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Legislation that creates guaranteed prepaid tuition option introduced with bipartisan support

Prepaid tuition would become an option on the menu of Oregon 529 college savings plans

SALEM – Bipartisan legislation introduced Monday will give Oregon families a new way to help put college in the reach of their children and grandchildren – and in a way that won't be subject to fluctuations in the stock market.

The Oregon College Guarantee Act of 2009 will authorize a prepaid college tuition option as part of the Oregon College Savings Plan.

The legislation, Senate Bill 7, is being sponsored by Senate President Peter Courtney, D-Salem; Rep. Judy Stiegler, D-Bend; and State Treasurer Ben Westlund.

There are 33 sponsors and cosponsors.

Prepaid tuition will allow parents to purchase college classes for their children based on today's rates, for future use.

And because the prepaid option would be included under the same framework and tax laws as the state's existing college savings plan, parents and grandparents who invest in the future education of their children and grandchildren would be eligible for Oregon income tax deductions up to \$4,000 a year.

“This is the kind of option that belongs in our college savings mix,” said Treasurer Westlund, who is working on several reforms to strengthen the state's 529 program. “Oregon families want more certainty in these turbulent times, and it is in our best interest to help our next generation to reach college and to succeed.”

Westlund became chairman of the Oregon 529 College Savings Board when he was sworn in as State Treasurer in January.

“A college education is the most important investment parents can make to help ensure a positive future for their children, and yet it’s one of the most difficult challenges families face in our uncertain economy,” said Courtney, who sponsored a bill in 1997 that would have created a prepaid tuition plan and was a chief cosponsor in 1999 of the legislation that created the existing college savings plan. “Prepaid tuition will reduce the uncertainty and create new opportunities for success for the next generation of Oregonians who must compete in the global marketplace.”

“Access to affordable college is not a partisan issue, and it affects families across the state, from Bandon to Beaverton to Bend,” said Stiegler, a former chairwoman of the Oregon Board of Education. “Prepaid tuition will give parents and grandparents peace of mind that when they put money into college education, the credits will be there when the child needs them.”

Under the proposed legislation, parents could lock in tuition rates, pay in advance for their child’s education over a period of years, and experience a significant overall savings when compared to the probable increase in tuition costs.

The money will go into a trust that will be invested safely to grow over time so universities can be paid in full and parents have the peace of mind that comes with the plan.

Prepaid tuition plans first became available in the 1980s and are available in 13 other states, including Washington State, and have gained in popularity in the current stock market slide.

The envisioned Oregon structure will be insured against market downturns, so families won’t lose their money and universities are protected. The investment risk to individual families and universities will be mitigated because the prepaid funds will be pooled into a single trust.

In addition, adding the option to the existing 529 program will not cost taxpayers any new money. The legislation has no impact on the general fund, according to the nonpartisan Legislative Fiscal Office.

A prepaid option will complement existing college savings options in the Oregon 529 College Savings Network. Families will be able to save for tuition costs with a prepaid plan and, at the same time, invest for other education costs such as textbooks, room and board under the existing savings plan option.

The prepaid tuition plan will be portable: The plans could cover tuition at Oregon public and potentially private colleges, or the accumulated assets could be cashed out and the money transferred to an out-of-state college.

The Oregon 529 College Savings Board in January passed a resolution supporting the idea of a prepaid option.

Oregon 529 Board member Kirby Dyess, who also sits as a member of the State Board of Higher Education, said: “It allows people other than parents to provide gifts for grandchildren, nieces and nephews,” she said. “The objective at the end of the day is for more Oregonians to be able to go to college.”

Carl Vance, the chief financial officer at Lewis and Clark College and the private college representative on the Oregon 529 Board, said many people are not as comfortable investing in uncertain markets and would prefer a guarantee.

“We’re about trying to provide greater access to higher education of all forms, and there is a category of investors who would welcome and cling to a plan that would guarantee that tuition would be covered, if they provided a certain sum of money,” he said.

The Oregon 529 College Savings Network allows families to invest for college and receive Oregon tax deduction of as much as \$4,000 a year. The funds and any earnings can then be used tax-free for qualified higher education expenses. Since first accepting investments in 2001, the 529 program has grown to roughly 100,000 accounts, which represented about \$770 million in combined assets at the end of 2008.

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