

At the recent hearing on L.D. 23, Rep. Sachs and Rep. Terry asked me the question: Has FAME noticed a decline in NextGen 529 account openings since the deduction was removed in 2015? The answer is no, we have not.

On average, over 5,000 new accounts have been opened each of the last four fiscal years (FY 19 was down a bit due to the pandemic, however).

We are unable to document, however, whether the account openings during this period would have been *even higher* had the deduction still been in effect. In our view, such a benefit would not have detracted from openings and may actually have led to more account openings.

Also, keep in mind that the deduction proposed in the bill is meant to apply to contributions to *all* 529 education savings plans, not just NextGen 529. We do not have access to other plans' information. We should keep in mind that Maine taxpayers might be encouraged to contribute to other plans based on a restoration of the deduction.

If anything, the need to encourage education savings and reduce student loan debt has only grown since the deduction was removed in 2015. We should make as many tools available as possible to encourage such savings and planning, whether it be through this deduction or matching grants by FAME. This will help realize Maine's commitment to increased higher education and a skilled workforce.

Finally, MRS noted in its testimony that the deduction had been used primarily by middle-to-upper income Mainers. We would simply point out that most Maine families, including middle income families, need to save for future education expenses. With respect to middle income families, they rely heavily on education borrowing as they tend to have higher EFCs and usually don't qualify for aid such as the Maine State Grant or Pell Grants. Maine NextGen account owners run the gamut from low to middle and upper incomes. And we engage in extensive outreach to all of Maine's population, regardless of income levels.

Thank you and please let me know if you have further questions.

Bill

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