

**House Bill 125 (Mathews, Santucci)
Tax Deductions - 529 Plans
Proponent Testimony
Inter-University Council of Ohio**

Chair Roemer, Vice Chair Merrin, Ranking Member Troy, and members of the House Ways and Means Committee, thank you for the opportunity to provide proponent testimony in support of House Bill 125 (HB125). My name is Laura Lanese, and I am the President and CEO of the Inter-University Council of Ohio (IUC).

The IUC was established in 1939 as a voluntary educational association of Ohio's public universities. Today the association represents Ohio's 14 public universities. Together, these institutions offer a broad range of associate, baccalaureate, graduate, and professional programs. Ohio's public universities collectively contribute approximately \$68.9 billion to Ohio's economy and support one out of every eight jobs in Ohio.

IUC's purpose is to facilitate the development of common interest and to assist in sustaining and improving the quality of public higher education. IUC also engages in public relations, research, and government liaison work. The major goal of the IUC is to sustain a consortium that establishes a dynamic forum that fosters idea exploration and problem solving. IUC member institutions are committed to ensuring affordable opportunities for the more than 290,000 students attending Ohio's public universities without sacrificing the quality of their education or experience.

I would like to thank Representatives Mathews and Santucci for introducing this bill. The IUC supports HB125 for the same reason it has consistently supported other legislation that increases the maximum state income tax deduction allowed for contributions to an Ohio 529 college savings plan, because HB125 creates an even greater incentive to save money to pay for a college education. HB125 allows every individual to have an annual contribution limit of \$4,000. As a result, couples filing jointly will be permitted to have an annual contribution limit of \$8,000. Additionally, the bill indexes the annual contribution limit so that it increases in proportion to the increase in inflation. HB125 attacks head on what is, arguably, the biggest issue facing students contemplating college today – relying too heavily on borrowing to pay for their college education and going into debt as a result.

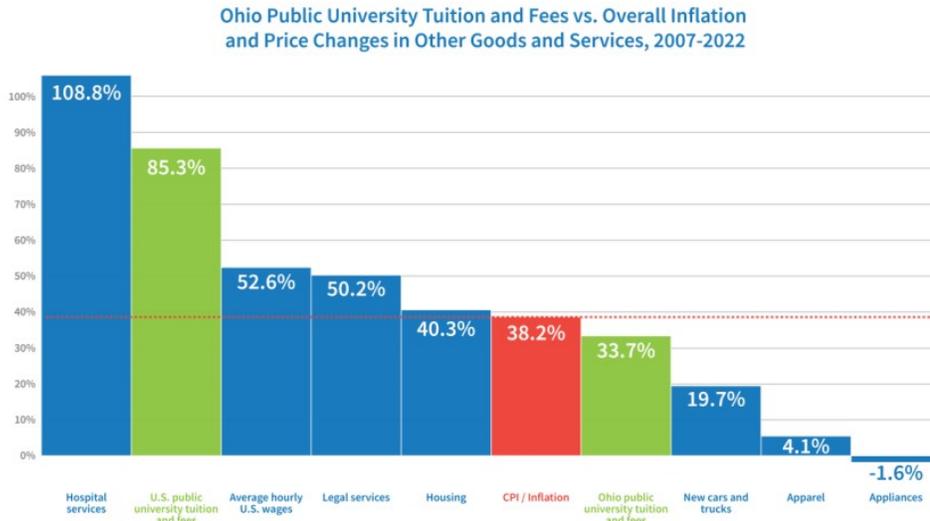
The concept is simple. The more you save for your college education, the less you need to borrow, and the less you borrow, the lower your debt will be. The IUC believes that saving money is an appropriate and responsible approach to take when planning how to pay for college and is something that should be encouraged. The IUC also believes that savings, spurred by the enhanced incentive in this bill, will reduce the overall level of debt students may end up carrying.

Bills like HB125 have contributed to the progress made towards addressing the student loan debt crisis. According to Trends in College Pricing and Student Aid 2022, federal student loans to undergraduates have decreased 49%, after adjusting for inflation, since the peaks seen between 2006 - 2011. "In 2021-22, after the 11th consecutive decline in annual education borrowing, students and parents borrowed

The Public Universities of Ohio

\$94.7 billion, down from a peak of \$141.6 billion (in 2021 dollars) in 2010-11.” A quarter of outstanding student loan debt is held by individuals who are 50 years of age or older, the vast majority of whom are presumably not recent graduates. “As of March 2022, 33% of borrowers owed less than \$10,000 and 21% of borrowers owed between \$10,000 and \$20,000 in federal loan debt.”

While we are making progress, \$94.7 billion borrowed by students and parents is still too large. That is why universities are doing their part. Because of the tuition guarantee program implemented in 2014, Ohio’s public universities are required to hold their costs of attendance frozen for four years for their incoming class of freshmen. This is part of the reason that tuition and fees at Ohio’s public universities have increased less than the rate of inflation since 2007.



