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February 4, 2019

To: Chairman Groene and Members of the Education Committee

From: Aubrey Mancuso, Executive Director

RE: Support for LB 547 - Create the College Savings Plan Matching Grant Program

Dear Chairman Groene and Members of the Education Committee,

Children are Nebraska's greatest resource, and we all have an interest in ensuring that all children can reach their full potential in adulthood. A college education is one of the most effective promoters of economic mobility but remains out of reach for too many Nebraska children. Voices for Children in Nebraska strongly supports LB 547 because it addresses the inequity in access to 529 plans for low-income children.

A key solution to the workforce challenges that Nebraska is currently facing is to look to young students who face significant barriers to a college education. It is estimated that by 2020, 71% of jobs in Nebraska will require some postsecondary education.ⁱ Skyrocketing college tuition costs have put the greatest pressure on low-income children—today, the average tuition and fees for a public 4-year institution in our state is \$8,270 per year.ⁱⁱ For many Nebraska children, the odds of attending and completing college are often stacked against them from birth. Financial hardships, upfront costs and sticker shock, lack of information and appropriate counseling, access to accelerated coursework, and the guiding hand of parents who have experience with college all work against many children.

Research shows that one of the best interventions for college-going behavior are those that incentivize educational savings early.ⁱⁱⁱ For many low-income students, such programs can help bridge the gap between a child's educational goals and what they and their family believe to be a real financial possibility.

Although 529 plans have been designed to offer families a secure way to invest into postsecondary education, they remain highly underutilized by low-income families. Nationally, fewer than 3% of families participate in 529 plans, and the median income of participating families was \$142,000.^{iv} Here in Nebraska, though lower-income families represented nearly 60% of tax filers, they accounted for just over 3% of 529 dollars in Tax Year 2016. Families with an AGI of less than \$30,000 only contributed \$2,385 in 529 adjustments on average, while filers with an AGI over \$500,000 reaped an average of \$8,102 in 529 benefits.^v

All parents want to work toward a brighter future for their children, but asset-building can be difficult for low-income families. As the cost of raising a family outpaces wages for low- and middle-wage workers,^{vi} many parents who want to invest in their children's futures are simply unable to, after paying bills for their immediate needs. LB 547 would boost savings for children who need it the most in Nebraska. We thank Senator Wishart for her commitment to Nebraska's kids, and

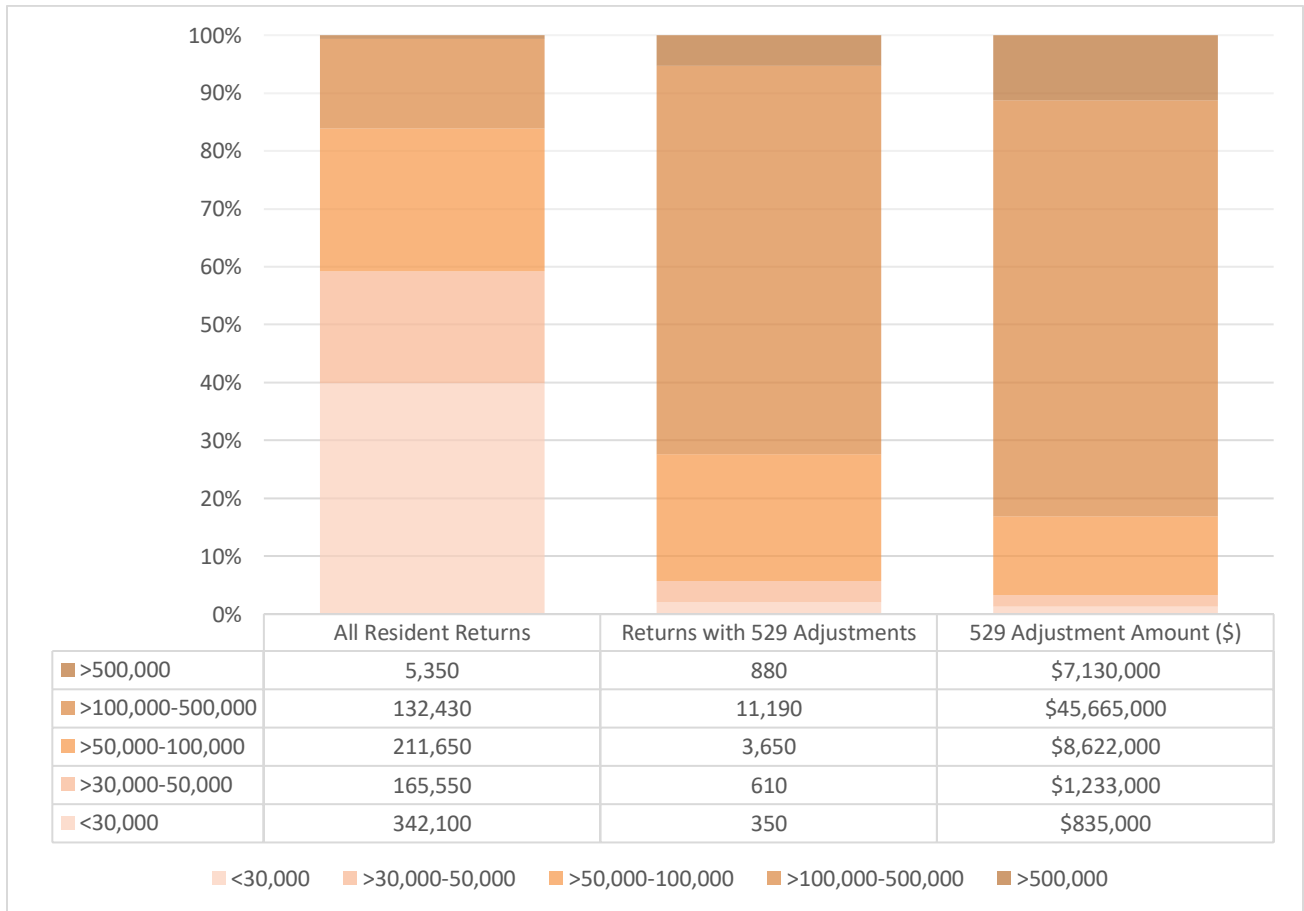
this committee for their time and consideration. We respectfully urge you to advance LB 547 to General File. Thank you.

