

Education Investment Consultants LLC

Ohio Senate Ways and Means Committee Written Testimony in Support – Ohio Senate Bill 33 September 28, 2021

Chair Blessing, Vice Chair Roegner, Ranking Member Williams, and all Members of the Ohio Senate Ways & Means Committee, thank you for this opportunity to offer proponent testimony on Senate Bill 33, sponsored by Sen. Jay Hottinger (R) and Sen. Andrew Brenner (R).

I am Chris Stack, Esq., Member of Education Investment Consultant LLC and Managing Consultant with Savingforcollege.com since 2000. Savingforcollege.com has been helping families save for college since 1999. It is an unbiased, independent resource for parents and financial professionals, providing them with information and tools to understand the benefits of 529 college savings plans and how they can prepare to meet the challenge of increasing college costs.

All initiatives that help more families save more for education should be supported, and we believe that SB 33 does just that for Ohio families. By allowing Ohio families to use the 529 plan of their choice, including, but not limited to the Ohio plans, and still enjoy the Ohio state income tax deduction for contributions to such plans, SB 33 provides greater opportunities and flexibility.

There are several considerations before you as you take up SB 33.

First, education, especially college, is expensive today and cost increases will almost certainly continue to outpace inflation as reflected in the Consumer Price Index (CPI), as it has done for the past 40 years. This random sampling of just the current academic year costs should allow you to guesstimate what to expect for 4+ years of college, 5, 10 or 15 years from now.

<u>Institution</u>	<u>2020-2021 Cost of Attendance*</u>
Case Western	\$72,176
Cleveland State (resident)	\$27,478
John Carroll	\$58,996
Miami (resident)	\$34,504
Oberlin	\$77,796
Ohio State (resident)	\$28,664
Ohio (resident)	\$28,602
Ohio Wesleyan	\$62,826
Toledo (resident)	\$23,536
Wooster	\$68,750

* - costs are as stated on each institution's website as of 12/1/20.

It is also important to note that the Federal and Ohio tax laws have recently expanded the definition of qualified education expenses, beyond expenses for vocational schools, trade schools, as well as undergraduate and graduate degree programs, to now include apprenticeship programs, interest and/or principal on qualified education loans up to a \$10,000 lifetime cap.

Second, expanding the current deduction to the 529 plan of an Ohio's family choice is not likely to have as a significant fiscal impact as some estimate. Allowing greater 529 plan choices does not mean that Ohio families have more funds to contribute to more of their college savings accounts, but in fact only more choices what to do with such savings. It will either be invested in the Ohio plans or a different plan, but not both.

Further, other states offering a deduction for all 529 plans, including Arizona, Arkansas, Kansas, Missouri, Minnesota, Montana and *Pennsylvania* have seen greater contributions by families saving in 529 college savings plans, including their own plans. However, none of such states have 529 programs as popular and successful as Ohio's own plans, which themselves have attracted many out-of-state participants which account for at least an estimated one-third of all Ohio 529 plan assets. Ohio's own 529 plans, with over \$16B in assets as of 6/30/21, larger than each of the plans of California, Texas and Florida, has and will continue to enjoy tremendous success in its mission to have Ohioans participate in their plans.

Third, saving and investing for future education expenses should not be viewed differently than saving and investing for retirement when considering investment choices. There is no Ohio law that limits Ohio savers to 1 retirement plan with 1 set of investment choices and likewise there should be the same type of flexibility when saving and investing for college. There are 529 plans less expensive and more expensive than the Ohio plans as there are plans that have performed better and worse. Giving Ohio families their choice of 529 plans with the tax deduction is consistent with allowing them to choose one of the many fine colleges in Ohio or out-of-state.

In summary, I believe that SB 33 should become law as it offers Ohio families greater opportunity to save and invest for future educational expenses by affording them greater flexibility and choice to nicely complement the fine Ohio 529 plans.

I wish to thank you Chair Blessing, and all the Committee members, for your consideration.

I also wish to thank you for the opportunity to submit proponent testimony on SB 33 to the Committee, regret that I am unable to submit testimony in person but would be happy to address any questions that the Committee may have.