



Utah Higher Education Assistance Authority

Utah Student Loan Guarantee Program (LGP)
Utah State Board of Regents Loan Purchase Program (LPP)
Utah Centennial Opportunity Program For Education (UCOPE)
Utah Educational Savings Plan Trust (UESP)

WRITTEN TESTIMONY OF

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Regarding
529 College Savings Plans

Before the
Senate Governmental Affairs Subcommittee on Financial Management, the Budget,
and International Security
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Mr. Chairman and members of the Subcommittee, my name is Richard Davis, Deputy Executive Director for Finance and Administration for the Utah Higher Education Assistance Authority (UHEAA), a subsidiary of the Utah State Board of Regents. UHEAA administers the Utah Educational Savings Plan Trust (UESP) as part of their role to provide financial and informational assistance to Utah residents and students attending postsecondary institutions. The Utah Educational Savings Plan was created by the Utah State Legislature in 1996 to encourage Utah residents to save for the college education of their children and grandchildren. UESP is a state agency created to provide a simple, low-cost vehicle for saving for college while offering both federal and state tax incentives. UESP is governed by a seventeen (17) member Board of Directors, comprised of members from both the private and public sector.

It is my pleasure to be here today to speak with you about college savings plans in general and the State of Utah's approach to the creation of one of the nation's lowest cost programs.

In 2004, a student planning to complete a four-year degree at one of Utah's colleges or universities can anticipate spending \$32,000 or more to accomplish their goal. That same degree is estimated to cost more than \$80,000 by the year 2024. The average family is unlikely to be able to afford to send their child to college, without taking on substantial debt or limiting their school options. In response to this burden on families, the UESP

Board of Directors was charged with creating a safe, simple and low-cost college savings program. UHEAA made the conscious decision to create a 529 savings plan that charges the lowest fees possible. To maintain these lower costs, UHEAA has chosen to offer its plan directly to investors.

A UESP savings account may be established with no enrollment fee and a deposit as low as \$25 per family. Once an account has been created, there are no deposit requirements and the account holder may choose a payment schedule that meets their specific needs.

UESP offers nine investment options that utilize Vanguard mutual funds from the Vanguard Group and/or The Utah Public Treasurers Investment Fund (PTIF). One UESP option invests only in the Public Treasurers Investment Fund, and is offered at no fee. UESP offers four static investment options where the allocation of funds remains the same throughout the entire time the account is open. Five different age-based options are also offered, all of which provide portfolios that change the allocation of funds to become more conservative, as the beneficiary approaches college enrollment.

Residents of Utah also realize an additional benefit from establishing a UESP account, which is in the form of a state tax deduction. In 2004, a Utah resident contributing to their UESP account is eligible for a state tax deduction of up to \$1,470 for each beneficiary, or up to \$2,940 if filing jointly.

In addition to the low fees and the state tax deductions, the federal tax advantages make 529 savings plans even more beneficial to all Utah residents.

As a confirmation of the value of this decision to offer a low-cost college savings plan, UESP has been consistently rated by various investment research organizations, magazines, and other third parties as among the top five Section 529 plans in the nation. Although UESP markets only in Utah, 80% of the plan's participants are out of state residents.

UESP recently began a new pilot program, which provides matching funds for low-income Utahns. UESP will provide a matching incentive of up to \$300 per year, for four years, for the first 50 children of Utah families who apply with incomes up to 200% of the federal poverty level.

As a member of the College Savings Plan Network (CSPN), UESP supports the effort to create a voluntary disclosure system among the various plans. UESP is currently working toward developing and refining our offering materials by the beginning of 2005 to meet the objectives of the disclosure principals, and plans to provide materials that will help consumers make more informed and objective comparisons of fees and expenses.

Mr. Chairman, Section 529 plans in general, and UESP in particular, have proven to be very successful among families as they plan for their children's educations. The Congress set out to create a simple and easy to understand process to assist participants

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save money for college. That goal is being accomplished everyday through the continued growth in 529 plans.

Thank you again Mr. Chairman, and Members of the Subcommittee, for your time and your continued support of state college savings programs. I look forward to working with you and this Committee to provide the best college savings program possible. I would be pleased to address any questions.