Source: Ohio Department of Higher Education

Ohio’s public universities are getting leaner. For example, Kent State has reduced its workforce by 13%. The University of Akron has reduced its full-time employee headcount by nearly 1,000 in less than a decade. Other universities have done the same. Without question, the leaders of Ohio’s public universities do not want their students to pay more than is necessary for a quality education. That is why our state universities have been working hard to reduce costs, save money, and share that savings with students by operating more efficiently. We have streamlined operations by reducing redundancies and increasing innovations in operations, academic program delivery, energy usage, IT, and procurement. We have utilized shared services to leverage assets and create economies of scale. We have identified efficiencies in a variety of areas, including academics – specifically the value of the degree, time to degree, program structure and delivery, and academic advising, all of which have direct benefits for the student.

Further, we know and would strongly argue that college represents a sound investment -- for our customer, the student, and the state. Individuals with a bachelor’s degree will, on average, make \$1.2 million more over their lifetime than individuals with a high school diploma.¹ Individuals with bachelor’s degrees typically earn 40% more than individuals with associate degrees.² According to an economic

¹ Association of Public & Land-Grant Universities, <https://www.aplu.org/our-work/4-policy-and-advocacy/publicvalues/employment-earnings/#11>; citing Abel and Deitz, “Despite Rising Costs, College Is Still a Good Investment,” Federal Reserve Bank of New York, 2019.

² The State of American Higher Education Outcomes in 2023, Third Way, Feb. 22nd, 2023, <https://www.thirdway.org/report/the-state-of-american-higher-education-outcomes-in-2023>; last accessed Feb. 27th 2023.

impact study conducted by Lightcast, an independent and nationally recognized company that provides colleges and universities with labor market data, for every \$1 an individual spends to attend an Ohio public university, they will have a return of \$5.60 in lifetime earnings. The average annual return for Ohio public university students is 16.2%, compared to a 10.5% stock market 30-year average annual return. For every \$1 invested in Ohio's public universities, taxpayers receive a ROI of \$4.60.

While the student borrowing and debt numbers are cause for concern, student loans and borrowing money for higher education are not cause for panic. Often educational loans make it possible for many students who could not otherwise pay for college to gain the postsecondary experience they need to improve their lives. Many students greatly increase their earnings power and can easily repay their loans with their substantial increase in salaries. For example, individuals with a loan balance of \$40,000 or more have the lowest loan default rates, under 5%. While individuals with a loan balance of less than \$5,000 have the highest default rates, around 35%.³ Individuals with \$40,000 or more in student loan debt likely graduated from college and can make their loan payments, whereas a larger portion of the individuals with \$5,000 or less in student loan debt did not graduate. "The highest-income 40% of households (those with incomes above \$74,000) owe almost 60 percent of outstanding education debt and make almost three quarters of the payments." Despite having a larger share of student loan debt, these individuals are not defaulting because "workers with a college or graduate degree earn substantially more in the labor market than those who never went to college."⁴

One way to assist with the college costs is to save as much money as possible. HB125 is an excellent solution to this problem. Increasing the tax deduction on money contributed to a college savings plan will result in additional dollars that can be routed right back into the savings plan and into paying for the cost of a higher education. Families will save even more money, thereby lowering the amount of money students or parents may have to borrow. The IUC believes that such an incentive will encourage more people to save by participating in a 529 plan – an option that more and more families are choosing. Increasing the deduction also will go a long way towards putting us on equal footing with our neighboring states as you heard during sponsor testimony.

Ohio's public universities understand that there is a significant cost to attaining a higher education and are taking the necessary measures to mitigate that cost without sacrificing the quality and value of the degree earned by students. The IUC has consistently recommended that policy makers consider strengthening the tax benefits for college savings to assist students and to help lower the overall debt burden. This legislation will help make college not only more affordable by reducing long-term debt, but also accessible, enabling more young people to attend college, and giving those young people an opportunity, they may never have had otherwise.

Chair Roemer and members of the Committee, I ask for your support and favorable consideration of HB125. Again, thank you for the opportunity to testify as a proponent. I am happy to answer any questions you may have.

³ Matt Carter, *Here's How Many People Default on Their Student Loans in the U.S.*, credible, January 12, 2022, <https://www.credible.com/blog/statistics/student-loan-default-statistics/>; last accessed May 15, 2023.

⁴ Sandy Bayum and Adam Looney, *Who owes the most in student loans: New data from the Fed*, The Brookings Institute, Oct. 9, 2020, <https://www.brookings.edu/blog/up-front/2020/10/09/who-owes-the-most-in-student-loans-new-data-from-the-fed/>; last accessed May 15, 2023.