the country that offers an undergraduate degree. Although Maryland public college tuition and mandatory fee costs vary in price, the Program intends to pay the tuition and mandatory fees of an in-state, public college, regardless of the cost. If the beneficiary attends an out-of-state and/or private college, the Program will pay the weighted average tuition of the Maryland public colleges. Either the beneficiary or the purchaser must be a current resident of the State and the beneficiary cannot be currently enrolled in the tenth grade or beyond. The Program held its first enrollment period in 1998.

## Massachusetts

### The U-Plan: The Massachusetts College Saving Program

The U-Plan, which began operation in 1995, is administered by the Massachusetts Educational Financing Authority, a not-for-profit state authority created by the State Legislature. Participants purchase general obligation bonds issued and guaranteed by the

Commonwealth. The variable-rate bonds are tied to the consumer price index (CPI) with principal plus interest payable at maturity. With a minimum purchase of \$300 per maturity year, investors specify the maturity year of the bonds based on the years of anticipated college attendance of the child. Eighty-three public and private universities in Massachusetts guarantee investors a percentage of tuition and mandatory fees at maturity based on the purchase amount invested, divided by that same years tuition and fees at each college. If the bond is not used for college tuition, the investor receives the original investment plus interest compounded annually at CPI. After four years of enrollment over 42,000 accounts were opened and \$82 million in bonds purchased.

## Michigan

### Michigan Education Trust

The Michigan Education Trust (MET) is a tuition savings program that is administered by a board on which the Treasurer of Michigan sits as the chairperson. It allows the pre-purchase of undergraduate tuition for a child residing in Michigan, at any Michigan public university or college. MET also provides benefits, if a student chooses to attend a Michigan independent college or university, though it does not cover full tuition. Three savings choices are offered: a full benefits plan, a limited benefits plan and a community college plan. The MET program held its first enrollment period in 1988. Approximately 58,020 contracts have been accepted. About 400 students are currently using their



MET benefits in Michigan and out-of-state universities. MET contract purchasers can deduct the total contract price from their gross income on their Michigan incomes taxes in the year the contract is purchased. Purchasers are not currently subject to any state or federal income tax on MET's interest earnings, however, purchasers who receive refunds will be required to pay taxes on the increase in value of the contract in the year of receipt. MET is planning a 1998 enrollment period for Winter 1998.

## Mississippi

### *Mississippi Prepaid Affordable College Tuition Program*

The Mississippi Legislature established the Mississippi Prepaid Affordable College Tuition Plan (MPACT), administered by the Office of the State Treasurer, in 1996. This legislation established a plan for citizens to prepay college tuition costs for their children and grandchildren. Purchasers lock in a price today for tomorrow's tuition costs and pay either through one lump-sum payment, monthly payments over a variety of terms or a down payment followed by monthly payments. MPACT offers plans for senior college/university, junior/community college and junior college plus senior college, up to a maximum of four years of tuition and mandatory fees at any public institution in Mississippi. If a beneficiary attends private college or goes out-of-state, MPACT pays that school an amount up to what would have been paid to a public school in Mississippi. MPACT benefits are transferable to other children in the

immediate family. The MPACT Program is backed by the full faith and credit of the state.

## Nevada

### *Nevada Prepaid Tuition Program*

The Nevada Legislature established the Nevada Prepaid College Tuition Savings Program, to be administered by the State Treasurer's Office, in 1997. This legislation established a plan for citizens to prepay their children's college tuition costs without worrying about future tuition inflation. Purchasers lock in a price today for tomorrow's tuition costs and pay either one lump sum payment, extended monthly payments or on a five year plan. The Program offers plans for four years of tuition at a Nevada public university, two years at a Nevada Community College or a combination plan of two years of community college and two years of tuition at a public university. If a beneficiary chooses to attend an out of state or a private institution, the program will pay that school an amount up to what would have been paid to a public school in Nevada. The enabling statute states that the board will develop this program for the prepayment of tuition at a guaranteed rate which is established based on annual actuarial studies.

## New Hampshire

### *New Hampshire Education Savings Plan: Unique College Investing Plan*

The New Hampshire General Court established the New Hampshire Higher Education Savings Plan, administered by the

Office of the State Treasurer, in 1997. Known as The Unique College Investing Plan, the plan began accepting contributions on July 1, 1998. Participants and beneficiaries need not be New Hampshire residents, nor must the proceeds be used only at a New Hampshire institution. Benefits may be transferred to any eligible beneficiary and used at any qualified institution. Earnings in the plan are exempt from the New Hampshire Interest and Dividends tax. Contributions are invested in a portfolio of mutual funds managed by a private partner; the asset allocation of the portfolios changes to a less aggressive composition as the beneficiary approaches college age. Contributions made electronically may be made in amounts as small as \$50 per month. There are no maximum age or income limits for either participants or beneficiaries. The maximum amount which may be contributed will be adjusted yearly based on an average of the cost of Dartmouth College and the University of New Hampshire. For 1998, the maximum is \$100,311. The Unique Plan is not guaranteed by the State of New Hampshire.

## New Jersey

### *New Jersey Better Educational Savings Trust (NJBEST)*

NJBEST was enacted in September 1997 to help New Jersey families save for the future costs of higher education. The Program is administered by the New Jersey Higher Education Assistance Authority. Earnings are state tax-exempt when savings are used for higher education. These savings can be used at higher education institutions in



New Jersey or outside the state, although a beneficiary is eligible for a \$500 NJBEST scholarship if the child attends an institution of higher education in New Jersey and meets other criteria. \$25,000 in savings is excluded from state need-based financial aid consideration.

## New York

### *New York State College Choice Tuition Savings Program*

The New York Legislature enacted the New York State College Choice Tuition Savings Program in 1997. The Office of the State Comptroller and the Higher Education Services Corporation (a New York State agency) were assigned joint responsibility for implementing the College Savings Program. The Comptroller has sole responsibility for oversight of the investment of program funds by the program manager. The Program was designed to provide flexibility to participants: funds can be used for qualified higher education expenses (including room and board) at any accredited higher education institution in the world and there are no residence, income or age limits for participation. The Program provides a \$5,000 annual exclusion from New York taxable income for deposits and exempts qualified withdrawals (including investment earnings) from State income taxes. There is a lifetime limit of \$100,000 in contributions for each beneficiary. Account contributions will not be considered in the calculation of aid under New York State financial programs.

## North Carolina

### *College Vision Fund*

The 1996 North Carolina General Assembly authorized the creation of a parental savings trust fund for higher education expenses for citizens of North Carolina concerned with financing college. The College Vision Fund (CVF) is a combination savings and loan vehicle through which parents and grandparents can make contributions by monthly drafts, payroll deduction, or lump sums. Earnings accumulate free of state tax and are federally taxable to the beneficiary at the time of withdrawal. CVF is designed to enable parents to pay for college over a long period of time, first by saving, the obtaining loan funds, if needed. CVF payments occur over a minimum of eight years and a maximum of approximately 40 years, depending on the age of the child when contributions begin, making the monthly payments affordable for many families. The College Vision Fund is administered by College Foundation Inc. on behalf of the North Carolina State Education Assistance Authority, and funds are invested by the State Treasurer's Office.

## Ohio

### *Ohio Prepaid Tuition Program*

The Ohio General Assembly created the Ohio Prepaid Tuition Program, administered by the Ohio Tuition Trust Authority, in 1989. To enroll, either the purchaser or the designated beneficiary must be an Ohio resident. The program sells affordable "tuition units." Each tuition unit represents 1 percent of one year of future

tuition and fees at an average-priced Ohio public four-year university. It takes 400 tuition units to prepay all four years of tuition at an average-priced four-year Ohio public university; 1,400 are needed for four years of tuition at an average-priced Ohio private university. Pricing and payout values are based on the weighted average tuition of the 134 Ohio public universities, but tuition units can be used at any accredited college in the country. The program is backed by the full faith and credit of the state of Ohio, and units can be used to pay for any qualified higher education expense, including room and board costs. Participants can choose to purchase tuition units three ways: at any time at the full tuition unit price (\$43 in 1998); monthly through an autopayment plan (\$41/unit in 1998); or in volume at substantially discounted prices during special promotion periods. The Ohio Prepaid Tuition Program currently has over 69,000 children enrolled, with assets of \$345 million.

## Oklahoma

### *Oklahoma College Savings Plan*

The Oklahoma Legislature established the Oklahoma College Savings Plan, administered by the Oklahoma College Savings Plan Board of Trustees and chaired by the State Treasurer, in 1998. This legislation established a plan for tax-deferred savings for post-secondary educational expenses of designated beneficiaries. State and federal taxes on earnings are deferred until used and are then assessed at the rate of the beneficiary. Plan parameters have yet to be established by the Board of Trustees.

## Pennsylvania

### *Pennsylvania Tuition Account Program*

In 1992, the Legislature established the Pennsylvania Tuition Account Program (TAP), administered by the Office of the State Treasurer, to provide a mechanism to assure wide and affordable access to institutions of higher education. The program provides for the advanced purchase of college tuition credits by families of all income levels who want to save for educational expenses. Individuals can purchase tuition credits in any amount, and as often as they wish. A TAP Tuition Credit is equal to 1/24th of the annual tuition for undergraduate students. To date, 22,000 children are enrolled in the program and \$85 million has been purchased in TAP Tuition Credits.

## Rhode Island

### *Rhode Island Higher Education Savings Trust*

Enacted into law in 1997, the Rhode Island Higher Education Savings Trust is administered by the Rhode Island Higher Education Assistance Authority (RIHEAA). A \$500 initial installment, \$50 automatic monthly investment plan, or \$25 bi-weekly payroll deduction is required to open an account. The program allows savings up to the full cost of four years of college attendance on behalf of any named beneficiary. While the program is intended to focus on Rhode Islanders, neither the beneficiary nor the investor have to live in Rhode Island to participate in the program and proceeds can be used

to attend any accredited two or four-year institution or vocational school in the United States. Investments are overseen by the State Investment Commission, subject to the approval of RIHEAA. Savings are exempt from Rhode Island state student aid calculations and investment earnings are Rhode Island state and federal tax deferred until withdrawn. The program is expected to begin accepting participants in September, 1998.

## South Carolina

### *South Carolina Tuition Prepayment Program*

Effective July 1, 1997, the General Assembly of the State of South Carolina passed legislation creating the South Carolina Tuition Prepayment Program to assist families with the rising costs of attending college. The program is administered by the State Budget & Control Board and allows contributors to purchase contracts that lock-in the cost of tuition for two or four years at a South Carolina public college or university. The cost of the contracts is based on the current weighted average tuition at senior public institutions in the State, the age of the child for whom the contract is purchased, and the type of payment plan selected. Payment options include a one-time lump-sum payment, a four-year payment plan, or an extended monthly payment plan. The contracts provide full payment of in-state tuition and fees to any public college or university in South Carolina. Earnings currently are exempt from state taxes and deferred from Federal taxes until distribution. Contract

benefits may also be applied to assist with tuition expenses at accredited private schools in South Carolina or an out-of-state school.

## South Dakota

### *Veterinary Student Grants Program*

The legislature, in 1991, authorized a competitive grant program to assist South Dakota residents going on to higher education in veterinary medicine. It is designed to ensure and retain qualified veterinarians for years to come. Because South Dakota has no graduate school for veterinary medicine, the grant program covers the additional tuition charged to the South Dakota resident as a nonresident student. The South Dakota Treasurer oversees the recipient student's obligation to become a state resident and practice veterinary medicine in South Dakota after graduating or the obligation to repay the tuition assistance.

### *Advanced Payment of Higher Education Costs*

Although there has yet been no implementation, in 1994 the South Dakota State Legislature authorized the state board of regents to implement a program for the advance payment for tuition, room and board, or tuition only costs on behalf of a beneficiary for attendance at one, or a combination of institutions of higher education subject to determination of residency status by the appropriate post-secondary school or university. The statute specifies the regents are to jointly promulgate rules for such a program with the State Treasurer.

**Tennessee**

*Baccalaureate Education System Trust*

The Baccalaureate Education System Trust (BEST), administered by the State Treasurer, was created by the General Assembly in 1996 to make higher education more affordable for citizens. Its enabling legislation allows any person to pay for college tuition, mandatory fees, and room and board in advance on behalf of a beneficiary through the purchase of affordable tuition units. Units are fully portable at any accredited two- or four-year college or university in the country, as well as any accredited graduate or professional school. One tuition unit represents a value of 1 percent of the weighted average undergraduate tuition at Tennessee's four-year public universities; 100 units cover one year of tuition and fees. The current cost of a unit is \$26.75.

at the time of purchase or the child of a resident if that parent is the purchaser. Four plans are available: junior college, senior college, junior-senior college, and private college. Seven payment options are available: lump sum, monthly or annual installments of five years, ten years or until graduation from high school. As of June 1998, about 78,000 contracts have been sold worth an approximate total value of \$750 million.

Savings Plan, which is to be administered by the Vermont Student Assistance Corporation (VSAC). VSAC is a comprehensive student financial aid agency that guarantees and makes student loans available under the FFELP program, administers Vermont's need-based grant program and conducts various outreach and college information activities. The legislature has authorized VSAC to offer two or more investment options. Small deposits are encouraged, and earnings are exempt from the state's income tax. Earnings are fully portable and can be applied to educational costs at any qualified postsecondary institution. VSAC intends to inaugurate the program in January, 1999.

**Utah**

*Utah Educational Savings Plan Trust*

The Utah Educational Savings Plan Trust (UESP) has been operating in Utah since November of 1996. Its purpose is to encourage Utahns to save for the future college expenses of their children and grandchildren. A series of financial incentives make savings through UESP attractive. These incentives include; 1) an exemption from state income tax for money invested and earnings received through UESP, 2) professional no-fee investment services, and 3) interest in an endowment fund also administered by UESP. UESP savings plans may be established on behalf of young persons under the age of 17. Deposits as small as \$25 per month are accepted and savings are excluded from calculation of state student aid eligibility.

**Virginia**

*Virginia Higher Education Tuition Trust Fund*

The Virginia Prepaid Education Program (VPEP) is administered by the Virginia Higher Education Tuition Trust Fund, an independent state agency created unanimously by the Virginia General Assembly in 1994. VPEP allows purchasers to prepay tuition and mandatory fees at community colleges, four-year universities, or a combination of both. The program is open to children in the ninth grade or younger as long as either the child or the purchaser is a resident of Virginia. VPEP guarantees to pay full undergraduate in-state tuition and mandatory fees at any public community college or four-year university in Virginia. Benefits from this program may also be applied toward tuition and mandatory fees at Virginia private

**Texas**

*Texas Tomorrow Fund*

The Texas Tomorrow Fund, administered by the Texas Prepaid Higher Education Tuition Board, was created by the Legislature in 1995 to allow families to lock in the price of tuition and required fees for up to five years of credit hours at any state-supported junior or senior college or, get a good jump on the tuition and fees at any private college in Texas. Payments are pooled and invested so steady growth will keep up with the rising cost of college tuition and required fees. Beneficiaries must not have graduated from high school and be a resident of Texas

**Vermont**

*Vermont Higher Education Savings Plan*

In 1998, Vermont Governor Howard Dean signed into law the Vermont Higher Education



colleges and at institutions of higher learning in other states. There is a state tax deduction, for the purchase price of a contract, as well as a state tax exemption for contract earnings in most cases. The Virginia Higher Education Tuition Trust Fund is studying the possibility of proposing legislation that would create a savings trust alternative in Virginia.

## Washington

### *Guaranteed Education Tuition*

The Washington State Legislature established the Guaranteed Education Tuition Program (GET) - Tomorrow's college tuition at today's prices in 1997. The program is governed by a committee which includes the State Treasurer, the Executive Director of the Higher Education Coordinating Board, and the Director of the Office of Financial Management. By purchasing the units at today's prices, it will not only guarantee that the beneficiary has the necessary funds, but the purchaser will be saving money against the rising cost of higher education. The program allows the purchaser to customize the program to reach individual goals. Friends and family may contribute to the program and setup payment plans to purchase units at any time. Those units may be redeemed at public or private institution, community colleges, and technical or trade schools both in or out-of-state. Monies not used may be refunded or transferred to another family member. Private organizations may establish scholarship funds. Additionally, the program is guaranteed by the State of Washington.

## West Virginia

### *West Virginia Prepaid College Plan*

Administered by the Treasurer's Office, the plan offers a new and convenient way for families to save for college costs. Grandparents, parents or any other person can purchase a contract based on the average cost of in-state tuition at West Virginia public institutions. Either the purchaser or the beneficiary must be a West Virginia resident. Purchasers lock in today's prices for tomorrow's tuition on behalf of a child, newborn to ninth grade, by paying a lump sum payment or monthly installments. The plan combines the tuition contract payments into a trust fund and invests the money with the goal of earning a good enough rate of return to meet increasing tuition costs. The Prepaid College Plan offers increased investment power, peace of mind, security and state tax exemption. The expected initial enrollment period is set to begin in October of 1998.

## Wisconsin

### *EDVEST WISCONSIN - Wisconsin Higher Education Investment Program*

The Wisconsin legislature established the EDVEST Wisconsin College Savings Program, administered by the Wisconsin Department of Administration, in 1996. EDVEST Wisconsin is a flexible, innovative way for families to prepare for future college tuition expenses. "Tuition units" purchased on behalf of a child beneficiary may be applied in the

future toward undergraduate tuition and fees. The price and maturity value of tuition units are based on estimates of future tuition at University of Wisconsin campuses, although the program can be used at public and private educational institutions nationwide. Flexible purchase options are available. Investment earnings are exempt from state income tax; federal income tax is deferred until college enrollment. 1998 legislation expanded eligibility to include parents, grandparents, aunts, uncles, guardians, and trusts. Individuals may also open accounts for their own use.

## Wyoming

### *Advance Payment of Higher Education Costs Program*

Wyoming's Advance Payment of Higher Education Costs Program, now suspended, was signed into law in February 1987. It was a guaranteed tuition plan which was administered by the state university. Contracts were purchased that covered tuition, room and board in one comprehensive package. Participants could not utilize this program until they had contributed for a minimum of 10 years. The program was suspended in 1995 due to lack of participation. All contracts sold during the program's operational lifetime, however, are honored by the state of Wyoming.



# Program Operations

The following tables detail the operations of state college savings program.