Appendix 1.

Table 1. Nebraska Individual Income Tax Data for Resident Returns by AGI for Tax Year 2016

FAGI	All Resident Returns Filed		Returns with 529 Adjustments				Mean Benefit per Filer (\$)
			Adjustments Filed		Adjustment Amount		
	Number	%	Number	%	Amount (\$)	%	
<30,000	342,100	39.9%	350	2.1%	\$835,000	1.3%	\$2,385.71
>30,000-50,000	165,550	19.3%	610	3.7%	\$1,233,000	1.9%	\$2,021.31
>50,000-100,000	211,650	24.7%	3,650	21.9%	\$8,622,000	13.6%	\$2,362.19
>100,000-500,000	132,430	15.5%	11,190	67.0%	\$45,665,000	71.9%	\$4,080.88
>500,000	5,350	0.6%	880	5.3%	\$7,130,000	11.2%	\$8,102.27
Total	857,060		16,700		\$63,487,000		\$3,801.62

Figure 1. Families Earning Less than \$30,000 Represented 40% of Tax Filers, 1% of 529 Benefits in 2016



Source: Voices for Children in Nebraska analysis of “Table F2: Resident Returns Credits and Adjustments,” Nebraska Department of Revenue, Statistics of Income 2016, April 2018, available for download at: http://revenue.nebraska.gov/research/statistics_of_income/stat_2016/excel/Table%20F2%202016.xls.

ⁱ Anthony P. Carnevale, Nicole Smith, and Jeff Strohl, “Recovery: Job Growth and Education Requirements Through 2020 State Report,” Georgetown University, Center on Education and the Workforce, June 2013, available at: https://cew-7632.kxcdn.com/wp-content/uploads/StateProjections_6.1.15_agc_v2.pdf, 3.

ⁱⁱ “Figure 6: Average 2017-18 Tuition and Fees at Public Four-Year Institutions by State and Five-Year Percentage Change in Inflation-Adjusted In-State Tuition and Fees,” Trends in College Pricing, The College Board, <https://trends.collegeboard.org/college-pricing/figures-tables/2017-18-state-tuition-and-fees-public-four-year-institutions-state-and-five-year-percentage>.

ⁱⁱⁱ Voices for Children in Nebraska, “Higher Education: Savings and Opportunity,” December 2013, available at: <http://voicesforchildren.com/wp-content/uploads/2016/06/College-Savings-issue-brief-FINAL.pdf>, 5.

^{iv} U.S. Government Accountability Office, “Higher Education: A Small Percentage of Families Save in 529 Plans,” GAO Report to the Chairman of the U.S. Senate Committee on Finance, December 12, available at: <https://www.gao.gov/assets/660/650759.pdf>.

^v See Appendix 1. We use the term “lower-income” here to roughly apply to families with an AGI under the state median household income of \$54,384.

^{vi} John Schmitt, Elise Gould, and Josh Bivens, “America’s Slow-motion Wage Crisis,” Economic Policy Institute, September 2018, <https://www.epi.org/files/pdf/153535.pdf>.