

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
First Reader - Revised

Senate Bill 475

(Senator Klausmeier, *et al.*)

Education, Energy, and the Environment

Workgroup on the Maryland 529 Prepaid College Trust Program

This emergency bill establishes the Workgroup on the Maryland 529 Prepaid College Trust Program to identify policies, procedures, and practices that led to issues relating to the earnings calculation formula and Maryland 529 account holders' inability to access their prepaid college trust benefits to pay for college expenses. The workgroup must also develop and make recommendations for improvement of Maryland 529 in specified areas. The Department of Legislative Services (DLS) must staff the workgroup. A member of the workgroup may not receive compensation but is entitled to reimbursement for expenses under standard State travel regulations. The workgroup must report its findings and recommendations to the Governor and the General Assembly by June 1, 2024. **The bill terminates June 1, 2024.**

Fiscal Summary

State Effect: DLS can staff the workgroup, and specified agencies can participate using existing resources. Any expense reimbursements for workgroup members are assumed to be minimal and absorbable within existing budgeted resources. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law:

Maryland 529

The Maryland 529 Board consists of 11 members, 6 of whom serve by virtue of the State office they hold: the State Treasurer; the State Comptroller; the Secretary of Higher Education; the State Superintendent of Schools; the Chancellor of the University System of Maryland; and the Secretary of Disabilities. The other 5 members are appointed by the Governor.

Maryland 529 currently offers three savings plans: one savings plan for individuals with disabilities; and two savings plans for higher education expenses. The savings plan for individuals with disabilities is the Maryland ABLE Program, which allows certain individuals with disabilities to save for qualified disability expenses. Of the two savings plans for higher education, one is a defined benefit plan called the Maryland Prepaid College Trust, and the other is an investment plan called the Maryland College Investment Plan. Generally, funds in the plans may only be used for qualified education expenses, which historically meant certain expenses related to higher education. However, under the federal Tax Cuts and Jobs Act of 2017, the investment plan may be used to pay for tuition expenses at K-12 public, private, and parochial schools.

Maryland Prepaid College Trust

The Maryland Prepaid College Trust allows interested persons, on behalf of a child, to prepay the cost of higher education tuition and mandatory fees by purchasing a contract based on the current weighted average tuition and mandatory fees at Maryland public institutions of higher education, the selected payment plan, the number of years until the child enters college, and other factors.

Each account holder enters into a contract with the trust for prepayment of tuition and mandatory fees for a specified number of years of community college and/or semesters or years of university tuition. Payments may be made in single, monthly, or annual installments. For a child enrolled in a Maryland public institution of higher education, the trust will pay the full in-state tuition and mandatory fees. If a child attends an eligible private or out-of-state institution of higher education, the trust will pay up to the calculated weighted average tuition of the tuition plan selected or the calculated minimum benefit, whichever is greater. Calculated minimum benefits are generally the amount paid into the account, less any operating fees plus a certain rate of return.

State Expenditures: Maryland 529 advises that the agency requires one additional legal consultant to review agency policies and practices to participate in the workgroup. However, as DLS must staff the workgroup, any expenses associated with reviewing agency policies are likely absorbable using workgroup staff.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland 529; Department of Legislative Services

Fiscal Note History: First Reader - February 20, 2023
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