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## **Missouri**

### *Missouri Higher Education Savings Program*

The 1998 Missouri General Assembly established the Missouri Higher Education Savings Program to offer Missourians the most attractive college savings plan in the nation. The program is administered by a board permanently chaired by the state treasurer and consisting of the commissioner of the department of higher education, the commissioner of the office of administration, the director of the department of economic development, and a person knowledgeable in the area of finance selected by the legislature. Under the program, participants may make contributions to a higher education savings account on behalf of a beneficiary. Annual contributions to the account may be as large as \$8000. As long as the account funds are used for a beneficiary's education costs at a qualified postsecondary institution in the United States, the contributions and earnings are free from state income taxes. The contract to implement, market, and manage the savings program will be awarded in December 1998. The tax savings become effective January 1, 1999.

Table 1 State Interest in State College Savings Plans

State	State Has Program	State Has Interest	Mandated Study Done	Legislation Status	Legislation Authorizes	Federal Qualified Program	Actual/ Anticipated Startup Date	Agency to Administer	Program Name
Alabama	Yes	...	...	Passed 1989	Prepaid Tuition Program	Yes	March-90	State Treasurer	Alabama Prepaid Affordable College Tuition
Alaska	Yes	...	...	Passed 1990	Prepaid/Savings	Yes	Nov.-91	University of Alaska	University of Alaska Advance College Tuition Payment Plan
Arizona	Yes	...	...	Passed 4/97	Savings Plan Trust	Yes	Aug.-98	Commission for Postsecondary Education	Arizona Family College Savings Program
Arkansas	No (a)	Yes	...	Passed	Prepaid Tuition Program	No	July-99	...	...
California	Yes *	Yes	...	Passed 9/97	Savings Plan Trust	Yes	Fall 98	California Student Aid Commission	Golden State Scholarshare Trust College Savings Program
Colorado	Yes	...	...	Passed 4/96	Prepaid Tuition Program	Yes	Sept.-97	Colorado Student Obligation Bond Authority	Colorado Prepaid Tuition Fund
Connecticut	Yes	...	...	Passed 7/97	Savings Plan Trust	Yes	Jan.-98	Office of the Treasurer	Connecticut Higher Education Trust
Delaware	Yes	...	...	Passed 4/97	Savings Plan Trust	Yes	July-98	Delaware Higher Education Commission	Delaware College Investment Plan
Florida	Yes	...	...	Passed 6/87	Prepaid Tuition Program	Yes	July-87	Florida Prepaid College Board	Florida Prepaid College Program
Georgia	No	...	...	...	...	...	...	...	...
Hawaii	No	No	No	None introduced	...	...	...	...	...
Idaho	No	Yes	No	...	...	...	...	...	...
Illinois	Yes	...	...	Passed 11/97	Prepaid Tuition Program	Yes	Nov.-97	Illinois Student Assistance Commission	Illinois Prepaid Tuition Program
Indiana	Yes	...	...	Passed 3/96	Trust Fund and Educational Savings Program	Yes	Sept.-97	Indiana Education Savings Authority	Indiana Family College Savings Program
Iowa	Yes	...	...	Passed 5/98	Savings Plan Trust	Yes	Sept.-98	State Treasurer	College Savings Iowa
Kansas	No	...	(b)	...	...	...	1999-2000	...	...
Kentucky	Yes	...	...	Passed 3/88	Savings Plan Trust (c)	Yes	Jan.-90	Kentucky Higher Education Assistance Authority	Kentucky Educational Savings Plan Trust
Louisiana	Yes	...	...	Passed 1995	Savings Plan Trust	Yes	July-97	Louisiana Office of Student Financial Assistance	START Saving Program
Maine	No	Yes	No	...	Savings Plan Trust	...	1998	Education Loan Authority/Finance Authority	Maine College Savings Program
Maryland	Yes	...	...	Passed	Prepaid Tuition Program	Yes	Sept.-97	Maryland Higher Education Investment Program	Maryland Prepaid College Trust
Massachusetts	Yes	...	...	Passed	Prepaid/Savings	Yes	Feb.-95	Massachusetts Educational Financing Authority	U. Plan- The Massachusetts College Savings Program
Michigan	Yes	...	...	Passed 12/86	Prepaid Tuition Program	Yes	1988	Department of Treasury	Michigan Education Trust
Minnesota	Pending	Yes	...	Passed 1997	Savings Plan Trust, GO bonds	(d)	1999	Minnesota Higher Education Services Office	TBD
Mississippi	Yes	...	...	Passed 3/96	Prepaid Tuition Program	Yes	Feb.-97	State Treasury Department	Mississippi Prepaid Affordable College Tuition Program
Missouri	No	Yes	...	Passed 5/98	Savings Plan Trust	Yes	May-99	State Treasurer	Missouri Family Higher Education Savings Plan

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State	State Has Program	State Has Interest	Mandated Study Done	Legislation Status	Legislation Authorizes	Federal Qualified Program	Actual/Anticipated Startup Date	Agency to Administer	Program Name
Montana	Yes	...	...	Passed 4/97	Savings Plan Trust	...	Fall 1998	Board of Regents	Family Education Savings Program
Nebraska	No	No	...	(e)	...	...	...	...	...
Nevada	Yes	...	...	Passed 7/97	Prepaid Tuition Program	Yes	Oct.-98	State Treasurer	Nevada Prepaid Tuition Program
New Hampshire	Yes	...	...	Passed 1997	Savings Plan Trust	Yes	July-98	State Treasurer	Unique College Investing Plan
New Jersey	Yes	...	...	Passed 9/97	Savings Plan Trust	Yes	Aug.-98	Office of Student Assistance	New Jersey Better Educational Savings Trust
New Mexico	Yes	...	...	Passed	Savings Plan Trust	...	Spring 1999	Commission on Higher Education	TBD
New York	Yes	...	...	Passed	Savings Plan Trust	...	Sept.-98	State Comptroller and Higher Education Services Corporation	New York State College Choice Tuition Savings Program
North Carolina	Yes	...	...	Passed 1997	Savings Plan Trust (f)	Yes	June-98	North Carolina State Education Assistance Authority	College Vision Fund
North Dakota	No	No	Requested (g)	Failed to Pass	...	...	...	State Treasurer	...
Ohio	Yes	...	...	Passed 6/89	Prepaid Tuition Program	Yes	Oct.-89	Ohio Tuition Trust Authority	Ohio Prepaid Tuition Program
Oklahoma	No	Yes	...	Passed 6/98	Savings Plan Trust	...	Jan.-99	Regents for Higher Education	Oklahoma College Savings Plan
Oregon	No (h)	...	...	Passed 5/97	Prepaid Tuition Program	Yes	Nov.-98	State Treasurer & Board	Oregon Prepaid College Tuition Program
Pennsylvania	Yes	...	...	Passed 4/92	Prepaid Tuition Program	Yes	Sept.-93	State Treasurer	Tuition Account Program
Rhode Island	Yes	...	...	Passed 7/97	Savings Plan Trust	Yes	July-98	Rhode Island Higher Education Assistance Authority	TBD
South Carolina	Yes	...	...	Passed 7/97	Prepaid Tuition Program	Yes	Sept.-98	State Budget and Control Board	South Carolina Tuition Prepayment Program
South Dakota	*No	No	Requested (i)	...	...	...	Unknown	State Treasurer & Board of Regents	...
Tennessee	Yes	...	...	Passed 5/96	Prepaid Tuition Program	Yes	June-97	State Treasurer	Baccalaureate Education System Trust
Texas	Yes	...	...	Passed 6/95	Prepaid Tuition Program	Yes	Jan.-96	Texas Prepaid Higher Education Tuition Board	Texas Tomorrow Fund
Utah	Yes	...	...	Passed 3/96	Savings Plan Trust	Yes	Nov.-96	Utah System of Higher Education	Utah Educational Savings Plan Trust
Vermont	Yes	...	...	Passed 4/98	Savings Plan Trust	...	Jan.-99	Vermont Student Assistance Corporation	Vermont Higher Education Savings Plan
Virginia	Yes	...	...	Passed 7/94	Prepaid Tuition Program	Yes	Dec.-96	Virginia Higher Education Tuition Trust Fund	Virginia Prepaid Education Program
Washington	Yes	...	...	Passed 3/98	Prepaid/Savings (j)	Yes	June-98	Committee on Advanced College Tuition	Guaranteed Education Tuition
West Virginia	Yes	...	...	Passed 1997	Prepaid/Savings	Yes	Oct.-98	State Treasurer	West Virginia Prepaid College Plan
Wisconsin	Yes	...	...	Passed 6/96	Savings Plan Trust	Yes	June-97	Department of Administration	EdVest Wisconsin
Wyoming	Yes (k)	...	...	Passed 1987	Prepaid Tuition	...	Inactive	Oversight Board	Advanced Payment for Higher Educational Costs
Dist.of Columbia	Pending	...	...	Pending	Savings Plan Trust	Yes	Fall 98	TBD	National Capital College Savings Trust

Key: \* - Legislation has passed, but the program has not been implemented • TBD - to be determined

◆ Notes:

- (a) Arkansas has a bond program, but prepaid tuition legislation has passed
- (b) 1998 Senate Bill 402 provides the State Treasurer to conduct a feasibility study effective July 1, 1998
- (c) State manages account records, but all investments are privately managed
- (d) Will meet Internal Revenue Code 529 provisions for a savings trust
- (e) Bill introduced, but no action was taken; bill removed from agenda in 1997

(f) Will have a loan option

(g) Legislature declined study

(h) Subject to voter referendum

(i) Legislature's Executive Board requested a December report from the Board of Regents

(j) Prepaid hybrid: unit sales/contract sales

(k) Program suspended



**Table 2 Enrollment Information**

State	Date of Initial Offering	Total # of Contracts Sold	Number of				
			Families Represented	Children Represented	Accounts Fully Paid	Accounts Cancelled	Accounts Used for Tuition
Alabama	Mar-90	50,886	31,053	50,886	33,100	5,690	4,035
Alaska	Apr-91	14,517	6,784	9,126	525	2,484	1,250
Arizona	...	...	...	...	...	...	...
Arkansas	...	...	...	...	...	...	...
California	...	...	...	...	...	...	...
Colorado	Sep-97	7,000	5,000	7,000	...	40	...
Connecticut	Jan-98	1,343	...	1,343	...	...	...
Delaware	Jul-98	...	...	...	...	...	...
Florida	Oct-88	468,000	...	378,364	11,134	91,846	36,445
Georgia	...	...	...	...	...	...	...
Hawaii	...	...	...	...	...	...	...
Idaho	...	...	...	...	...	...	...
Illinois	Oct-98	...	...	...	...	...	...
Indiana	Sep-97	2,028	...	2,028	...	1	2
Iowa	...	...	...	...	...	...	...
Kansas	...	...	...	...	...	...	...
Kentucky	Jan-90	3,553	...	3,528	155	592	...
Louisiana	Jul-97	1,800	1,150	1,800	...	53	...
Maine	...	...	...	...	...	...	...
Maryland	Apr-98	...	...	...	...	...	...
Massachusetts	Feb-95	42,216	26,995	42,216	201	...	...
Michigan	1988	56,315	35,000	...	5,071	355	7,749
Minnesota	...	...	...	...	...	...	...
Mississippi	Feb-97	8,300	...	8,300	...	763	12
Missouri	...	...	...	...	...	...	...
Montana	...	...	...	...	...	...	...
Nebraska	...	...	...	...	...	...	...
Nevada	Oct-98	...	...	...	...	...	...
New Hampshire	...	...	...	...	...	...	...
New Jersey	Aug-98	...	...	...	...	...	...
New Mexico	...	...	...	...	...	...	...
New York	...	...	...	...	...	...	...
North Carolina	Jun-98	...	...	...	...	...	...
North Dakota	...	...	...	...	...	...	...
Ohio	Nov-89	69,000	42,500	68,310	1,125	3,494	4,080
Oklahoma	...	...	...	...	...	...	...
Oregon	...	...	...	...	...	...	...
Pennsylvania	Sep-93	22,029	14,046	22,029	...	956	150
Rhode Island	Jul-98	...	...	...	...	...	...
South Carolina	...	...	...	...	...	...	...
South Dakota	...	...	...	...	...	...	...
Tennessee	Jun-97	2,900	1,965	2,900	...	...	...
Texas	Jan-96	78,000	51,000	75,000	18,000	8,700	500
Utah	Nov-96	440	...	440	...	3	...
Vermont	Jan-99	...	...	...	...	...	...
Virginia	Dec-96	22,698	16,957	22,486	...	1,037	...
Washington	...	...	...	...	...	...	...
West Virginia	Oct-98	...	...	...	...	...	...
Wisconsin	Jul-97	664	403	660	53	...	...
Wyoming	...	...	...	...	...	...	...
District of Columbia	...	...	...	...	...	...	...

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Table 3 Contract Information

States	Percentage of contracts paid to						Enrollment Period for 1997-98	Enrollment Schedule
	In-state Public	In-State Private	Out-of-State Public	Out-of-State Private	Trade Schools	Other		
Alabama	65%(a)	65%(a)	15%(a)	15%(a)	...	20%(b)	Sept. 1 to Sept. 30	Offered each Sept.
Alaska	64%	...	36%(a)	36%(a)	...	...	...	Annually
Arizona	...	...	...	...	...	...	...	...
Arkansas	...	...	...	...	...	...	...	...
California	...	...	...	...	...	...	...	...
Colorado	...	...	...	...	...	...	Oct. 5 to Dec. 8	Determined annually
Connecticut	...	...	...	...	...	...	...	Annually
Delaware	...	...	...	...	...	...	Open enrollment	Continuous
Florida	61%	1%	2%(a)	2%(a)	...	35%(c)	Oct. 20 to Jan. 9	Annually
Georgia	...	...	...	...	...	...	...	...
Hawaii	...	...	...	...	...	...	...	...
Idaho	...	...	...	...	...	...	...	...
Illinois	...	...	...	...	...	...	Oct. 98 to Jan. 99	Annually
Indiana	100%	...	...	...	...	...	Sept. 97 to April 98	Annually
Iowa	...	...	...	...	...	...	...	...
Kansas	...	...	...	...	...	...	...	...
Kentucky	59%	13%	6%	12%	1%	9%(d)	Open enrollment	Continuous
Louisiana	...	...	...	...	...	...	July 98 to Nov. 98	Annually (e)
Maine	...	...	...	...	...	...	...	...
Maryland	...	...	...	...	...	...	April 98 to Jun. 98	Annually
Massachusetts	...	...	...	...	...	...	April 16 to May 30	6-8 weeks in Spring
Michigan	79.61%	6.47%	12.31%(a)	12.31%(a)	...	1.61%(f)	Dec. 8 to Feb. 7	Annually (g)
Minnesota	...	...	...	...	...	...	No specific enrollment period	No specific period
Mississippi	100%	...	...	...	...	...	Sept. 1 to Nov. 30	Annually
Missouri	...	...	...	...	...	...	...	...
Montana	...	...	...	...	...	...	...	...
Nebraska	...	...	...	...	...	...	...	...
Nevada	...	...	...	...	...	...	Oct. 1 to Nov.	...
New Hampshire	...	...	...	...	...	...	...	Continuous
New Jersey	...	...	...	...	...	...	...	...
New Mexico	...	...	...	...	...	...	...	...
New York	...	...	...	...	...	...	...	Annually
North Carolina	...	...	...	...	...	...	...	Continuous
North Dakota	...	...	...	...	...	...	...	...
Ohio	69%	16%	2.70%	12%	0.30%	...	Oct. 1 to Jan. 12	Continuous (h)
Oklahoma	...	...	...	...	...	...	...	...
Oregon	...	...	...	...	...	...	...	...
Pennsylvania	80%	7%	11%	1%	1%	Annually	...	...
Rhode Island	...	...	...	...	...	...	...	Annually
South Carolina	...	...	...	...	...	...	...	...
South Dakota	...	...	...	...	...	...	...	...
Tennessee	...	...	...	...	...	...	...	Annually
Texas	90%	5%	3%	2%	...	...	Oct. 14 to April 1	Annually
Utah	...	...	...	...	...	...	Jan. 1 to Dec. 31	Annually
Vermont	...	...	...	...	...	...	Sept. 8 to Dec. 15, 1997	...
Virginia	...	...	...	...	...	...	...	Annually
Washington	...	...	...	...	...	...	...	...
West Virginia	...	...	...	...	...	...	...	...
Wisconsin	...	...	...	...	...	...	Open enrollment	Continuous (i)
Wyoming	...	...	...	...	...	...	Enrollment suspended	Suspended
District of Columbia	...	...	...	...	...	...	...	...

