

Supporting the Montana Family Education Savings Program

State Need:

- As the cost of education increases there is a greater need for families to save for post-secondary education. Saving for college has the long-term benefit of increasing access and lowering student debt.
- In 1997 the legislature authorized the Montana Family Education Savings Program. This program provides attractive tax incentives at both the state and federal level that encourage saving for college.

Market Reality:

- December 31, 2003 marked the end of the fifth full year of the Montana Family Education Savings Program (MFESP). During 2003 the program recorded a 44% increase in new accounts and a 55% increase in deposit dollars versus the prior one-year period.
- Since inception in 1998, individuals participating in the MFESP have established over 10,100 accounts and over \$101,600,000 in deposits.

Current Problem:

- The state did not provide any start-up or ongoing funding for administration of the MFESP. The program has grown beyond the point where it can be administered without resources or staff.
- The Associate Commissioner for Fiscal Affairs assumed responsibility for implementation of the program when it was authorized in statute and has continued to staff the program through the first 6 years. However, the program has grown beyond the point where it can be effectively administered within the limited time available.
- Most state 529 programs similar to the MFESP have dedicated staff for their program. If Montana is to provide a competitive program it must have staff that can stay current on national developments and continually update the program to make it attractive to potential savers.

Proposed Solution:

- The statute allows the board to assess and collect fees associated with the program. Although initial collections were minimal, the program has grown to the point that revenues have increased significantly (\$30,000 in 2003).
- The hiring of a part-time employee to assist in the administration could be funded through program revenues without any cost to the state.

Required Investment:

- Approximately \$25,000 annually of program revenues.
- No state funding required.

Return on Investment:

- A successful program will attract and encourage additional participants. Saving for college increases access to post-secondary education and fosters economic growth through a better educated state workforce.
- Increased savings for college will lower student debt loads allowing more students to remain in Montana.