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February 10, 2020

To: Chairman Groene and Members of the Education Committee
From: Aubrey Mancuso, Executive Director
RE: Support for LB 1083 to change provisions of the Meadowlark Program

Dear Chairman Groene and Members of the Education Committee,

We support the simple changes provided in LB 1083 that would help allow the promise of Nebraska's new college savings program to be realized. I would like to thank the committee and the body for supporting efforts to expand access to college savings accounts last year and I want to briefly share some points regarding the importance of this program.

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, and parents without personal experience of higher education all serve as barriers.

Research shows that one of the best interventions for college-going behavior are those that incentivize educational savings early.ⁱ 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.ⁱⁱ 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.ⁱⁱⁱ Additional data attached to my testimony illustrates the current income inequities in use of college savings.

All parents want to work toward a brighter future for their children, but asset-building can be difficult for low-income families. The Meadowlark Program provides a promising tool for addressing some of these inequities and we respectfully urge the committee to advance LB 1083 to help move this program forward. Thank you.

¹ 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.

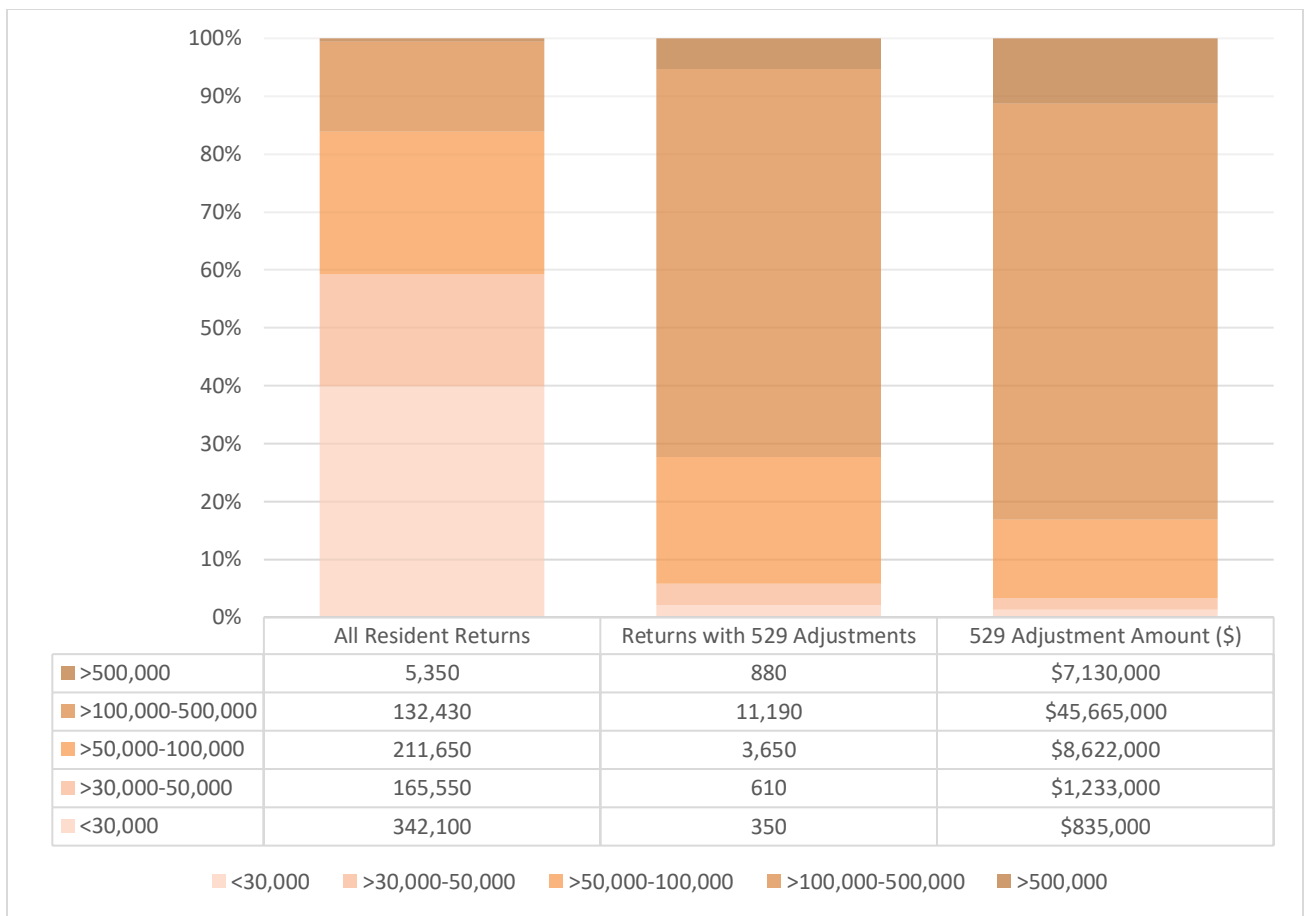
¹ U.S. Government Accountability Office, "Higher Education: A Small Percentage of Families Save in 529 Plans," GAO Report to the Chairman of the U.S. Senate Committee on Finance, December 12, available at: <https://www.gao.gov/assets/660/650759.pdf>.

¹ 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.

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.