**Table 3 ▶ Contract Information - continued**

▶ **Notes:**

- (a) Categories are accounted for identically
- (b) Community, junior and technical colleges
- (c) In-state community colleges
- (d) Disbursement to beneficiary for off-campus room and board
- (e) Beneficiaries price to their last birthday
- (f) Full scholarship
- (g) Upon board approval
- (h) Newborn contracts are year-round; testing 30 day corporate enrollment period in Spring 1998
- (i) May implement two enrollment periods annually

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**Table 4 ▸ Restrictions, Requirements, and Benefits**

State	Age Restrictions	Residency Requirements	Types of Schools Eligible to Participate	Additional Benefits Eligible for Savings or Purchase	Restrictions on Room and Board	Rollovers Allowed to Other State Plans
Alabama	Infant through 9th grade	Beneficiary must be resident at time of application	Federally qualified	N/A	N/A	No
Alaska	None	Beneficiary or participant must be resident (a)	Qualified non-profit school	All federally qualified expenses	...	Yes*
Arizona	None	Beneficiary must be resident (a)	Federally qualified	Books, fees, equipment	...	No
Arkansas	...	...	...	...	...	...
California	TBD	None	Federally qualified	All federally qualified expenses	Federal qualification limits	TBD
Colorado	Must maintain contract for 3yrs prior to disbursement	None	Federally qualified	All federally qualified expenses	Federal qualification limits	No
Connecticut	None	None	Federally qualified	All federally qualified expenses	Federal qualification limits	...
Delaware	None	None	Federally qualified	All federally qualified expenses	Federal qualification limits	Yes, penalty imposed
Florida	Under age 21, not completed 11th grade	Beneficiary must be resident for 1yr (b)	(c, d)	Room only	...	No
Georgia	...	...	...	...	...	...
Hawaii	...	...	...	...	...	...
Idaho	...	...	...	...	...	...
Illinois	None	Beneficiary or participant must be resident (e)	Federally qualified (f)	N/A	N/A	No
Indiana	None	None	Federally qualified	All federally qualified expenses	Federal qualification limits	No
Iowa	...	...	Federally qualified	...	...	...
Kansas	...	...	...	...	...	...
Kentucky	Under age 15	Beneficiary can move and still receive in-state benefits (g)	Federally qualified	Room, board, books, fees, direct education expenses	Can be off-campus up to the cost of living on-campus as school-certified	No
Louisiana	12 months before disbursement	Beneficiary or participant must be resident (h)	Federally qualified (i)	Room, board, books, direct education fees	...	No
Maine	...	...	...	...	...	No
Maryland	Beneficiary cannot be in 10th grade	Beneficiary or participant must be resident	2/4yr undergraduate degree schools in-state	Mandatory fees	...	No
Massachusetts	None	None	(j)	No	...	...
Michigan	Beneficiary at or below 10th grade	Beneficiary must be resident (a)	In-state public schools (k)	No	N/A	No
Minnesota	...	Considering requirements	Federally qualified	All federally qualified expenses	Federal qualification limits	No
Mississippi	Under age 18	Beneficiary or participant must be resident (a)	Federally qualified	...	No	...
Missouri	None	Beneficiary must be resident	Federally qualified	Room and board, books, school fees	TBD	No



Table 4 Restrictions, Requirements, and Benefits - continued

State	Age Restrictions	Residency Requirements	Types of Schools Eligible to Participate	Additional Benefits Eligible for Savings or Purchase	Restrictions on Room and Board	Rollovers Allowed to Other State Plans
Montana	...	...	...	...	...	...
Nebraska	...	...	...	...	...	...
Nevada	9th grade cutoff **	Beneficiary or participant must be resident**	...	...	...	No
New Hampshire	None	None	Federally qualified	All federally qualified expenses	Federal qualification limits	No
New Jersey	None	Beneficiary or participant must be resident (h)	Federally qualified	All federally qualified expenses	No	...
New Mexico	...	...	...	...	...	...
New York	None	None	Accredited post-secondary school	All federally qualified expenses	Federal qualification limits	Yes, penalty imposed
North Carolina	Enrolled by age 16; finish by age 30	Beneficiary or participant must be resident	Federally qualified	All federally qualified expenses	None	No
North Dakota	...	...	...	...	...	...
Ohio	None (l)	Beneficiary or participant must be resident	Federally qualified	Room and board (m)	Payable only to university billing	No
Oklahoma	...	...	...	...	...	...
Oregon	...	...	...	...	...	...
Pennsylvania	Yes (n)	Beneficiary or participant must be resident (a)	Federally qualified	Excess credit may be applied to room, board, and fees	Room and board contracts not sold	No
Rhode Island	None	None	Federally qualified	All federally qualified expenses	...	No
South Carolina	Under 22, 10th grade or below (o)	Beneficiary must be a resident	In-state public schools (p)	No	...	No
South Dakota	...	...	...	...	...	...
Tennessee	None (q)	Beneficiary or participant must be resident	Federally qualified	Room, board, and fees	Must be on campus	No
Texas	Beneficiary must be 18 (r)	Beneficiary must be resident for 12 months (a)	Federally qualified	Fees	...	No
Utah	Beneficiary under age 17	None (a,s)	Federally qualified (t)	Room, board, books, school fees, equipment	None	No
Vermont	None	Beneficiary or participant must be resident	Federally qualified	Room and board	...	No
Virginia	9th grade cutoff	Beneficiary or participant must be resident	Federally qualified	...	...	No
Washington	Must hold units for 2yrs	Participant must be resident to setup account	Federally qualified	Fees	...	No
West Virginia	Newborn through 9th grade	Beneficiary or participant must be resident	Federally qualified	Room, board, books, and supplies	...	No
Wisconsin	Must hold account for 4yrs	Beneficiary or participant must be resident	Federally qualified	Fees	...	No (v)
Wyoming	...	...	...	...	...	...
District of Columbia	...	...	...	...	...	...

TBD - to be determined

N/A - not applicable

\* Authorized but not operational

\*\* Under consideration

See next page for footnotes:

## Table 4 Restrictions, Requirements, and Benefits - continued

### Notes:

- (a) Beneficiary can move to another state and still receive in-state benefits
- (b) Can be child of non-custodial parent who is a Florida resident
- (c) In-state public community colleges, state universities, private not-for-profit degree granting institutions
- (d) Out-of state public and private not-for-profit regionally accredited baccalaureate granting institutions
- (e) Or person less than 1yr old who is a relative of an Illinois resident
- (f) Institutions eligible for ISAC Monetary Award Program
- (g) Beneficiary must have been a resident for 8yrs while agreement is in full effect  
participant or beneficiary must current or former resident, have a family member who is a current or former resident, or be currently or formerly employed in Kentucky
- (h) Once account is established, residency need not be maintained
- (i) Proprietary and technical institutions within state
- (j) Prepaid plan redeemable at 83 public and private Massachusetts schools; savings plan redeemable at any degree granting institution
- (k) Refunds are payable to out-of-state 4yr colleges or in-state private institutions
- (l) Except newborns under 12months of age, enrolled year-round
- (m) All mandatory fees included in tuition calculation
- (n) Until 4/98 bonds were held for 4yrs; after 4/98 the holding period changed to 1yr
- (o) Beneficiary must be 21 or younger and may be in but not have completed the 10th grade
- (p) Also, in-state SACSS accredited private school, and out-of-state federally qualified schools
- (q) No age requirements, but funds must be on account for 2yrs prior to use
- (r) Beneficiary must be 18 or not yet graduated from high school; investment available up to 10yrs past high school graduation
- (s) Must be US citizen; for tuition purpose, beneficiary is a Utah resident after 8 consecutive years of residence in Utah
- (t) Any 2/4yr public or private accredited institution; any Utah applied technology center
- (u) Can move to another state and receive benefits
- (v) Not prohibited, but not specifically allowed

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**Table 5 ▶ Portability**

State	Portability Allowed In-State Private Institution	Adjusted Value of Benefits	Allowed Out-of State Private or Public Institution	Adjusted Value of Benefits	Policy Regarding Portability
Alabama	Yes	Weighted average of Ala 4yr public schools	Yes	Weighted average tuition	...
Alaska	Yes	No guarantee	Yes	No guarantee	Savings value of units paid, no guarantee
Arizona	Yes	...	Yes	...	Beneficiary may use at any 2/4/technical, public or private school in U.S.
Arkansas	...	...	...	...	...
California	Yes	...	Yes	...	Monies can be used to pay expenses at any federally qualified institution of higher education
Colorado	Yes	Same dollar amount	Yes	Same dollar amount	For every 100 units, distribution is equal to average Colorado public tuition for the year the distribution is taken
Connecticut	...	...	...	...	Completely portable
Delaware	Yes	N/A	Yes	N/A	Completely portable
Florida	Yes	...	Yes	...	Redemption value or principal plus 5 percent compounded annually
Georgia	...	...	...	...	...
Hawaii	...	...	...	...	...
Idaho	...	...	...	...	...
Illinois	Yes	...	Yes	...	Conversion referenced to current average mean weighted credit/hr value of registration fees purchased
Indiana	Yes	...	Yes	...	Savings can be used at any accredited/eligible institution
Iowa	Yes	...	Yes	...	...
Kansas	...	...	...	...	...
Kentucky	Yes	N/A	Yes	N/A	Savings can be used at any accredited institution
Louisiana	Yes	...	Yes	Grants are not portable	Contributions by investor into incentive grants are not portable
Maine	...	...	...	...	...
Maryland	Yes	Weighted average of contract institution	Yes	Weighted average of contract institution	Benefits are paid at weighted average directly to the private or out-of-state institution
Massachusetts	Yes	...	Yes	...	Savings completely portable (a)
Michigan	Yes	Weighted average tuition	Yes	Average tuition	In-state payouts as necessary up to total refund amount (b)
Minnesota	...	...	...	...	Contributions and earnings can be used under IRC 529
Mississippi	Yes	...	Yes	...	Benefits are paid at weighted average directly to the private or out-of-state institution
Missouri	Yes	...	Yes	...	Savings are property of plan participants
Montana	...	...	...	...	...
Nebraska	...	...	...	...	...
Nevada	Yes	Weighted average tuition of Nevada schools	Yes	...	...
New Hampshire	Yes	...	Yes	...	Completely portable
New Jersey	Yes	...	Yes	...	Completely portable
New Mexico	...	...	...	...	...
New York	Yes	...	Yes	...	Any accredited post-secondary school
North Carolina	Yes	100%	Yes	100%	Completely portable
North Dakota	...	...	...	...	...
Ohio	Yes	...	Yes	...	All tuition units have the same payout value
Oklahoma	...	...	...	...	...

Table 5 ▶ Portability - continued

State	Portability Allowed In-State Private Institution	Adjusted Value of Benefits	Allowed Out-of State Private or Public Institution	Adjusted Value of Benefits	Policy Regarding Portability
Oregon	Yes	...	Yes	...	...
Pennsylvania	Yes	...	Yes	...	Beneficiary receives value of designated Pennsylvania tuition schedule (c)
Rhode Island	Yes	...	Yes	...	Value of savings in the plan
South Carolina	Yes	Weighted average tuition, in-state public school	Yes	Weighted average tuition (d)	Portability allowed with \$25 transfer of benefits fee
South Dakota	...	...	...	...	...
Tennessee	Yes	...	Yes	...	...
Texas	Yes	Texas public college average	Yes	Texas public college average	Fund pays out-of-plan and out-of-state the Texas average
Utah	Yes	...	Yes	...	Any national or regionally accredited post-secondary school (e)
Vermont	Yes	...	Yes	...	Fully portable following federal law
Virginia	Yes	(f)	Yes	(f)	(f)
Washington	Yes	Average weighted tuition at 4yr college	Yes	Average weighted tuition at 4yr college	...
West Virginia	Yes	Weighted average tuition, in-state public school	Yes	Weighted average tuition, in-state public school	Benefit transfer fee applies to out-of-state colleges
Wisconsin	Yes	...	Yes	...	Maturity value of account usable at any eligible school
Wyoming	...	...	...	...	...
District of Columbia	...	...	...	...	...

N/A- Not Applicable

## ▶ Notes:

- (a) Prepaid U. Plan honored at all participating schools; non-participants receive principal plus compounded Consumer Price Index
- (b) Out-of-state payments are in four annual installments up to total refund amount
- (c) Values paid to a beneficiary cannot exceed actual tuition or other approved expenses
- (d) In-state public schools, less \$25 administrative fee
- (e) Proprietary schools must be decided by the Board of Regents
- (f) In-state private schools receive highest in-state public tuition and mandatory fees in the same academic year; out-of-state schools receive payments made plus a reasonable rate of return, capped at the average in-state public tuition and mandatory fees



**Table 6** Transferability of Benefits

State	Benefits can be transferred to			
	Immediate Family	Sibling	Step/ Half Sibling	Other
Alabama	Yes	Yes	Yes	...
Alaska	Yes	Yes	Yes	All family
Arizona	Yes	...	...	...
Arkansas	...	...	...	...
California	Yes	Yes	Yes	(a)
Colorado	Yes	Yes	Yes	(a)
Connecticut	Yes	Yes	Yes	Spouses
Delaware	Yes	Yes	Yes	(a)
Florida	...	Yes	Yes	...
Georgia	...	...	...	...
Hawaii	...	...	...	...
Idaho	...	...	...	...
Illinois	Yes	Yes	Yes	Spouses
Indiana	Yes	Yes	Yes	(a)
Iowa	...	...	...	...
Kansas	...	...	...	...
Kentucky	Yes	Yes	Yes	(b)
Louisiana	Yes	Yes	Yes	All family (a)
Maine	...	...	...	...
Maryland	Yes	Yes	Yes	All family (a)
Massachusetts	Yes	Yes	Yes	...
Michigan	Yes	...	...	...
Minnesota	Yes	Yes	Yes	(a)
Mississippi	...	Yes	Yes	...
Missouri	...	Yes	...	...
Montana	...	...	...	...
Nebraska	...	...	...	...
Nevada	...	Yes	Yes	TBD
New Hampshire	...	...	...	(a)
New Jersey	...	...	...	(a)
New Mexico	...	...	...	...
New York	Yes	Yes	Yes	(a)
North Carolina	Yes	Yes	Yes	...
North Dakota	...	...	...	...
Ohio	Yes	Yes	Yes	(a)
Oklahoma	...	...	...	...
Oregon	Yes	Yes	Yes	...
Pennsylvania	...	...	...	All family (c)
Rhode Island	Yes	Yes	Yes	(a)
South Carolina	(d)	Yes (d)	Yes (d)	...
South Dakota	...	...	...	...
Tennessee	Yes	Yes	Yes	...
Texas	...	Yes	Yes	...
Utah	Yes	Yes	Yes	...
Vermont	Yes	Yes	Yes	(a)
Virginia	...	Yes	Yes	(a)
Washington	Yes	Yes	...	...
West Virginia	Yes	Yes	Yes	(a)
Wisconsin	Yes	Yes	Yes	...
Wyoming	...	...	...	...
District of Columbia	...	...	...	...


TBD- To be determined

**Table 6** ▶ **Transferability of Benefits - continued**▶ **Notes**

- (a) Follows Internal Revenue Code 529
- (b) Any beneficiary under 15 with Kentucky ties, or any beneficiary named on a different KESPT account
- (c) Family member of purchaser or beneficiary
- (d) As long as new beneficiary is same age or younger than original beneficiary

  
  
**Internal Revenue Code, Section 529**

Under section 529 of the Internal Revenue Code, contributions to a tuition account may be transferred to another beneficiary without tax or other penalty, as long as the rollover to the new beneficiary is made within 60 days of the distribution from the former account. The new beneficiary must be a member of the prior beneficiary's family. In addition, contributors may change the designated beneficiary without tax or penalty, as long as the new beneficiary is also a family member.



**Table 7 Payment Information**

State	Pricing Varies by Age of Beneficiary	Percentage of Contracts Paid By			Average Cost of 4 year Lump Sum Payment (Newborn)	Monthly Payment Options
		Lump Sum	Installment	Partial Lump Sum and Installment		
Alabama	Yes	42%	58%		\$7,949	(a,b,c)
Alaska	No	(d)	(d)	(d)	\$9,720	(d)
Arizona	No	...	...	...	...	(b,c)
Arkansas	...	...	...	...	...	...
California	No	...	...	...	TBD	...
Colorado	Yes	27%	62%	11%	...	(b,c) monthly statement
Connecticut	Yes	60%	30%	10%	...	(b,c)
Delaware	Yes	...	...	...	...	(b,c)
Florida	Yes	28%	72%		\$6,020	(a,b,c)
Georgia	...	...	...	...	...	...
Hawaii	...	...	...	...	...	...
Idaho	...	...	...	...	...	...
Illinois	...	...	...	...	...	(a,b,c)
Indiana	No	...	...	...	...	(a,b,c)
Iowa	...	...	...	...	...	...
Kansas	...	...	...	...	...	...
Kentucky	...	...	...	...	\$8,130	(a,b,c)
Louisiana	Yes	...	...	...	\$46,038	(b,c) lump sum
Maine	...	...	...	...	...	...
Maryland	Yes	...	...	...	\$15,712	(a,c)
Massachusetts	No	42%	58%	...	\$47,448	(a,b,c)
Michigan	No	76%	3%	21%	(e)	(a,c)
Minnesota	No	...	...	...	...	...
Mississippi	Yes	32%	56%	12%	\$9,141	(a,b)
Missouri	No	...	...	...	...	(a,b)
Montana	...	...	...	...	...	...
Nebraska	...	...	...	...	...	...
Nevada	Yes	...	...	...	...	TBD
New Hampshire	No	...	...	...	...	(c)
New Jersey	No	...	...	...	...	...
New Mexico	...	...	...	...	...	...
New York	...	...	...	...	...	...
North Carolina	No	...	...	...	...	...
North Dakota	...	...	...	...	...	...
Ohio	Yes (f)	6%	38%	56%	\$14,200	(a,b,c)
Oklahoma	...	...	...	...	...	...
Oregon	...	...	...	...	...	...
Pennsylvania	No	...	...	...	\$13,920	(b,c)
Rhode Island	No	...	...	...	...	(a,b,c)
South Carolina	Yes	...	...	...	...	(a,b,c)
South Dakota	...	...	...	...	...	...
Tennessee	No	5%	95%	...	\$9,500	(a,b,c)
Texas	Yes	15%	85%	...	\$10,900	(a,b,c)
Utah	No	...	...	...	...	(a,c)
Vermont	...	...	...	...	...	...

**Table 7 ▶ Payment Information - continued**

State	Pricing Varies by Age of Beneficiary	Percentage of Contracts Paid By			Average Cost of 4 year Lump Sum Payment (Newborn)	Monthly Payment Options
		Lump Sum	Installment	Partial Lump Sum and Installment		
Virginia	Yes	37%	43%	20%	\$15,452	(a,b,c)
Washington	No	...	...	...	...	(b,c) monthly statement
West Virginia	Proposed	...	...	...	...	...
Wisconsin	Yes	6%	45%	49%	\$14,370	(a,b,c)
Wyoming	...	...	...	...	...	...
District of Columbia	...	...	...	...	...	...

TBD - to be determined

**▶ Notes:**

- (a) Coupon Books
- (b) Payroll Deduction
- (c) Electronic Payment
- (d) 100% unit-based-partial; pay as you go
- (e) \$20,512 full benefits; \$15,442 limited benefits
- (f) Volume discount pricing of 5 units or more



**Table 8 Account Information**

State	Price per Unit or Tuition Credit	Actual Qualified Expenses	Minimum Account Sustaining Purchases		Maximum Account Purchases	
			Dollar Amount Purchased	Qualified Expense Purchased	Dollar Amount Purchased	Qualified Expenses Purchased
Alabama	...	(1997) \$2,418	1 contract per beneficiary	135 semester hrs	1 contract per beneficiary	135 semester hours
Alaska	\$81/unit	\$81/unit	None	...	\$19,440 (a)	...
Arizona	...	...	...	...	...	...
Arkansas	...	...	...	...	...	...
California	...	...	TBD	TBD	TBD	TBD
Colorado	(b)	...	\$1,000 lump, or (c)	1/2 of one year at avg. Colorado public tuition	\$75,000-\$100,000	5yrs highest cost at private college tuition in Colorado
Connecticut	N/A	N/A	\$50/month	...	None	...
Delaware	N/A	N/A	\$50/month	...	\$112,950	...
Florida	N/A	N/A	\$12	60 community college hrs	\$6,020	120 state university hours
Georgia	...	...	...	...	...	...
Hawaii	...	...	...	...	...	...
Idaho	...	...	...	...	...	...
Illinois	...	...	...	1 semester	...	9 semesters
Indiana	N/A	N/A	\$25	N/A	N/A	N/A
Iowa	...	...	\$25/month	...	\$2,000/yr	...
Kansas	...	...	...	...	...	...
Kentucky	N/A	N/A	...	...	...	...
Louisiana	N/A	N/A	N/A	N/A	...	Once balance attained, deposits are no longer accepted
Maine	...	...	...	...	...	...
Maryland	N/A	N/A	\$34/month	1 year university plan for infant, or 2 year community college	\$17,289	4yrs university plan for 9th grader
Massachusetts	...	...	\$300/yr	...	...	4yrs at highest participating institution
Michigan	(d)	\$4,228 weighted avg.	\$1,643/yr; \$27/month	30 community college hrs	\$20,512/4yrs \$504/month	120 credits at 4yr public university
Minnesota	...	...	...	...	Considering \$100,000	...
Mississippi	...	...	\$10/month (newborn)	1yr at junior college	\$10,715 (12th grade)	4yrs at a public university
Missouri	...	...	...	...	...	...
Montana	...	...	...	...	...	...
Nebraska	...	...	...	...	...	...
Nevada	...	...	...	...	...	...
New Hampshire	...	...	...	...	\$100,311 for 1998	...
New Jersey	...	...	\$300/yr until \$1,200	...	\$100,000 max	...

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**Table 8 Account Information - continued**

State	Price per Unit or Tuition Credit	Actual Qualified Expenses	Minimum Account Sustaining Purchases		Maximum Account Purchases	
			Dollar Amount Purchased	Qualified Expense Purchased	Dollar Amount Purchased	Qualified Expenses Purchased
New Mexico	...	...	...	...	...	...
New York	...	...	...	...	...	...
North Carolina	...	...	...	...	...	...
North Dakota	...	...	...	...	...	...
Ohio	\$43 (d)	\$4,044 weighted average tuition	\$15/month	.37/unit	1,400 units	4yrs Ohio weighted average tuition
Oklahoma	...	...	...	...	...	...
Oregon	...	...	...	...	...	...
Pennsylvania	varies by designated tuition level	...	None	\$5 minimum purchase	None	...
Rhode Island	...	...	\$50/month or \$500	...	Full cost of college	...
South Carolina	...	...	...	...	...	...
South Dakota	...	...	...	...	...	...
Tennessee	(e)	...	None	...	1,500 units	...
Texas	...	...	\$14/month	1yr community college	\$40,294 lump sum	4yr private college
Utah	...	...	\$300/yr or \$25/month	...	1998 \$1,270	...
Vermont	...	...	...	...	...	...
Virginia	...	\$4,086/year university (f)	\$12/month newborn	1yr community college	\$23,203 newborn lump sum	5yrs plus 3yrs community college (8yrs total)
Washington	...	...	...	...	...	...
West Virginia	...	...	...	...	...	...
Wisconsin	\$29.40-\$36.80 (g)	\$2,507/100 units /1yr	\$25/month (h)	...	520 units/4yrs tuition	...
Wyoming	...	...	...	...	...	...
District of Columbia	...	...	...	...	...	...

TBD - to be determined  
 N/A - not applicable

**Notes:**

- (a) Per beneficiary based on lifetime contribution limit
- (b) All contracts are priced at or below actual average tuition at Colorado public colleges and universities
- (c) \$25 per month for five years
- (d) \$43/unit random cost; \$41/unit on monthly purchase plan (1.4% premium); actual unit cost varies by age

- (e) \$23.75/month payroll deduction; \$24.50/mo check
- (f) \$1,429/year community college
- (g) Varies by age of child
- (h) \$25 minimum purchase amount; no regular purchase requirement

Table 9 ▶ Matriculation Requirements

State	Mandatory Benefits Use Date	Disposition of Funds Not Claimed or Redeemed
Alabama	10yrs past projected enrollment	Reverts to the trust
Alaska	15yrs	Forfeited
Arizona	None	No deadline
Arkansas	...	...
California	TBD	TBD
Colorado	10yrs (a)	Refunded at market value minus penalty to purchaser
Connecticut	None	...
Delaware	None	...
Florida	10yrs	Escheat to trust
Georgia	...	...
Hawaii	...	...
Idaho	...	...
Illinois	10yrs	...
Indiana	25yrs	Refunded to participant minus penalty
Iowa	...	...
Kansas	...	...
Kentucky	Can delay no more than 8 semesters (b)	Refunded to participant minus penalty
Louisiana	None	No deadline (c)
Maine	...	...
Maryland	5yrs + military service	Refund to purchaser minus penalty
Massachusetts	6yrs	No deadline
Michigan	9yrs after anticipated college enrollment date	Balance refunded to purchaser without interest
Minnesota	Upon receipt of expenditures	...
Mississippi	10yrs past projected enrollment	Purchaser can request refunds (d)
Missouri	10yrs	Refund minus penalties and taxes
Montana	...	...
Nebraska	...	...
Nevada	10yrs *	TBD
New Hampshire	Indefinite	Determined by IRC 529
New Jersey	None	...
New Mexico	...	...
New York	None	TBD
North Carolina	Until age 30	Refunded to participant, less penalty
North Dakota	...	...
Ohio	Indefinite (e)	Trust retains forfeited accounts
Oklahoma	...	...
Oregon	...	...
Pennsylvania	Begin in 5yrs (f)	At-will refund
Rhode Island	(o)	Returned to beneficiary, less penalty (o)
South Carolina	Until age 30 (g)	Purchaser may request funds (h)
South Dakota	...	...
Tennessee	Indefinite (l)	Transferred to unclaimed property (j)
Texas	10yrs	Without refund request, funds are forfeited
Utah	22yrs and 4 months (k)	Refunded to participant (l)
Vermont	(o)	(o)
Virginia	10yrs (m)	Follow state unclaimed property statutes
Washington	10yrs (n)	Returned to program
West Virginia	10yrs or over age 30	Reverts to state control
Wisconsin	10 yrs	Refund earnings to purchase less penalty
Wyoming	...	...
District of Columbia	...	...

\* Under consideration

TBD - to be determined

**Table 9 ▶ Matriculation Requirements - continued****▶ Notes:**

- (a) Extensions may be requested
- (b) Benefits may be used until depleted
- (c) After a significant amount of time, abandoned property laws may apply
- (d) Funds not refunded are retained by the program
- (e) After 10yrs of inactivity or written notice of use, Trust may terminate accounts; owner forfeits monies
- (f) Begin within 5yrs of projected enrollment and complete within 10yrs
- (g) 4yr extension for military service
- (h) Unclaimed monies are refunded to the program fund
- (i) 10yrs of inactivity after age 18
- (j) In the event there has been no contact with purchaser or beneficiary
- (k) May be extended to age 27
- (l) Penalty of half the interest or \$50.00, whichever is less
- (m) Extension for military service; board may waive
- (n) Can be extended with a letter
- (o) Follows Internal Revenue Code 529

Table 10 Fees

State	Variable Enrollment Fee	Additional Fees								
		Application or Enrollment Fee	Late Payment	Voluntary Program Withdrawal	Involuntary Program Withdrawal	Beneficiary Substitutions	Transfer Contract Ownership	Rollover to Alternate Plan	Late Tuition Payment Request	Other
Alabama	No	\$75	\$15	\$150	\$150	\$55	\$20	\$20	...	(a)
Alaska	No	\$40	...	...	...	\$20	\$20	...	...	...
Arizona	No	\$10	...	...	...	...	...	...	...	...
Arkansas	...	...	...	...	...	...	...	...	...	...
California	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
Colorado	No	\$50	(b)	\$50	...	\$25	...	...	\$25	(c)
Connecticut	N/A	...	...	...	...	...	...	...	...	...
Delaware	No	None	None	...	...	None	N/A	...	None	...
Florida	No	\$42	\$10	\$50 (d)	\$50; \$250 fraud	\$5	...	...	...	(e)
Georgia	...	...	...	...	...	...	...	...	...	...
Hawaii	...	...	...	...	...	...	...	...	...	...
Idaho	...	...	...	...	...	...	...	...	...	...
Illinois	No	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	...
Indiana	No	\$10	N/A	N/A	N/A	\$25 (h)	\$25 (h)	N/A	N/A	(f)
Iowa	...	...	...	...	...	...	...	...	...	...
Kansas	...	...	...	...	...	...	...	...	...	...
Kentucky	No	...	...	\$25 (g)	\$25 (g)	\$25 (h)	...	...	...	...
Louisiana	None	None	None	None	None	None	None	None	None	None
Maine	...	...	...	...	...	...	...	...	...	...
Maryland	No	\$75	\$10/month	...	\$500 (i)	\$25(j)	\$10	\$25	...	...
Massachusetts	No	\$25	...	\$15	...	\$5	\$75	...	...	(k)
Michigan	No	(L)	\$10	\$200	\$50	\$25	\$25	...	...	(m)
Minnesota	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
Mississippi	No	\$60	\$15	\$150	\$150 (n)	\$20	\$20	\$20	\$45	(o)
Missouri	No	\$50*	...	...	...	...	...	...	...	...
Montana	...	...	...	...	...	...	...	...	...	...
Nebraska	...	...	...	...	...	...	...	...	...	...
Nevada	No	\$60 *	\$15 *	(p)	(p)	\$10	\$20	\$20	...	...
New Hampshire	No	\$10 (q)	...	...	15% of earnings	...	...	...	...	...
New Jersey	No	...	...	...	...	...	...	...	...	(r)
New Mexico	...	...	...	...	...	...	...	...	...	...
New York	...	...	...	...	...	...	...	Yes	...	Non-qualified withdrawals



**Table 10 Fees - continued**

State	Variable Enrollment Fee	Additional Fees								
		Application or Enrollment Fee	Late Payment	Voluntary Program Withdrawal	Involuntary Program Withdrawal	Beneficiary Substitutions	Transfer Contract Ownership	Rollover to to Alternate Plan	Late Tuition Payment Request	Other
North Carolina	No	\$75	...	...	...	...	...	...	...	...
North Dakota	...	...	...	...	...	...	...	...	...	...
Ohio	Yes (s)	\$50 (t)	\$25/check	...	\$25	...	...	...	\$25	(u)
Oklahoma	...	...	...	...	...	...	...	...	...	...
Oregon	...	...	...	...	...	...	...	...	...	...
Pennsylvania	No	\$50 (v)	...	\$10	...	\$10	\$10	...	...	NSF \$20
Rhode Island	No	...	...	...	...	...	...	...	...	...
South Carolina	No	\$65	\$15	\$75	\$100; \$500 fraud	\$20	\$20	N/A	\$45	...
South Dakota	...	...	...	...	...	...	...	...	...	...
Tennessee	No	\$50	...	\$25 (w)	...	...	\$25	...	\$25	NSF \$20
Texas	No	\$50	\$10	\$25	\$250	\$50	\$20	\$50	\$25	...
Utah	...	...	...	\$50 (x)	...	\$25 (y)	...	...	...	...
Vermont	None	...	...	...	...	...	...	...	...	...
Virginia	No (z)	\$85	\$15 (aa)	\$100 (bb)	Yes	\$10	\$10	...	...	(cc)
Washington	...	...	...	...	...	...	...	...	...	...
West Virginia	...	...	...	...	...	...	...	...	...	...
Wisconsin	No	\$50	...	...	1% penalty	\$50	...	...	...	...
Wyoming	...	...	...	...	...	...	...	...	...	...
District of Columbia	...	...	...	...	...	...	...	...	...	...

\* Under consideration • TBD - to be determined • N/A - not applicable • NSF - non-sufficient funds

► **Notes:**

- (a) Non-sufficient funds \$15; reproductions \$7; account maintenance \$3/month; \$20 lump private, or \$25/semester private/out-of-state
- (b) 1% of payment, not less than \$5
- (c) Dishonored payment \$25; reinstatement \$25
- (d) Waived for contracts two or more years old
- (e) Non-sufficient funds \$10; add-dormitory contract \$10; out-of-state transfer \$25
- (f) Annual administration fee 0.5%; investment expertise annual fee 1.25%
- (g) Proposed regulatory amendment would change fees to 10% of earnings refunded
- (h) After two substitutions
- (i) Or payments to date, whichever is less
- (j) Waived in the event of death or disability of beneficiary
- (k) 1% processing fee each time a bond is purchased
- (l) \$25 application fee; \$60 enrollment fee
- (m) \$10 non-sufficient funds fee

- (n) \$500 penalty for fraud
- (o) \$25 fee for enrollment in a private or out-of-state school
- (p) 50% of total paid or total fee of \$100
- (q) Part of .15% yearly asset fee
- (r) \$15/yr account maintenance fee, first 1% of investment yield to trust, and a bounced check fee
- (s) Variable dependent on newborn/other; phase of campaign period
- (t) May be discounted as low as \$0
- (u) \$25 non-sufficient funds; \$25 replacement payout check fee
- (v) \$50 to open accounts; amount is discounted \$25
- (w) After beneficiary reaches age 18
- (x) Or half the interest, whichever is less
- (y) Fee charged for the third and subsequent substitutions
- (z) Unless same participant is adding years for same beneficiary, fee changes to \$25
- (aa) Or, 5% of monthly payment
- (bb) Or, 50% of payments made, whichever is less
- (cc) Penalty for not using funds for higher education is a 2% reduction in rate of return

Table 11 Tax Treatment

State	Private IRS Ruling Requested	State Tax Advantages		Other
		Deduction for Contributions	Exemption for Earnings	
Alabama	Request withdrawn	...	Yes	...
Alaska	Request withdrawn	No	No	None
Arizona	Expected in 7/98	...	Yes	...
Arkansas	...	...	...	...
California	Will seek ruling	No (a)	No (a)	None (a)
Colorado	No	...	Yes	...
Connecticut	No	...	Yes	...
Delaware	No	No (a)	Yes	...
Florida	Filing fee returned; no letter issued	No	...	...
Georgia	...	...	...	...
Hawaii	...	...	...	...
Idaho	...	...	...	...
Illinois	No, expect to seek ruling	...	\$2,000/yr	...
Indiana	Request withdrawn	...	Yes	Tax deferred until distribution at beneficiary rate
Iowa	...	Yes, \$2,000	yes	...
Kansas	...	...	...	...
Kentucky	Yes, as of 5/93, KESPT was not an exempt organization under IRC 501c3	...	Yes	...
Louisiana	No	...	Yes	Grant funds are treated as scholarships
Maine	...	...	...	...
Maryland	No	Yes, \$2,500	Yes	...
Massachusetts	No	...	Yes	...
Michigan	Yes, favorable ruling confirms MET is a qualified tuition program	Yes	No	...
Minnesota	Will seek ruling	No	No	State GO bonds offer traditional tax advantages
Mississippi	Yes, qualified plan under IRC 529	Yes	Yes	...
Missouri	...	Yes, \$8,000	Yes	...
Montana	...	...	...	...
Nebraska	...	...	...	...
Nevada	No	...	...	...
New Hampshire	Will seek ruling	...	Yes	...
New Jersey	No	...	Yes	...
New Mexico	...	...	...	...
New York	Will seek ruling	Yes	Yes	...
North Carolina	Will seek ruling	...	...	...
North Dakota	...	...	...	...

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**Table 11 Tax Treatment - continued**

State	Private IRS Ruling Requested	State Tax Advantages		Other
		Deduction for Contributions	Exemption for Earnings	
Ohio	Request returned in 1996	...	Yes (b)	...
Oklahoma	...	...	...	...
Oregon	...	...	...	...
Pennsylvania	No	...	Yes	...
Rhode Island	No	...	...	Taxation at beneficiary's rate at withdrawal
South Carolina	Will seek ruling	...	Yes	Earnings are exempt
South Dakota	...	...	...	...
Tennessee	No	...	Yes	...
Texas	Received tax exempt status	No	No	...
Utah	No	Yes, \$1,270/yr	Yes	...
Vermont	...	...	Yes	...
Virginia	No	Yes, \$2000/yr	Yes	...
Washington	No	...	...	Washington has no state income tax
West Virginia	No	Yes	...	...
Wisconsin	No	...	Yes	...
Wyoming	...	...	...	...
District of Columbia	...	...	...	...

**Notes:**

- (a) No tax advantages beyond federal and state tax deferral
- (b) If earnings are used to pay qualified higher education expenses, up to 4yrs of average undergraduate education

Table 12 State Guarantees

State	State Guarantees	Benefits Honored if the Program is Cancelled
Alabama	No	Yes
Alaska	Organization; implied rate of return	Yes
Arizona	No	No
Arkansas	...	...
California	No	TBD
Colorado	No	No legal requirement
Connecticut	No	Yes
Delaware	No	No
Florida	Yes, statutory	Yes
Georgia	...	...
Hawaii	...	...
Idaho	...	...
Illinois	Yes, statutory	Yes
Indiana	No	Yes, accounts are account owner property
Iowa	...	...
Kansas	...	...
Kentucky	Yes, implied minimum rate of return	Yes
Louisiana	Yes, account redemption value	No (a)
Maine	...	...
Maryland	No	Yes
Massachusetts	Yes, constitutional full faith & credit	...
Michigan	No, secured by assets of the trust	No, contracts refunded
Minnesota	No	Yes
Mississippi	Yes, statutory	Yes
Missouri	No	...
Montana	...	...
Nebraska	...	...
Nevada	Yes, statutory	Yes, moral obligation
New Hampshire	No	No
New Jersey	No, moral obligation	Yes, moral obligation
New Mexico	...	...
New York	No	No
North Carolina	No	Yes
North Dakota	...	...
Ohio	Yes, constitutional full faith & credit	Yes
Oklahoma	...	...
Oregon	Yes, constitutional full faith & credit	Yes
Pennsylvania	Yes, statutory (b)	Unspecified (c)
Rhode Island	No	...
South Carolina	No	Yes
South Dakota	...	...
Tennessee	No	No
Texas	Yes, constitutional full faith & credit	Yes
Utah	No	Yes
Vermont	No	N/A (d)
Virginia	Yes, statutory	Yes
Washington	Yes, statutory	Yes
West Virginia	No	...
Wisconsin	No (e)	Yes
Wyoming	...	Yes
District of Columbia	...	...

**Table 12 ▶ State Guarantees - continued**

N/A - not applicable

TBD - to be determined

**▶ Notes**

- (a) Accounts are account owner property
- (b) If the beneficiary uses one of three types of participating schools
- (c) Assumed yes
- (d) VSAC will guarantee savings deposits and earnings
- (e) EdVest conducts an annual actuarial review of assets and liabilities and discloses fixed maturity values at purchase



**Table 13 Contribution Restrictions and Account Refunds**

State	Safeguards Against Excess Contributions	Restrictions for Refunding Accounts	Refunds During Program Life
Alabama	One contract per child that only covers 135 semester hours	Only purchaser may cancel	5,690
Alaska	Beneficiary lifetime limit \$19,440; 240 credits	...	2,484
Arizona	...	...	...
Arkansas	...	...	...
California	TBD	TBD	...
Colorado	Cannot save more than 5 yrs of highest Colorado private tuition	10 years after first payout	None
Connecticut	Average national cost to attend 4 yr private college	None	None
Delaware	Maximum contribution limit	...	...
Florida	Contracts limited to projected cost of fees	Unused escheat after 10 yrs (a)	91,846
Georgia	...	...	...
Hawaii	...	...	...
Idaho	...	...	...
Illinois	Maximum of 9 semesters	None	...
Indiana	Quarterly statements and notices; maximum contribution of \$100,000	See Table 14	1
Iowa	...	...	...
Kansas	...	...	...
Kentucky	Cost projections; refunds penalized and excess earnings taxed	...	592
Louisiana	Maximum balance is set on individual beneficiary information	End of fiscal quarter	53
Maine	...	...	...
Maryland	Maximum purchase of 4 yrs university plan	Contract must be in existence for 3 yrs (b)	...
Massachusetts	Investment limits	Bonds refunded at maturity (c)	201
Michigan	Computer monitors years purchased by beneficiary's social security number	Beneficiary must be 18 yrs old or a high school graduate	1,592
Minnesota	Any IRS restrictions	Any IRS restrictions	...
Mississippi	Maximum purchase of 4 yrs of tuition	None	171
Missouri	\$8,000 maximum	...	...
Montana	...	...	...
Nebraska	...	...	...
Nevada	...	...	...
New Hampshire	Established maximum contribution limits	...	...
New Jersey	...	None	...
New Mexico	...	...	...
New York	...	...	...
North Carolina	Project account against allowable costs of education in future	...	...
North Dakota	...	...	...
Ohio	Limit number of units per child	(d)	151
Oklahoma	...	...	...
Oregon	...	...	...
Pennsylvania	...	None	956
Rhode Island	...	...	...
South Carolina	Maximum purchase of 4 yrs of undergraduate tuition	Request by 3 yrs of expiration of eligibility (e)	...
South Dakota	...	...	...
Tennessee	1,500 unit limit with penalty rate	None (f)	...
Texas	Statute requires "de minimis" penalty (g)	None	8,700
Utah	Maximum annual contribution established	...	2
Vermont	...	...	...
Virginia	Cannot exceed 3 yr community college or 5 yr university	...	1,037

**Table 13** Contribution Restrictions and Account Refunds - continued

State	Safeguards Against Excess Contributions	Restrictions for Refunding Accounts	Refunds During Program Life
Washington	...	TBD	...
West Virginia	Prepaid tuition capped at tuition cost	Only purchaser may cancel	...
Wisconsin	4 yr tuition/fees of public institution statutory limit	Beneficiary must be age 18 (h)	...
Wyoming	...	...	...
District of Columbia	...	...	...

\* Under consideration

TBD - to be determined

**Notes:**

- (a) Unclaimed refunds escheat after 7 yrs
- (b) Board can delay refund for up to 5 yrs
- (c) Exceptions made for demonstrated financial hardship or death of beneficiary
- (d) No refund prior to beneficiary reaching age 18 except death, disability, or economic hardship
- (e) Penalty applies to refunds not used for qualified educational expenses
- (f) No refunds prior to beneficiary reaching age 18 except death, disability, or scholarship
- (g) Any refunds are taxed to the purchaser
- (h) Refunds may be paid over a 4 yr period

Table 14 Refund

State	Refunds With/ Without Penalty Are Available for the Following Reasons									
	"De Minimis" Penalty	Voluntary Withdrawal	Involuntary Withdrawal	Death/ Disability	Economic Hardship	Failure to Gain Admission	Dismissed From School	Scholarship	Decision Not to Attend	Other
Alabama	(a)	Yes (a)	Yes (a)	Cancellation fee waived (a)	Yes (a)	Yes (a)	Yes (a)	...	Yes (a)	...
Alaska	7.5% of market value	Yes, 12.5% MV penalty	No	Yes	No	Yes, 7.5% MV penalty	Yes, 7.5% MV penalty	Yes	Yes, 7.5% MV	Failure to qualify, 12.5% MV
Arizona	20%	No	No	Yes	No	No	No	No	No	...
Arkansas	...	...	...	...	...	...	...	...	...	...
California	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
Colorado	10% of increased earnings	No	No	Yes	Yes, \$50 fee (b)	Yes, \$50 fee (b)	Yes, \$50 fee (b)	Yes	Yes, \$50 fee (b)	...
Connecticut	15%	Yes, 15% fee	...	Yes	...	...	...	Yes	...	TBD
Delaware	15%	Yes (f)	Yes (f)	Yes, no penalty	Yes (f)	...	...	...	...	...
Florida	Yes, no interest returned	Yes, no interest	Yes, no interest	Yes, 5%	Yes, no interest	Yes, no interest	Yes, no interest	Yes, 5%	Yes, no interest	...
Georgia	...	...	...	...	...	...	...	...	...	...
Hawaii	...	...	...	...	...	...	...	...	...	...
Idaho	...	...	...	...	...	...	...	...	...	...
Illinois	Refund contract payment only (c)	...	...	Yes, no penalty	...	...	...	Yes, purchase + 2%	...	...
Indiana	10% of earnings	Yes, 10% of earnings	Yes, 10% of earnings	Yes	Yes, 10% of earnings	Yes, 10% of earnings	Yes, 10% of earnings	Yes	Yes, 10% of earnings	...
Iowa	...	...	...	...	...	...	...	...	...	...
Kansas	...	...	...	...	...	...	...	...	...	...
Kentucky	\$ 25 (d)	Yes, \$25 fee	Yes, \$25	Yes	Yes, \$25	Yes, \$25	Yes, \$25	Yes	Yes, \$25	Yes, \$25
Louisiana	10%	Yes, 10% fee	Yes, 10%	Yes	Yes, 10%	Yes, 10%	Yes, 10%	Yes	Yes, 10%	...
Maine	...	...	...	...	...	...	...	...	...	...
Maryland	contribution+1/2 earnings without compounding (e)	Yes, penalty refund	Yes, penalty refund	Yes, no penalty	Yes, penalty refund	...	Yes, penalty refund	Yes	Yes, penalty refund	Tuition remission, non penalty refund
Massachusetts	15%	Yes, \$15 fee	...	Yes	Yes	Yes	Yes	...	...	...
Michigan	Lowest tuition	No	No	Yes	No	No	No	Yes	Yes	Military enlistment
Minnesota	TBD	...	...	...	...	...	...	...	...	...
Mississippi	\$150	Yes, \$150 fee	Yes, \$150 fee	Yes	Yes, \$150	Yes, \$150	Yes, \$150	Yes, \$150	Yes, \$150	...
Missouri	10% *	Yes, penalty & taxes	Yes, penalty & taxes	Yes	Yes, penalty & taxes	Yes, penalty & taxes	Yes, penalty & taxes	Yes, taxes	Yes, penalty & taxes	...
Montana	...	...	...	...	...	...	...	Yes, no penalty	...	...
Nebraska	...	...	...	...	...	...	...	...	...	...
Nevada	...	...	...	...	...	...	...	...	...	...
New Hampshire	15% on earnings	Yes (f)	Yes (f)	Yes, no penalty	...	...	...	Yes	...	...
New Jersey	10% on earnings	Yes	Yes	Yes, no penalty	Yes	Yes	Yes	Yes, no penalty	Yes	Yes (g)
New Mexico	...	...	...	...	...	...	...	...	...	...
New York	15% *	...	...	...	...	...	...	...	...	...

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**Table 14 ▶ Refund - continued**

State	Refunds With/ Without Penalty Are Available for the Following Reasons									
	"De Minimis" Penalty	Voluntary Withdrawal	Involuntary Withdrawal	Death/ Disability	Economic Hardship	Failure to Gain Admission	Dismissed From School	Scholarship	Decision Not to Attend	Other
North Carolina	15% fee	Yes, 15% fee	Yes, 15% fee	Yes, no penalty	Yes, 15% fee	Yes, 15% fee	Yes, 15% fee	Yes, no penalty	Yes, 15% fee	...
North Dakota	...	...	...	...	...	...	...	...	...	...
Ohio	1% of weighted average tuition (h)	...	Yes, forfeit all earnings and fees	Yes, no penalty	Yes, OTA discretion	Yes (i)	Yes (i)	Payout not considered a refund	Yes (i)	Completion of degree, 1% of unit value + \$25 check fee
Oklahoma	...	...	...	...	...	...	...	...	...	...
Oregon	...	...	...	...	...	...	...	...	...	...
Pennsylvania	At-will refunds receive amount paid	Yes, forfeit earnings	...	Yes, no penalty	Yes, forfeit earnings	Yes, no penalty	Yes, forfeit earnings	Yes, (j)	Yes, (k)	...
Rhode Island	...	Yes (l)	Yes, no penalty	Yes, no penalty	Yes (l)	Yes (l)	Yes (l)	Yes, no penalty	Yes (l)	...
South Carolina	50% of payments (m) up to \$75 penalty	Yes, no earnings and up to \$500 penalty	Yes, no earnings and up to \$75 cancellation fee	Yes, no penalty	Yes, "de minimis"	Yes, no earnings and up to \$75 cancellation fee	Yes, no earnings and up to \$75 cancellation fee	Yes, no penalty	Yes, no earnings and up to \$75 cancellation fee	...
South Dakota	...	...	...	...	...	...	...	...	...	...
Tennessee	50% of increase in value	Yes, 50% earnings	...	Yes, no penalty	No	...	...	Yes, no penalty	Yes, penalty	...
Texas	10% penalty	Yes, \$25 fee	Yes, \$25 fee plus late fee	Yes, no penalty	Yes, \$25 fee	Yes, no penalty	Yes, no penalty	Yes, no penalty	Yes, no penalty	...
Utah	Loss of interest during first 2yrs (n)	Yes (n)	...	Yes, no penalty	...	...	...	...	Yes, (m)	...
Vermont	Maximum allowed by IRS*	...	...	...	...	...	...	...	...	...
Virginia	2% reduction in rate of return (o)	Yes (p)	Yes (p)	Yes, no penalty	Yes (p)	Yes (o)	Yes (o)	Yes, no penalty	Yes (o)	...
Washington	...	...	...	...	...	...	...	...	...	...
West Virginia	TBD	Yes*, termination fee	Yes*, less fee	Yes*, no penalty	Yes*, less fee	Yes*, less fee	None for that semester	Yes*, no penalty	Yes*, less fee	...
Wisconsin	1% of account value	Yes, "de minimis"	Yes, forfeit earnings	Yes, no penalty	Yes, less 1% acct value	Yes, "de minimis"	Yes, "de minimis"	Yes, no penalty	Yes, "de minimis"	...
Wyoming	...	...	...	...	...	...	...	...	...	...
Dist. of Columbia	...	...	...	...	...	...	...	...	...	...

\* - proposed • MV - market value • TBD - to be determined

▶ **Notes:**

- (a) \$150 cancellation fee; no interest refunded; \$20 account maintenance fee; \$3/mo. maintenance fee
- (b) Additional 10% of earnings
- (c) In some cases, contribution plus 2% interest compounded annually
- (d) Proposed regulatory amendment of 10% of earnings
- (e) Or lowest tuition benefit, whichever is lower
- (f) Funds can be withdrawn at any time for any reason with a 15% penalty on earnings except where noted
- (g) Except as noted, withdrawals are subject to penalties not allowed under IRC 529

- (h) Plus 99% refund locked at same rate. Minimum 1yr delay with 25% payment/yr; no growth added
- (i) 1% of value; delay in payment; \$25 fee per check
- (j) Beneficiary receiving scholarships is refunded the value of tuition
- (k) 10% of value of credits
- (l) Administrative penalty/ more than "de minimis"
- (m) Or, \$75 voluntary withdrawal, \$100 involuntary withdrawal, \$500 fraud or misrepresentation
- (n) After 2yrs, lesser of half the interest or \$50
- (o) Participant not eligible for interest refund unless they maintain a contract for 3yrs or more
- (p) Cancellation fee plus 2% reduction in reasonable rate of return

**Table 15 ▶ Payout Information**

State	Payouts Are Made To				
	Institutions on Contract Date	Institutions on Established Distribution Date	Participants on Contract Date	Beneficiaries on Contract Date	Other
Alabama	...	Upon invoice receipt	...	...	...
Alaska	...	...	...	Semester enrollment	...
Arizona	...	...	...	...	...
Arkansas	...	...	...	...	...
California	TBD	TBD	TBD	TBD	TBD
Colorado	...	...	...	...	TBD
Connecticut	...	...	...	...	Institutions/ beneficiary upon notification
Delaware	...	...	...	...	...
Florida	...	...	...	...	Institutions upon submission of invoices
Georgia	...	...	...	...	...
Hawaii	...	...	...	...	...
Idaho	...	...	...	...	...
Illinois	TBD	...	...	...	...
Indiana	Yes	...	...	...	...
Iowa	...	...	...	...	...
Kansas	...	...	...	...	...
Kentucky	...	Yes	...	...	...
Louisiana	...	...	...	...	...
Maine	...	...	...	...	...
Maryland	...	Yes	...	...	...
Massachusetts	...	Yes	...	...	...
Michigan	...	Upon invoice receipt	Upon termination	Upon termination if named refund designee	...
Minnesota	...	...	...	...	...
Mississippi	...	Upon invoice receipt	...	...	Payments made directly to institution upon billing
Missouri	...	...	...	...	...
Montana	...	...	...	...	...
Nebraska	...	...	...	...	...
Nevada	...	...	...	...	...
New Hampshire	...	...	...	...	...
New Jersey	...	...	...	...	...
New Mexico	...	...	...	...	...
New York	...	...	...	...	...
North Carolina	...	...	...	...	...
North Dakota	...	...	...	...	...
Ohio	...	Yes (a)	...	...	Co-payable check through beneficiary 10 days before due to an institution
Oklahoma	...	...	...	...	...
Oregon	...	...	...	...	...
Pennsylvania	...	As requested by purchaser	...	...	...
Rhode Island	...	Upon enrollment	...	...	...
South Carolina	...	Yes	...	...	...
South Dakota	...	...	...	...	...
Tennessee	...	...	...	...	Institutions at beneficiary request
Texas	...	After add/drop each semester	...	...	...



**Table 15 Payout Information - continued**

State	Payouts Are Made To				
	Institutions on Contract Date	Institutions on Established Distribution Date	Participants on Contract Date	Beneficiaries on Contract Date	Other
Utah	...	Yes	...	...	Unapplied funds returned to beneficiary (b)
Vermont	...	...	...	...	...
Virginia	...	...	...	...	...
Washington	...	...	...	...	...
West Virginia	...	Yes	...	...	...
Wisconsin	...	...	...	...	Payable to beneficiary or institution on scheduled date
Wyoming	...	...	...	...	...
District of Columbia	...	...	...	...	...

TBD - to be determined

**Notes**

- (a) Electronic wire to institution on first day after last day to withdraw with a refund  
 (b) Beneficiary uses refund for payment of qualifying average costs of attendance

**Table 18** Dollar Volume Participation by Year

State	Dollar Volume Participation in Each Year of Operation									
	Year 1	Amount	Year 2	Amount	Year 3	Amount	Year 4	Amount	Year 5	Amount
Alabama	1990	\$88,919,000	1991	\$46,538,000	1992	\$43,833,000	1993	\$38,088,000	1994	\$37,329,000
Alaska	1991	\$2,695,982	1992	\$3,782,612	1993	\$3,305,024	1994	\$3,262,641	1995	\$2,980,398
Arizona	...	...	...	...	...	...	...	...	...	...
Arkansas	...	...	...	...	...	...	...	...	...	...
California	...	...	...	...	...	...	...	...	...	...
Colorado	1998	\$60,000,000	...	...	...	...	...	...	...	...
Connecticut	1998	\$4,450,000	...	...	...	...	...	...	...	...
Delaware	1998	...	...	...	...	...	...	...	...	...
Florida	88-89	\$140,977,265	89-90	\$111,821,806	90-91	\$82,114,374	91-92	\$108,353,127	92-93	\$143,973,006
Georgia	...	...	...	...	...	...	...	...	...	...
Hawaii	...	...	...	...	...	...	...	...	...	...
Idaho	...	...	...	...	...	...	...	...	...	...
Illinois	...	...	...	...	...	...	...	...	...	...
Indiana	97-98	\$5,261,872	...	...	...	...	...	...	...	...
Iowa	...	...	...	...	...	...	...	...	...	...
Kansas	...	...	...	...	...	...	...	...	...	...
Kentucky	1990	\$191,413	1991	\$413,075	1992	\$541,639	1993	\$774,180	1994	\$801,737
Louisiana	97-98	\$761,309	...	...	...	...	...	...	...	...
Maine	...	...	...	...	...	...	...	...	...	...
Maryland	...	...	...	...	...	...	...	...	...	...
Massachusetts	1995	\$25,993,815	1996	\$18,963,496	1997	\$19,901,587	1998	\$17,502,243	...	...
Michigan	1988	\$265,796,415	1989	\$59,726,783	1990	\$19,343,101	1995	\$17,274,588	1997	Not yet available
Minnesota	...	...	...	...	...	...	...	...	...	...
Mississippi	1997	(a)	1998	\$30,220,254	...	...	...	...	...	...
Missouri	...	...	...	...	...	...	...	...	...	...
Montana	...	...	...	...	...	...	...	...	...	...
Nebraska	...	...	...	...	...	...	...	...	...	...
Nevada	...	...	...	...	...	...	...	...	...	...
New Hampshire	...	...	...	...	...	...	...	...	...	...
New Jersey	...	...	...	...	...	...	...	...	...	...
New Mexico	...	...	...	...	...	...	...	...	...	...
New York	...	...	...	...	...	...	...	...	...	...
North Carolina	...	...	...	...	...	...	...	...	...	...
North Dakota	...	...	...	...	...	...	...	...	...	...

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**Table 18 Dollar Volume Participation by Year - continued**

State	Dollar Volume Participation in Each Year of Operation									
	Year 1	Amount	Year 2	Amount	Year 3	Amount	Year 4	Amount	Year 5	Amount
Ohio	1990	\$2,179,000	1991	\$21,419,000	1992	\$33,631,000	1993	\$37,962,000	1994	\$26,252,000
Oklahoma	...	...	...	...	...	...	...	...	...	...
Oregon	...	...	...	...	...	...	...	...	...	...
Pennsylvania	1994	\$10,219,000	1995	\$30,775,000	1996	\$51,716,000	1997	\$70,153,000	...	...
Rhode Island	...	...	...	...	...	...	...	...	...	...
South Carolina	...	...	...	...	...	...	...	...	...	...
South Dakota	...	...	...	...	...	...	...	...	...	...
Tennessee	96-97	\$200,000	97-98	\$6,000,000	...	...	...	...	...	...
Texas	1996	\$3,750,000	1997	\$2,500,000	1998	\$1,250,000	...	...	...	...
Utah	1997	\$265,547	1998	\$394,761	...	...	...	...	...	...
Vermont	...	...	...	...	...	...	...	...	...	...
Virginia	1996	...	1997	\$240,000,000	1998	\$110,000,000	...	...	...	...
Washington	...	...	...	...	...	...	...	...	...	...
West Virginia	...	...	...	...	...	...	...	...	...	...
Wisconsin	97-98	\$2,086,430	...	...	...	...	...	...	...	...
Wyoming	...	...	...	...	...	...	...	...	...	...
District of Columbia	...	...	...	...	...	...	...	...	...	...

Table 18 - Dollar Volume Participation by Year

**Table 18 Dollar Volume Participation by Year**

State	Dollar Volume Participation in Each Year of Operation									
	Year 6	Amount	Year 7	Amount	Year 8	Amount	Year 9	Amount	Year 10	Amount
Alabama	1995	\$41,620,000	1996	\$41,834,000	1997	\$37,474,000	...	...	...	...
Alaska	1996	\$2,979,334	1997	\$2,936,229	...	...	...	...	...	...
Arizona	...	...	...	...	...	...	...	...	...	...
Arkansas	...	...	...	...	...	...	...	...	...	...
California	...	...	...	...	...	...	...	...	...	...
Colorado	...	...	...	...	...	...	...	...	...	...
Connecticut	...	...	...	...	...	...	...	...	...	...
Delaware	...	...	...	...	...	...	...	...	...	...
Florida	93-94	\$194,662,278	94-95	\$162,103,068	95-96	\$156,013,050	96-97	\$163,980,218	97-98	\$144,517,758
Georgia	...	...	...	...	...	...	...	...	...	...
Hawaii	...	...	...	...	...	...	...	...	...	...
Idaho	...	...	...	...	...	...	...	...	...	...
Illinois	...	...	...	...	...	...	...	...	...	...
Indiana	...	...	...	...	...	...	...	...	...	...
Iowa	...	...	...	...	...	...	...	...	...	...
Kansas	...	...	...	...	...	...	...	...	...	...
Kentucky	1995	\$953,740	1996	\$1,153,104	1997	\$1,512,746	...	...	...	...
Louisiana	...	...	...	...	...	...	...	...	...	...
Maine	...	...	...	...	...	...	...	...	...	...
Maryland	...	...	...	...	...	...	...	...	...	...
Massachusetts	...	...	...	...	...	...	...	...	...	...
Michigan	...	...	...	...	...	...	...	...	...	...
Minnesota	...	...	...	...	...	...	...	...	...	...
Mississippi	...	...	...	...	...	...	...	...	...	...
Missouri	...	...	...	...	...	...	...	...	...	...
Montana	...	...	...	...	...	...	...	...	...	...
Nebraska	...	...	...	...	...	...	...	...	...	...
Nevada	...	...	...	...	...	...	...	...	...	...
New Hampshire	...	...	...	...	...	...	...	...	...	...
New Jersey	...	...	...	...	...	...	...	...	...	...
New Mexico	...	...	...	...	...	...	...	...	...	...
New York	...	...	...	...	...	...	...	...	...	...
North Carolina	...	...	...	...	...	...	...	...	...	...
North Dakota	...	...	...	...	...	...	...	...	...	...

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Table 18 Dollar Volume Participation by Year - continued

State	Dollar Volume Participation in Each Year of Operation									
	Year 6	Amount	Year 7	Amount	Year 8	Amount	Year 9	Amount	Year 10	Amount
Ohio	1995	\$25,739,868	1996	\$27,213,871	1997	\$46,344,136	1998	\$36,558,666	...	...
Oklahoma	...	...	...	...	...	...	...	...	...	...
Oregon	...	...	...	...	...	...	...	...	...	...
Pennsylvania	...	...	...	...	...	...	...	...	...	...
Rhode Island	...	...	...	...	...	...	...	...	...	...
South Carolina	...	...	...	...	...	...	...	...	...	...
South Dakota	...	...	...	...	...	...	...	...	...	...
Tennessee	...	...	...	...	...	...	...	...	...	...
Texas	...	...	...	...	...	...	...	...	...	...
Utah	...	...	...	...	...	...	...	...	...	...
Vermont	...	...	...	...	...	...	...	...	...	...
Virginia	...	...	...	...	...	...	...	...	...	...
Washington	...	...	...	...	...	...	...	...	...	...
West Virginia	...	...	...	...	...	...	...	...	...	...
Wisconsin	...	...	...	...	...	...	...	...	...	...
Wyoming	...	...	...	...	...	...	...	...	...	...
District of Columbia	...	...	...	...	...	...	...	...	...	...

Notes

(a) Payments on contracts sold in FY97 were not due until FY98



Table 19 Rates of Return

State	Actuarially Assumed				Rate of Return (Minus Fees)	
	Rate of Return	Tuition Inflation	New Accounts Annually	Annual Sales/Savings	Fiscal Year 1997	Since Inception
Alabama	9%	...	...	...	26%	14%
Alaska	7%	7%	2,000	\$2,000,000	19.50%	...
Arizona	...	...	...	...	...	...
Arkansas	...	...	...	...	...	...
California	TBD	TBD	TBD	TBD	...	...
Colorado	...	...	...	...	...	...
Connecticut	...	...	...	...	...	...
Delaware	...	...	...	...	...	...
Florida	(a)	(b)	40,000	...	13.80%	12.80%
Georgia	...	...	...	...	...	...
Hawaii	...	...	...	...	...	...
Idaho	...	...	...	...	...	...
Illinois	TBD	TBD	TBD	TBD	N/A	N/A
Indiana	...	...	...	...	...	...
Iowa	...	...	...	...	...	...
Kansas	...	...	...	...	...	...
Kentucky	6%	6%	...	...	5.97%	6.25%
Louisiana	6%	6%	...	...	...	(c)
Maine	...	...	...	...	...	...
Maryland	7.50%	(d)	...	...	N/A	...
Massachusetts	...	...	...	...	N/A	N/A
Michigan	7.65%	(e)	...	...	10.30%	12.30%
Minnesota	...	...	...	...	...	...
Mississippi	8.10%	7%	...	...	...	...
Missouri	...	...	...	...	...	...
Montana	...	...	...	...	...	...
Nebraska	...	...	...	...	...	...
Nevada	...	...	...	...	...	...
New Hampshire	...	...	...	...	...	...
New Jersey	...	...	...	...	...	...
New Mexico	...	...	...	...	...	...
New York	...	...	...	...	...	...
North Carolina	...	...	...	...	...	...
North Dakota	...	...	...	...	...	...
Ohio	7.50%	6%	11,000	\$50,000,000	15.80%	10.80%
Oklahoma	...	...	...	...	...	...
Oregon	...	...	...	...	...	...
Pennsylvania	(f)	7-8.5%	...	...	18%	63% (g)
Rhode Island	...	...	...	...	...	...
South Carolina	...	...	...	...	...	...
South Dakota	...	...	...	...	...	...
Tennessee	...	...	...	...	...	...
Texas	8.50%	7.50%	...	...	5.95%	5.95%
Utah	...	...	...	...	5.70%	5.70%
Vermont	...	...	...	...	...	...
Virginia	8%	7%	...	...	...	7.90%

**Table 19 ▶ Rates of Return - continued**

State	Actuarially Assumed				Rate of Return (Minus Fees)	
	Rate of Return	Tuition - Inflation	New Accounts Annually	Annual Sales/Savings	Fiscal Year 1997	Since Inception
Washington	...	...	...	...	...	...
West Virginia	...	...	...	...	...	...
Wisconsin	Varies	7%	...	...	6.50%	6.50%
Wyoming	...	...	...	...	...	...
District of Columbia	...	...	...	...	...	...

N/A - not applicable

TBD - to be determined

**▶ Notes**

- (a) Spot yield rates for U.S. Treasuries
- (b) State university tuition 7.5%; community college tuition 5%; state university dorms 6%
- (c) 6.13% contributions; 6.25% grant funds
- (d) 5.5% tuition; 10% fees
- (e) 7.45% for 5yrs then 7.3%
- (f) 7% for 3yrs then 9.17% thereafter
- (g) Cumulative interest rate received over 5yrs of operation

Table 20 Startup Costs

State	State Provided Startup Costs (excludes loans)	Other Startup Sources	Start-up Year One	Year Two	Year Three
Alabama	\$500,000	...	\$534,000	\$1,360,000	\$942,000
Alaska	...	Internal Resource Reallocation	\$150,000	\$150,000	\$150,000
Arizona	\$86,500	New account fees	\$86,500	TBD	TBD
Arkansas	...	...	...	...	...
California	\$965,000	...	\$385,000	\$580,000	...
Colorado	\$1,500,000	(a)	\$1,500,000 (b)	...	...
Connecticut	...	Private partner	...	...	...
Delaware	\$75,000	Private partner	\$3,000	...	...
Florida	...	\$500,000 loan	\$100,000	\$597,243	\$3,233,393
Georgia	...	...	...	...	...
Hawaii	...	...	...	...	...
Idaho	...	...	...	...	...
Illinois	...	\$1,200,000	...	...	...
Indiana	...	...	...	...	...
Iowa	\$200,000 (c)	...	...	...	...
Kansas	...	...	...	...	...
Kentucky	...	(d)	\$250,000	\$270,000	...
Louisiana	\$188,559	...	\$188,559	\$379,010	...
Maine	...	...	...	...	...
Maryland	\$1,959,000	...	\$1,359,000	\$1,850,000	...
Massachusetts	\$750,000	...	\$815,700	\$146,000	\$185,000
Michigan	...	Department of Treasury loan	\$2,278,000	\$2,047,000	...
Minnesota	...	...	...	...	...
Mississippi	...	Loans due '99-'00	\$618,025	\$950,000	\$1,607,000
Missouri	...	(e)	...	...	...
Montana	...	...	...	...	...
Nebraska	...	...	...	...	...
Nevada	...	\$1,200,000 loan	...	...	...
New Hampshire	...	Private partner	...	...	...
New Jersey	\$350,000	...	\$294,500	...	...
New Mexico	...	...	...	...	...
New York	\$450,000	Private partner	\$150,000	\$300,000	...
North Carolina	...	(f)	...	...	...
North Dakota	...	...	...	...	...
Ohio	...	(g)	\$1,300,000	\$1,600,000	\$1,300,000
Oklahoma	\$195,000	...	...	...	...
Oregon	...	...	...	...	...
Pennsylvania	...	\$750,000 (h)	\$952,915	\$768,801	\$795,955
Rhode Island	\$200,000 (i)	Private partner	Minimal	Minimal	Minimal
South Carolina	\$400,000	...	...	...	...
South Dakota	...	...	...	...	...
Tennessee	...	(j)	\$528,000	\$600,000	...
Texas	\$3,500,000	...	\$3,700,000	\$4,500,000	\$4,500,000
Utah	\$45,000	...	\$45,000	\$45,000	\$46,575
Vermont	...	(k)	...	...	...

**Table 20 ▶ Startup Costs - continued**

State	State Provided Startup Costs (excludes loans)	Other Startup Sources	Start-up Year One	Year Two	Year Three
Virginia	...	\$2,000,000 loan (l)	\$100,000	\$2,500,000	\$2,900,000
Washington	\$412,000	Loan	\$1,600,000	...	...
West Virginia	\$1,000,000	...	\$1,000,000	...	...
Wisconsin	\$721,900 loan	\$265,000	\$450,000	\$512,000	...
Wyoming	...	...	...	...	...
District of Columbia	...	...	...	...	...

**▶ Key**

TBD - to be determined

**▶ Notes**

- (a) Startup costs of \$1,500,000 plus \$1,000,000 for year one of operation
- (b) Zero interest loan from Colorado Student Obligation Bond Authority paid back over 20 years
- (c) Provided annually for administration
- (d) Kentucky Higher Education Assistance Authority loaned KESPT: '89- \$270,000; '90- \$250,000. Debt was forgiven in 1992
- (e) Staff costs handled by office appropriations; fund administration paid by basis points
- (f) Consortium of North Carolina banks; College Foundation Inc.
- (g) State Controlling Board made two emergency loans for \$150,000 each of which were repaid within 6 months
- (h) To be reimbursed over 10yrs starting 2yrs after program opening
- (i) Will likely be returned to the state
- (j) Loan to be paid back with interest
- (k) Covered by Vermont Student Assistance Corporation
- (l) Agency required to repay balance by FY98

Table 21 Program Administration

State	Basic Administration	Program Manager	Finance Manager	Marketing	Computer Services	Actuary Functions	Banking/Lockbox	Customer Services	Website Development/Management	Other
Alabama	In-house	In-house	Outsource	In-house	Combination	Outsource	Outsource	Combination	...	...
Alaska	In-house	In-house	In-house	In-house	In-house	Combination	In-house	In-house	In-house	...
Arizona	In-house	Outsource	Outsource	Combination	Outsource	Outsource	Outsource	Combination	Combination	...
Arkansas	...	...	...	...	...	...	...	...	...	...
California	Outsource	In-house	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	...
Colorado	In-house	In-house	Combination	Combination	In-house	Outsource	Outsource	Combination	In-house	...
Connecticut	Outsource	In-house	Outsource	Outsource	Outsource	N/A	Outsource	Outsource	Outsource	...
Delaware	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	...
Florida	Combination	In-house	In-house	Combination	Combination	Outsource	Outsource	Combination	In-house	In-house accounting
Georgia	...	...	...	...	...	...	...	...	...	...
Hawaii	...	...	...	...	...	...	...	...	...	...
Idaho	...	...	...	...	...	...	...	...	...	...
Illinois	In-house	In-house	In-house	Outsource	Outsource	Outsource	Outsource	Outsource	In-house	...
Indiana	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	...
Iowa	...	...	...	...	...	...	...	...	...	...
Kansas	...	...	...	...	...	...	...	...	...	...
Kentucky	In-house	In-house	Outsource	In-house	In-house	In-house	Outsource	In-house	In-house	...
Louisiana	In-house	In-house	Outsource	Combination	In-house	Combination	...	In-house	In-house	...
Maine	...	...	...	...	...	...	...	...	...	...
Maryland	In-house	In-house	Outsource	Combination	In-house	Outsource	Outsource	...	Combination	...
Massachusetts	In-house	In-house	(a)	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	...
Michigan	In-house	In-house	In-house	In-house	In-house	Outsource	Outsource	In-house	In-house	...
Minnesota	...	...	...	...	...	...	...	...	...	(b)
Mississippi	In-house	In-house	Outsource	Combination	Outsource	Outsource	Outsource	Outsource	In-house	...
Missouri	...	...	...	...	...	...	...	...	...	...
Montana	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	...
Nebraska	...	...	...	...	...	...	...	...	...	...
Nevada	In-house	In-house	...	Outsource	Outsource	Outsource	Outsource	Outsource	In-house	...
New Hampshire	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	...
New Jersey	In-house	In-house	In-house	Outsource	Outsource	Outsource	Outsource	Outsource	In-house	...
New Mexico	In-house	In-house	In-house	In-house	In-house	In-house	In-house	In-house	In-house	...
New York	...	...	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	...
North Carolina	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	...
North Dakota	...	...	...	...	...	...	...	...	...	...
Ohio	In-house	In-house	In-house	In-house	In-house	Outsource	Outsource	...	Outsource	...



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**Table 21 Program Administration - continued**

State	Basic Administration	Program Manager	Finance Manager	Marketing	Computer Services	Actuary Functions	Banking/Lockbox	Customer Services	Website Development/Management	Other
Oklahoma	...	...	...	...	...	...	...	...	...	...
Oregon	...	...	...	...	...	...	...	...	...	...
Pennsylvania	In-house	In-house	In-house	Combination	In-house	Outsource	In-house	In-house	Outsource	...
Rhode Island	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	...
South Carolina	In-house	In-house	In-house	Outsource	In-house	Outsource	Outsource	Outsource	In-house	...
South Dakota	...	...	...	...	...	...	...	...	...	...
Tennessee	In-house	In-house	...	In-house (c)	In-house	Outsource	In-house	In-house	In-house	In-house accounting
Texas	Combination	In-house	In-house	Combination	Combination	Outsource	Outsource	Combination	Outsource	...
Utah	In-house	In-house	In-house	In-house	In-house	...	...	In-house	In-house	...
Vermont	...	...	...	...	...	...	...	...	...	...
Virginia	In-house	In-house	In-house	Combination	In-house	Outsource	Outsource	Outsource	In-house	...
Washington	In-house	In-house	In-house	Outsource	Outsource	Outsource	Outsource	Outsource	Outsource	...
West Virginia	In-house	In-house	In-house	Combination	Combination	Outsource	In-house	Outsource	In-house	Outside investments
Wisconsin	In-house	In-house	In-house	Combination	In-house	Outsource	Outsource	In-house	In-house	...
Wyoming	...	...	...	...	...	...	...	...	...	...
District of Columbia	...	...	...	...	...	...	...	...	...	...

N/A - not applicable

**Notes:**

- (a) Prepaid U. Plan uses an in-house finance manager; the new savings plan will use an outside manager
- (b) Minnesota intends to contract as many services as possible
- (c) Additional consultant

Table 22 Program Accounting

State	Program Accounting	Method Used for Reporting Distributions
Alabama	Outsource	IRS form 1099
Alaska	In-house	IRS form 1099
Arizona	Combination	IRS form 1099
Arkansas	...	...
California	...	IRS form 1099
Colorado	In-house	IRS form 1099
Connecticut	...	...
Delaware	Outsource	IRS form 1099
Florida	In-house	IRS form 1099
Georgia	...	...
Hawaii	...	...
Idaho	...	...
Illinois	Outsource	...
Indiana	Outsource	IRS form 1099
Iowa	...	...
Kansas	...	...
Kentucky	Combination	IRS form 1099
Louisiana	In-house	IRS form 1099 (a)
Maine	Outsource	...
Maryland	Outsource	...
Massachusetts	Outsource	Account statement
Michigan	In-house	IRS form 1099
Minnesota	...	IRS form 1099
Mississippi	Outsource	IRS form 1099, account statement
Missouri	...	...
Montana	...	...
Nebraska	...	...
Nevada	TBD	...
New Hampshire	Outsource	...
New Jersey	Combination	...
New Mexico	...	...
New York	...	IRS form 1099
North Carolina	...	...
North Dakota	...	...
Ohio	In-house	IRS form 1099
Oklahoma	...	...
Oregon	TBD	...
Pennsylvania	In-house	IRS form 1099
Rhode Island	Outsource	...
South Carolina	Outsource	IRS form 1099
South Dakota	...	...
Tennessee	In-house	IRS form 1099 (a)
Texas	Combination	IRS form 1099
Utah	...	State tax form (b)
Vermont	In-house (c)	...
Virginia	Outsource	IRS form 1099
Washington	Outsource	IRS form 1099
West Virginia	...	...
Wisconsin	In-house	IRS form 1099
Wyoming	...	...
District of Columbia	...	...

**Table 22 Program Accounting - continued**

TBD- to be determined

**◆ NOTES**

- (a) Anticipated in the future
- (b) TC675H-lists contributions and interest earned during the year
- (c) Mutual fund option would be completely outsourced pending IRS approval

**Table 23 ▶ Program Staff**

State	Full-time of Equivalent Staff	Program Administrator	Title
Alabama	7	Brenda F. Emfinger	Executive Director
Alaska	2	James F. Lynch	Associate Vice President, Finance
Arizona	7.5	Verna L. Allen	Executive Director
Arkansas	...	...	...
California	3	Tom Dithridge	Scholarshare Chief
Colorado	...	William A. Stolfus	President
Connecticut	1	Sharon J. Clarke	Director
Delaware	None	Marilyn Quinn	Executive Director
Florida	10	Tom Wallace	Executive Director
Georgia	...	...	...
Hawaii	...	...	...
Idaho	...	...	...
Illinois	(a)	Dr. Donald M. Prince	Director
Indiana	1	Treasurer Joyce Brinkman	State Treasurer and Chairman
Iowa	...	Treasurer Mike Fitzgerald	State Treasurer
Kansas	...	...	...
Kentucky	2	Londa L. Wolanin	Program Administrator
Louisiana	2	Jack Guinn	Executive Director
Maine	...	...	...
Maryland	6	Edwin S. Crawford	Acting Executive Director
Massachusetts	...	Peter Mazareas	Executive Director
Michigan	11	Robin Lott	Director
Minnesota	2 part-time	Jack Rayburn	...
Mississippi	5	Barry G. Simmons	Director
Missouri	...	...	...
Montana	...	...	...
Nebraska	...	...	...
Nevada	1 (b)	David Clapsaddle	Executive Director
New Hampshire	None	Treasurer Georgie Thomas	State Treasurer
New Jersey	1	Scott B. Freedman	Executive Director
New Mexico	...	...	...
New York	(c)	Nick Smirensky	Director of Budget and Financial Analysis
North Carolina	...	...	...
North Dakota	...	...	...
Ohio	26.5	Barbara Jennings	Executive Director
Oklahoma	...	...	...
Oregon	...	Mari Anne Gest	Director
Pennsylvania	13	Kathleen E. McGrath	Bureau Director
Rhode Island	Outsourced	William Hurray	Executive Director
South Carolina	2	Melody Lamm	Program Director
South Dakota	...	...	...
Tennessee	8 (d)	Jill Bachus	Director
Texas	11	Todd Morgan	Director
Utah	1.2	Gail Norris	Associate Commissioner for Financial Aid
Vermont	...	...	...
Virginia	10	Diana F. Cantor	Executive Director

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**Table 23** ▶ **Program Staff - continued**

State	Full-time of Equivalent Staff	Program Administrator	Title
Washington	4	Steve Smith	Director
West Virginia	3	Charles Bockway	Deputy Treasurer
Wisconsin	4	Marty Olle	Program Manager
Wyoming	...	...	...
District of Columbia	...	Tracy Harris	Administrator

▶ **Notes:**

- (a) Currently building staff
- (b) Will expand to 3
- (c) Plan to hire some staff for monitoring
- (d) 14 total in treasury



**Table 24 Telephone and Electronic Communications**

States	Web Site	Email Address	Toll Free Number
Alabama	www.asc.edu/archives/agencies.prepaid.html	PStevenson@alalinc.net	800/252-7228
Alaska	No	No	800/478-0003 in Alaska only
Arizona	www.acpe.asu.edu	...	...
Arkansas	...	...	...
California	www.csac.ca.gov/scholar/scholar.htm	scholarshare@csac.ca.gov	...
Colorado	www.prepaidtuition.org	prepaid@csoba.org	800/478-5651
Connecticut	www.aboutchet.com	No	888/799-CHEAT (2438)
Delaware	...	mquinn@state.de.us	TBD
Florida	www.fsba.state.fl.us/prepaid	prepaid@fsba.state.fl.us	800/552-4723
Georgia	www.hope.gsfc.org	...	800/776-6878
Hawaii	...	...	...
Idaho	...	...	...
Illinois	www.ISAC-online.org	dprince@isac.org	TBD
Indiana	www.che.state.in.us/ifcsp	collegesave@em.fcncd.com	888/814-6800
Iowa	www.treasurer.state.ia.us	CSI@max.state.ia.us	888/446-6696
Kansas	...	...	...
Kentucky	www.kheaa.com	jellis@kheaa.com	800/338-0318
Louisiana	www.osfa.state.la.us	jroungeau@osta.state.la.us	800/259-5626 ext. 1023
Maine	...	...	...
Maryland	www.prepaid.usmd.edu	emarkowitz@mdbusiness.state.md.us	888/4MD-GRAD (463-4723)
Massachusetts	www.mefa.org	info@mefa.org	800/449-MEFA (6332)
Michigan	www.treas.state.mi.us/college/met/metindex.htm	lottr@state.mi.us	800/MET-4-KID (638-4543)
Minnesota	...	rayburn@heso.state.mn.us	800/657-3866 ext. 3377
Mississippi	www.treasury.state.ms.us	bsimmons@mpact.state.ms.us	800/987-4450
Missouri	...	...	...
Montana	...	...	800/888-2723
Nebraska	...	...	...
Nevada	www.state.nv.us/treasurer/index2.htm	college@treasurer.state.nv.us	888/477-2667
New Hampshire	www.state.nh.us/treasury	mistreas@nh.us/treasury	800/544-1722
New Jersey	www.state.nj.us/treasury/osa/njbest.htm	mbeardsley@osa.state.nj.us	800/792-8670
New Mexico	...	...	...
New York	www.nysaves.org	nsmirensky@usc.state.ny.us	877/NYSAVES (697-2837)
North Carolina	www.collegevisionfund.org	cvinfo@cf-nc.org	800/600-3453
North Dakota	...	...	...
Ohio	www.prepaid-tuition.state.oh.us	bjennings@otta.state.oh.us	800/AFFORDIT (233-6734)
Oklahoma	...	...	...
Oregon	www.ost.state.or.us	...	...
Pennsylvania	www.patap.org	tapmail@tre.state.pa.us	800/440-4000
Rhode Island	www.rihest.com	...	...
South Carolina	under development	mlamm@oed.state.sc.us	888/772-7SCGRAD (772-4723)
South Dakota	...	...	...
Tennessee	www.treasury.state.tn.us/best.htm	best@mail.state.tn.us	888/486-BEST (2378)
Texas	www.window.state.tx.us/comptrol/ttf/ttfmain.html	todmorgan@cpa.state.tx.us	800/445-4723
Utah	www.utah-student-assist.org/uesp.htm	gpetersen@utahsbr.edu	800/418-2551
Vermont	www.vsac.org	...	800/642-3177
Virginia	www.vpep.state.va.us	jlitton@vpep.state.va.us	888/567-0540
Washington	www.get.wa.gov	steves@hecb.gov	877/GET-TU-IT (438-8848)
West Virginia	www.wvtreasury.com	prepaid@wvtreasury.com	800/307-4701
Wisconsin	edvest.state.wi.us	edvest@mail.state.wi.us	888/EDVESTW (338-3789)
Wyoming	...	...	...
District of Columbia	...	...	...

TBD - to be determined

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Table 25 Bond Issuers

State	Issuing Authority	Type of Bonds
Alabama	None	N/A
Alaska	None	N/A
Arizona	None	N/A
Arkansas	Act 1222 passed May 1993	General Obligation
California	None	N/A
Colorado	...	...
Connecticut	Treasurer's Office	...
Delaware	...	...
Florida	...	...
Georgia	...	...
Hawaii	Department of Budget and Finance	Zero Coupon
Idaho	...	...
Illinois	Illinois Bureau of Budget	Zero Coupon
Indiana	...	...
Iowa	...	...
Kansas	...	...
Kentucky	...	...
Louisiana	...	...
Maine	...	...
Maryland	...	...
Massachusetts	MEFA, Commonwealth of Mass., and the State Treasurer	General Obligation
Michigan	Department of Treasury; State Building Authority	General Obligation
Minnesota	Department of Finance	General Obligation
Mississippi	...	...
Missouri	...	...
Montana	...	...
Nebraska	...	...
Nevada	...	...
New Hampshire	Treasurer's Office	General Obligation, Zero Coupon
New Jersey	...	...
New Mexico	...	...
New York	...	...
North Carolina	...	...
North Dakota	...	...
Ohio	Any Ohio authority approved by OTA	General Obligation
Oklahoma	...	...
Oregon	...	...
Pennsylvania	Bond program exists; never implemented	...
Rhode Island	Treasurer's Office	...
South Carolina	...	...
South Dakota	...	...
Tennessee	Comptroller, Division of Bond Finance	Zero Coupon
Texas	...	...
Utah	...	...
Vermont	...	...
Virginia	Department of Treasury	...
Washington	State Treasurer	Zero Coupon
West Virginia	...	...
Wisconsin	...	...
Wyoming	...	...
District of Columbia	...	...

N/A- not applicable

**Table 26 ▶ Future Bond Programs**

State	Bond Issue in Next Three Years	Federal Qualified Status Dampened Interest in Future Offerings
Alabama	N/A	N/A
Alaska	No	No
Arizona	N/A	No
Arkansas	...	N/A
California	...	...
Colorado	No	...
Connecticut	No	No
Delaware	...	N/A
Florida	No	...
Georgia	...	...
Hawaii	No	...
Idaho	...	No
Illinois	Yes	...
Indiana	...	No
Iowa	...	...
Kansas	...	...
Kentucky	...	...
Louisiana	...	...
Maine	...	...
Maryland	...	...
Massachusetts	Yes	...
Michigan	Yes	No
Minnesota	Uncertain	No
Mississippi	No	...
Missouri	...	...
Montana	...	...
Nebraska	...	...
Nevada	...	...
New Hampshire	Yes, zero coupon	No
New Jersey	...	Unknown
New Mexico	...	...
New York	...	...
North Carolina	...	...
North Dakota	...	...
Ohio	No	...
Oklahoma	...	Yes
Oregon	...	...
Pennsylvania	...	...
Rhode Island	No	...
South Carolina	No	Yes
South Dakota	...	No
Tennessee	No	...
Texas	...	Yes
Utah	No	...
Vermont	...	...
Virginia	...	...
Washington	No	...
West Virginia	...	...
Wisconsin	No	...
Wyoming	...	...
District of Columbia	...	...

N/A- not applicable

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**Table 27 Savings Bonds Issued and Amounts**

	Date of Issue Close 1997	Total Sold	Date of Issue Close 1997	Total Sold	Date of Issue Close 1996	Total Sold	Date of Issue Close 1996	Total Sold	Date of Issue Close 1995	Total Sold	Date of issue Close 1994	Total Sold
Connecticut	...	...	...	...	...	...	...	...	Discontinue	...	...	...
Illinois	Nov-97	\$168,000,000	...	...	...	...	...	...	...	...	...	...
Massachusetts	Aug-97	\$19,858,899	...	...	Aug-96	\$18,963,496	...	...	Aug-95	\$25,993,815	...	...
Michigan	1997	\$24,800,000	...	...	...	...	...	...	Jun-95	\$20,000,000	...	...
New Hampshire	Jun-97	20,200,000	...	...	...	...	...	...	Dec-95	\$25,000,000	...	...
Ohio	...	...	...	...	Jan-96	\$11,164,295	...	...	Jan-95	\$21,494,889	...	...

	Date of Issue Close 1994	Total Sold	Date of Issue Close 1993	Total Sold	Date of Issue Close 1993	Total Sold	Date of Issue Close 1992	Total Sold	Date of Issue Close 1992	Total Sold	Date of issue Close 1994	Total Sold
Connecticut	May-94	\$81,444,392	Nov-94	\$70,082,49:	May-93	\$70,001,043	Nov-93	\$56,104,134	May-92	\$61,285,18:	Nov-92	\$59,095,844
Illinois	Oct-94	\$210,000,000	...	...	Oct-93	\$150,000,000	...	...	Oct-92	\$250,000,000	...	...
Massachusetts	...	...	...	...	...	...	...	...	...	...	...	...
Michigan	...	...	...	...	...	...	...	...	Jun-92	\$20,000,000	...	...
New Hampshire	Jul-94	\$25,500,000	...	...	Jun-93	\$20,500,000	...	...	...	...	...	...
Ohio	...	...	...	...	...	...	...	...	Dec-92	\$28,275,726	...	...

Table 28 Private Donations &amp; Scholarships

State	Amount of Growth Attributable to Private Donation	Number of Accounts Holding Scholarship Funds
Alabama	...	25-30
Alaska	None	None
Arizona	...	...
Arkansas	...	...
California	...	...
Colorado	None	None
Connecticut	...	...
Delaware	...	...
Florida	Less than 1%	4,500
Georgia	...	...
Hawaii	...	...
Idaho	...	...
Illinois	...	...
Indiana	None	None
Iowa	...	...
Kansas	...	...
Kentucky	...	4
Louisiana	None	None
Maine	...	...
Maryland	...	...
Massachusetts	None	...
Michigan	None	None
Minnesota	None	None
Mississippi	None	None
Missouri	...	...
Montana	...	...
Nebraska	...	...
Nevada	...	...
New Hampshire	...	...
New Jersey	...	...
New Mexico	...	...
New York	...	...
North Carolina	...	...
North Dakota	...	...
Ohio	\$75,000	125
Oklahoma	...	...
Oregon	...	...
Pennsylvania	...	None
Rhode Island	...	...
South Carolina	...	...
South Dakota	...	...
Tennessee	...	...
Texas	Minimal	20
Utah	\$500,000 contributed by Utah Loan Purchase	...
Vermont	...	...
Virginia	Minimal, in the process of establishing a scholarship foundation	...
Washington	...	...
West Virginia	...	...
Wisconsin	...	None
Wyoming	...	...
District of Columbia	...	...



College Savings Plans Network

an affiliate of the

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c/o The Council of State Governments

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## Joint Meeting of the Senate and House Education Committees

Let me first say what an honor it is to appear before you today. This is my first appearance before any legislative committee other than when I served in the Legislature, and I hasten to add you may never find another conferee that appreciates and respects the work you do more than I.

As you know, interest in programs to help parents and others prepare for the college expenses of their children prompted the 1998 Legislature to enact S.B. 402, which directs the State Treasurer to conduct a feasibility study implementing a college savings plan in Kansas. The Legislation directs the State Treasurer to report to the House and Senate Education committees during the 1999 session. To conduct the study, State Treasurer Clyde Graeber appointed a ten-member task force consisting of representatives of public and private higher education institutions, teachers, students, bankers, the Governor, the State Department of Revenue and the State Treasurer's office.

Due to the concerns raised by members of the Legislature and the academic community regarding the level of the financial commitment occasioned by prepaid college savings plans which guarantee future educational costs, the Task Force focused its inquiry on college savings account plans.

The Task force report noted that a key underpinning of any successful college savings plan would be making full use of the federal tax code to achieve the most favorable tax treatment for the plan beneficiaries. At the current time, this requires that a plan achieve "qualified status" which defers the federal tax owed until the funds are disbursed for educational purposes. The disbursements are then treated by the International Revenue Service as the beneficiary's assets,

and a lower tax rate is applied. The federal requirements for a qualified college savings plan are as follows:

- contributions must be in cash;
- neither the contributor, nor the beneficiary may exercise any investment control over the plan account;
- a separate accounting should be required for each designated beneficiary;
- a specific beneficiary must be named when the account is established;
- the transfer of funds to another account, or a change of beneficiary is an immediate family member as defined for Internal Revenue code purposes;
- more than a *de minimus* penalty should be required on earnings withdrawn not used for qualified educational expenses unless the disbursement is on account of death or disability, or is made on account of a scholarship awarded the beneficiary to the extent that the sum does not exceed the scholarship amount used for qualified educational expenses;
- the account interest may not be used to secure a loan; and
- the plan should contain safeguards to prevent accumulating contributions more than necessary to cover the beneficiary's qualified educational expenses.

In addition to this Task Force, the Legislative Budget Committee studied the issue and made the following recommendations:

- the savings plan should be applicable to any post-secondary institution in or outside Kansas that meets federal student aid eligibility guidelines, *i.e.*, public and private two and four-year institutions, vocational schools, and accredited not-for-profit schools;
- the savings plan should be exempt from federal and Kansas taxes; and
- the State Treasurer's office should be authorized to receive, administer, invest, disperse and dispose of funds credited to higher education savings accounts.

Based on information from other states that have education savings plans, estimates provided by Mr. Graeber indicate that, for the first three years following the implementation of a

plan, accounts will be established for fewer than 1 percent of the children in Kansas who are under age 18. The State Department of Revenue estimates that the impact on the State General Fund of exempting savings accounts from Kansas taxation would be approximately \$6.4 million, based on the assumption that savings accounts in the range of \$4,000 to \$8,000 would be established for 1 percent of children under 18.

# Legislative Budget Committee

## BACKGROUND

The Legislative Budget Committee, as provided by law (K.S.A. 46-1208), can set its own agenda. The Committee conducted its usual monitoring of State General Fund finances. Other topics that the Committee reviewed include the postsecondary education savings plan; Kansas litigation concerning water rights; Microsoft and tobacco; elementary and secondary student mentoring programs; new building operating support at Regents institutions; biennial budgeting; and legislative budget information.

## COMMITTEE ACTIVITIES

### State Finances

At each meeting, staff of the Legislative Research Department presented a report comparing estimated and actual receipts to the State General Fund and responded to questions raised by the Committee. Staff also presented the following tables or memorandums: Actual FY 1998 Resources, Demands, and Balances of the State General Fund; State General Fund Receipts, Expenditures, and Ending Balances, FY 1966 - FY 1999 (estimated); Percent Increase in State General Fund Expenditures—Actual and Real—FY 1966—FY 1998; Kansas Personal and Kansas Per Capita Disposable Personal Income; State General Fund and All Funds Expenditures and Kansas Personal Income Percentage Increases—FY 1966—FY 1998; State General Fund Revenue Estimates since 1975 (the record of the Consensus Revenue Estimating Group); State General Fund Receipts, Actual FY 1998 compared with the current estimate for FY 1999; a review of *Kansas Fiscal Facts*; State General Fund Profile, FY 1998 - FY 2004; Potential State General Fund Supplemental Adjustments for FY 1999; and Major State General Fund Issues for FY 2000.

### Postsecondary Education Savings Plans

Interest in programs to help parents and others prepare for the college expenses of their children prompted the 1998 Legislature to enact S.B. 402, which directs the State Treasurer to

conduct a feasibility study of implementing a college savings plan in Kansas. The legislation directs the State Treasurer to report to the House and Senate Education committees during the 1999 Session. To conduct the study, State Treasurer Clyde Graeber appointed a ten-member task force consisting of representatives of public and private higher education institutions, teachers, students, bankers, the Governor, the State Department of Revenue, and the State Treasurer's Office.

Early on, the task force rejected the idea of recommending a prepaid tuition plan because it believed prepaid tuition plans have the potential to obligate state institutions and state governments to absorb future tuition increases that exceed the amount of money in the savings plan. The task force also believed there was little legislative support for prepaid tuition plans.

Underlying the task force's assumptions are several key principles. First, any plan should make full use of the federal tax code to achieve the most favorable tax treatment for plan beneficiaries. Other components of the task force's recommendations are:

- the savings plan should be applicable to any postsecondary institution in or outside Kansas that meets federal student aid eligibility guidelines, *i.e.*, public and private two- and four-institutions, vocational schools, and accredited not-for-profit schools;
- the savings plan should be exempt from federal and Kansas taxes; and
- the State Treasurer's Office could be authorized to receive, administer, invest, disperse, and dispose of funds credited to higher education savings accounts.

Based on information from other states that have education saving plans, estimates provided by Mr. Graeber indicate that, for the first three years following the implementation of a plan, accounts will be established for fewer than 1 percent of the children in Kansas who are under age 18. The State Department of Revenue estimates that the impact on the State General Fund of exempting savings accounts from Kansas taxation would be approximately \$6.4 million,



based on the assumption that savings accounts in the range of \$4,000 to \$8,000 would be established for 1 percent of children under 18.

### Litigation by the Attorney General Involving Water Rights and Microsoft

Attorney General Carla Stovall reported to the Committee on the status of litigation involving Kansas water rights and Microsoft.

**Colorado.** Lengthy litigation against Colorado to enforce the Arkansas River Compact resulted in the United States Supreme Court finding largely in favor of Kansas. Ongoing expenditures are related to issues of remedies, damages, and compliance and are expected to continue for several more years. A trial on remedies will begin at the end of FY 1999 and continue into FY 2000. Activities in FY 2000 include post-trial briefings, an analysis of compliance by Colorado, and an analysis of the Special Master's final report on remedies. Expenditures are estimated to be \$1,155,000 in FY 1999 (revised) and \$1,105,000 in FY 2000. An expected carry-forward balance of \$329,895 from FY 1999 reduces the amount of additional money needed in FY 2000 to \$775,105.

The Special Master's report to the Supreme Court likely will be in the fall of 2000 (FY 2001). Even after the Supreme Court takes final action, a way of monitoring Colorado's compliance with the Court's ruling will have to be developed. However, once the method has been established, costs associated with the litigation should decrease.

**Nebraska.** The 1998 Legislature directed the Attorney General to take action against Nebraska over Kansas' water rights under the Republican River Compact. Litigation against Nebraska, which is expected to be at least as lengthy and costly as that against Colorado, is still in the early stages of discovery and analysis by experts. Funding in preparation for litigation began in FY 1998 with \$200,000. Expenditures are estimated to be \$995,000 in FY 1999 (revised) and \$1,015,000 in FY 2000. An expected carry-for-

ward balance of \$11,430 from FY 1999 reduces the amount of additional money needed in FY 2000 to \$1,003,570.

**Microsoft.** In May, Kansas joined 19 other states and the District of Columbia in filing an antitrust lawsuit alleging that the Microsoft Corporation has illegally stifled competition, harmed consumers in the states, and undercut innovation in the computer software industry. The action by the states was coordinated with the United States Department of Justice, which filed a parallel suit in federal district court. According to General Stovall, she took the action because Microsoft's anti-competitive conduct prevents innovation in Kansas, denies Kansans real choice, and results in higher prices and lower quality. General Stovall believes the cost to Kansas to participate in the suit will be minimal because the states will share costs based on each state's population. Kansas' share is estimated to be about \$6,400.

### Communities in Schools and Other Mentoring Programs

Consideration of mentoring programs, particularly for at-risk students, was prompted by a request during the 1998 Session for expanded state funding for the Communities in Schools Program. Communities in Schools is a dropout prevention program that matches children and families in need of services with community resources, such as tutoring, mentoring, and health, social, and family services. The program operates at 14 sites in Wichita, Derby, Harvey County, and Ulysses, and serves more than 2,500 elementary and secondary students.

Since FY 1996, the state has funded a statewide Communities in Schools office located in Wichita with a \$50,000 transfer to the State Board of Education from the Family and Children Investment Fund of the Department of Social and Rehabilitation Services. The office also is funded with private funds and for several years was the recipient of a grant from the federal department of Health and Urban Development (HUD). The expiration of the HUD grant and a desire to strengthen the ability of the statewide office to

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REPORT OF THE  
KANSAS COLLEGE SAVINGS PLAN TASK FORCE  
TO THE  
HOUSE AND SENATE EDUCATION COMMITTEES

Chairperson: Peggy Hanna, Assistant State Treasurer

Other Members: Hon. Sheila Frahm, Kansas Association of Community College Trustees; Mr. Craig Grant, Kansas National Education Association; Mr. Robert Hemenway, Chancellor of the University of Kansas and Chairman of the Council of Presidents of the State Universities ; Mr. Dan Lambert, President of Baker University and Chairman of the Kansas Independent College Association; Mr. Tracy Mann, President of Kansas State University Student Body; Fr. Richard Mucowski, President of St. Mary College; Ms. Danielle Noe, Governor's Legislative Liaison; Mr. Clancy Norris, President Kansas Bankers Association; Ms. Shirley Sicilian, Director of Policy and Research for the Kansas Department of Revenue, and Clyde D. Graeber, State Treasurer

Task Force Assignment:

Feasibility study regarding implementation of a postsecondary education savings plan.

*Senate Education  
Attachment 2  
1-27-99*

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*Helping Kansans Save for Postsecondary Education*

## BACKGROUND:

The Legislative Educational Planning Committee in its 1997 interim session recommended legislation establishing a postsecondary education expense program to be administered by the State Treasurer. The Committee's goal was to increase access to and choice in postsecondary education, while helping Kansans cope with the expenses. The recommendations included, as a prerequisite to the adoption of any program, a feasibility study of prepaid tuition plans and savings plans adopted by other states, and an evaluation of their fiscal impact and financial merit.

During the 1998 session, Senate Bill 402, as introduced, was discussed by the Senate Education Committee, and testimony was heard from Dr. Jordon, Executive Director of the Kansas Board of Regents. Dr. Jordon noted that the Governor's tax incentive education savings proposal introduced in the Governor's 1998 State of the State message would achieve its highest success as a state savings plan. In addition the Board of Regents conceptually supported a Kansas tax-free educational savings plan, but did not favor any program guaranteeing prepaid future tuition. The Board of Regents recommended that the Governor appoint an oversight board to set policy, manage, and accept audit responsibility for any program adopted.

The Board of Regents also urged the adoption of a plan covering all of a student's education costs that would maximize existing federal tax benefits.

The Senate Education Committee determined that Senate Bill 402, as introduced, did not reflect the views of the Committee. At the request of the Committee, the Board of Regents and the Office of the State Treasurer were asked to provide recommendations for revision.

Senate Bill 402 was amended to direct the Treasurer's office to conduct a feasibility study concerning college savings plans, and the bill was then reported favorably for passage.

The House Committee On Education reported it favorably for passage as Substitute for Senate Bill 402, and it was passed and signed by Governor Graves.

## THE LEGISLATIVE CHARGE AND TASK FORCE ACTIVITY:

Under the provisions of Substitute for Senate Bill 402, the Treasurer formed the Kansas College Task Force to study and develop possible criteria for a postsecondary education savings plan. The study included a review of the following:

- “an examination of existing state-sponsored postsecondary education savings plans;
- determination of participation guidelines;
- maximization of participants' state and federal tax benefits under the current tax codes;
- consideration of the range of coverage of savings programs in terms of restricting them to tuition and fees or also including additional postsecondary education costs;
- examination of investment procedures and regulations including programs managed by the private sector; and
- consideration of establishing an oversight committee or an appointed board of directors; including the State Treasurer or other representatives affiliated with higher education and the investment community.”

Due to the concerns raised by members of the legislature and the academic community regarding the level of the financial commitment occasioned by prepaid college savings plans which guarantee future educational costs, the task force focused its inquiry on college savings account plans.

The task force held four fact finding meetings to discuss the goals to be promoted by a plan, the Kansas tax policy best suited to achieve those goals, the specific features desirable in a plan, the target group, reimbursable educational expenses, and the impact of a plan on both student eligibility for federal aid and the current federal tax treatment under a state college savings plan. The Treasurer's staff aided the inquiry by developing survey questions submitting them to fifteen states that had initiated savings plans. The task force used the resources of the College Savings Plans Network, more specifically C.S.P.N. publications such as the “Special Report on State College Savings Plans-1997” and updates, as a clearinghouse for monitoring relevant federal programs and changes in law, and as a reference resource for other state programs. The group identified and discussed specific plan attributes such as minimal administration costs, portability of benefits to other states, transferability of benefits, plan administration, and earnings.

The task force was further aided by research reports from the Office of Policy and

Research, and by the generous advice shared at the meetings by Karla Pierce, Acting Secretary of the Department of Revenue, and Christine Crenshaw, Director of Student Financial Aid for the Kansas Board of Regents. A subcommittee was formed from the group to draft its final report.

## FINDINGS AND RECOMMENDATIONS:

### THE ESSENTIAL ELEMENTS:

A key underpinning of any successful college savings plan would be making full use of the federal tax code to achieve the most favorable tax treatment for the plan beneficiaries. Currently, this requires that a plan achieve "qualified status", which defers the federal tax owed until the funds are disbursed for educational purposes. The disbursements are then treated by the I.R. S. as the beneficiary's assets, and a lower tax rate is applied. The federal requirements for a qualified college savings plan are as follows:

- ☐ contributions must be in cash;
  
- ☐ neither the contributor, nor the beneficiary may exercise any investment control over the plan account;
  
- ☐ a separate accounting should be required for each designated beneficiary;
  
- ☐ a specific beneficiary must be named when the account is established;
  
- ☐ the transfer of funds to another account, or a change of beneficiary is treated as a distribution for federal tax purposes, unless the beneficiary is an immediate family member as defined for I.R.C. purposes;
  
- ☐ more than a de minimus penalty should be required on earnings withdrawn not used for qualified educational expenses unless the disbursement is on account of death or disability, or is made on account of a scholarship awarded the beneficiary to the extent that the sum does not exceed the scholarship amount used for qualified educational expenses;
  
- ☐ the account interest may not be used to secure a loan;
  
- ☐ and the plan should contain safeguards to prevent accumulating contributions more than necessary to cover the beneficiary's qualified educational expenses.



## MAXIMIZING KANSAS TAX BENEFITS

Kansans can maximize the savings advantage and the attractiveness of its college savings plan program by making annual contributions deductible from the contributor's Kansas gross income. The state should allow beneficiaries to take full advantage of compound interest by exempting account earnings on distributions provided that the funds are used to pay qualified education expenses.

The relationship between a qualified college savings plan and federal savings options is illustrated by a chart attached and marked "Exhibit A":

### PARTICIPATION GUIDELINES:

Our state has a long tradition of supporting postsecondary education. Eleven percent of the state's total direct expenditures are for higher education, and the state's average in-state-tuition ranks thirty- ninth in the nation. However, a median family of four will spend 4.5% of family income on a family member's tuition expenses, and the figure rises to 12% of family income when room and board is included. A high percentage of our college students work to cover the costs of their education. Forty seven percent of the Kansas students attending one of the public four year schools will work between 15 and 33 hours per week, and seven percent will work 34 or more hours per week.

The completion of a postsecondary degree has a significant impact for both the state and the graduate. Degree holders have higher employment rates, and greater earnings potential. Annual earnings statistics show that a male high school graduate can raise his earnings potential by fifty to sixty percent on completion of a B.A. degree, and a female high school graduate's earning potential becomes ninety to one hundred percent greater on completion of her B.A. degree. Kansas families recognize the disparity between potential earnings and the level of educational achievement, and they have shouldered the debt burden; however, as educational costs continue to spiral an apex will be reached and Kansas families may no longer be willing or able to continue to sacrifice for their childrens' postsecondary education.

The total amount of college educational debt assumed by American families between 1990 and 1995 exceeds the total college debt for all American families from 1960 to 1989. While the consumer price index rose eighty five percent and house hold income rose eighty two percent from 1980 to 1997, the GAO noted a two hundred thirty four percent increase in average tuition costs for public universities over the same period. The greatest impediment to postsecondary education may prove to be simply the cost of an education.

The task force recognizes that the availability of federal student grant aid has decreased over the last ten years, and that the use and availability of student loans has increased. A prime goal of a Kansas college savings plan must be to encourage savings thereby reducing the future "debt load" on students and their families, which should then lower the loan default rate.

Therefore, the task force recommends that the state adopt a savings plan to encourage any Kansas family with some income apportionable for savings to do so. Any individual with a valid social security number should be eligible to open an account for any beneficiary who is a Kansas resident when the account is established. As an incentive to participate, the beneficiary should remain eligible to receive benefits from the account without penalty after relocation to another state.

The task force believes that the benefits of a qualified college savings plan should be made available to the greatest number of Kansans seeking a postsecondary education. Under a qualified plan, the institutions of higher learning eligible for disbursements from a beneficiary's savings account would include any that meet the participation requirements for federal student aid programs. Those institutions include the following:

- any two year and four year public or regionally accredited private not-for-profit college or university,
- community colleges,
- or an accredited or certified technical training school.

The expenses payable from a qualified savings plan account are outlined in Internal Revenue Code-529 and include: tuition, fees, books, supplies, equipment required for enrollment or attendance, and reasonable room and board for a beneficiary enrolled on at least a half-time basis.

Account assets not to be used for educational purposes, or in the event of the death, mental incapacity, or permanent disability of the beneficiary should be transferable to the college savings account of a "member of the same family" as defined by the United State Department of Education.

#### INVESTMENT AND PLAN ADMINISTRATION:

The task force notes that data received from other states suggests that the Kansas college savings plan will have a low enrollment, less than 1% of those eligible, for the first three years. Until such time as increases in the enrollment and cost data justify a change by the legislature, the treasurer's office could be authorized to receive, administer, invest, disperse, and dispose of funds deposited into higher education savings accounts. In addition, the legislation should be flexible enough to enable the treasurer, as the need may arise, to delegate processing, administering, investing, disposal and transfer of funds as the treasurer may determine is in the best interests of fund contributors.

## SETTING POLICY—THE COST OF THE COLLEGE SAVINGS PLAN:

The legislature will have to determine the amount of Kansas taxable income it can afford to exempt as an incentive to invest in educational savings accounts, as well as, the annual specific maximum tax exempt contribution per account. Rather than making a specific recommendation, the task force has provided a graph as prepared by Shirley Sicilian, Director of Policy and Research for the Dept. of Revenue, which shows the fiscal impact of a savings plan under various scenarios. The assumptions concerning the number of accounts are based on Kentucky's experience with their college savings plan. (Kentucky has the longest experience with a college savings plan.)

The attached chart shows the projected fiscal impact on the state's general fund under several levels of participation, and maximum deductible amounts.

## Fiscal Impact of Kansas Education Saving Plan

2-8

- Assumptions:
- 1) There is no limit on who can contribute to an account.
  - 2) There is no limit on how many individuals can contribute to an account.
  - 3) There is no limit on how much can be contributed to an account.
  - 4) The deduction claimed by a taxpayer is limited, no matter how many accounts receive contributions.
  - 5) Each beneficiary has 4 contributors making contributions equal to at least the maximum deductible amount. Consequently, if the limit is \$3,000/\$6,000, a total of \$12,000 in deductible contributions would be made each year.
  - 6) Contributions face the highest marginal state income tax rate (6.45%)
  - 7) All contributors are subject to Kansas income tax and are able to fully utilize the deduction.
  - 8) There are 621,683 children under age 18 in Kansas.

Percent of Children Under Age 18 With an Account	Number of Accounts						
		\$1,500/\$3,	\$2,000/\$4,000	\$2,500/\$5,000	\$3,000/\$6,000	\$4,000/\$8,000	\$5,000/\$10,000
0.25%	1,554	601,478	801,971	1,002,464	1,202,957	1,603,942	2,004,928
0.35%	2,176	842,070	1,122,759	1,403,449	1,684,139	2,245,519	2,806,899
0.50%	3,108	1,202,957	1,603,942	2,004,928	2,405,913	3,207,884	4,009,855
<b>1.00%</b>	<b>6,217</b>	<b>2,405,913</b>	<b>3,207,884</b>	<b>4,009,855</b>	<b>4,811,826</b>	<b>6,415,769</b>	<b>8,019,711</b>
1.50%	9,325	3,608,870	4,811,826	6,014,783	7,217,740	9,623,653	12,029,566
2.00%	12,434	4,811,826	6,415,769	8,019,711	9,623,653	12,831,537	16,039,421
2.50%	15,542	6,014,783	8,019,711	10,024,638	12,029,566	16,039,421	20,049,277

Prepared by: Office of Policy and Research, Kansas Department of Revenue

Filename: A:\dooner110498.xls

Updated: 10/29/98

Printed: 11/06/98