

House Bill 1290 MHEC Letter of Support 03212023.pd

Uploaded by: Lee Towers

Position: FAV



Wes Moore
Governor

Aruna Miller
Lt. Governor

Mary Pat Seurkamp, Ph.D.
Chair

Bill Number: House Bill 1290

Position: Support

Title: Higher Education - Maryland 529 Program - Reform

Committee: Chair, House Appropriations Committee

Hearing Date: March 21, 2023

Bill Summary:

House Bill 1290 would abolish and repeal the Maryland 529 Board. It would specify that the State Treasurer is the successor to the Maryland 529 Board and transfer to the Office of the State Treasurer the responsibility for administering the Maryland 529 Program, including the Maryland Prepaid College Trust, the Maryland College Investment Plan, the Maryland Broker-Dealer College Investment Plan, and the Maryland ABLE Program. It would authorize and require the State Treasurer to take certain actions in administering the Maryland 529 Program.

Information:

The Maryland Higher Education Commission (MHEC) has reviewed House Bill 1290 and supports its passage.

This legislation moves Maryland 529 from its status as an independent State agency under a Board to the Office of the State Treasurer. This will allow State funding for the Save4College State Contribution Program, currently provided to the College Investment Plan through the budget of the Maryland Higher Education Commission, to be appropriated directly through the Office of the State Treasurer thus increasing efficiency of the program.

Providing educational opportunities through planned programs such as Maryland 529 will help make attending college or a private career school easy and affordable. This will greatly increase opportunity for more students, helping make Maryland a leader for the nation.

For additional information, please contact Mr. Lee Towers, Legislative Liaison for the Maryland Higher Education Commission at lee.towers@maryland.gov.

NAIFAMDhb12902023.pdf

Uploaded by: Brett Lininger

Position: FWA



House Bill 1290

Higher Education – Maryland 529 Program – Reform

Position: Favorable w/ Amendment

Dear Chairman Barnes and Members of the House Appropriations Committee,

NAIFA-MD (“The National Association of Insurance and Financial Advisors – Maryland Chapter”) appreciates the opportunity to submit written testimony on House Bill 1290. NAIFA-MD is made up of insurance agents and advisors, financial advisors and financial planners, investment advisors, broker/dealers, multiline agents, health insurance and employee benefits specialists, and more. We are the closest to the consumer and provide products, services, and guidance that increase financial literacy in our society, protect their clients against life’s inherent risks, help hard-working Americans prepare for retirement, and create financial security and prosperity so their clients can leave a legacy for future generations.

NAIFA-MD supports this legislation and ask for an amendment to add a licensed financial advisor to the Work Group as they would be able to provide insight on the subject matter as advisors to consumers.

On page 39, in line 27, after House insert “**A LICENSED FINANCIAL ADVISOR**”.

Rationale: Licensed financial advisors interact directly with consumers and would be able to provide good insight for this work group.

Sincerely,

Brett Lininger

brett@kresshammen.com

443-527-4837

HB1290_Klapper_FWA.pdf

Uploaded by: Larry Klapper

Position: FWA

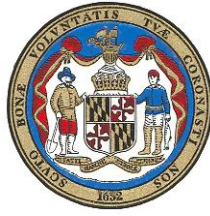
TESTIMONY IN SUPPORT WITH AMENDMENT OF HOUSE BILL 1290
Higher Education - Maryland 529 Program – Reform
Before the House Appropriates Committee
By Larry Klapper
March 21, 2023

Chair Barnes, Vice-Chair Chang, and Members of the House Appropriations Committee, thank you for this opportunity to testify in support with amendment of House Bill 1290. I urge you to please amend House Bill 1290 to continue the Maryland Prepaid College Trust instead of ending it. This is a critical program that makes tuition affordable for middle class parents. I sent both of my children to St Mary's College of Maryland thanks to this program, and recently invested in a year of tuition for my grandson. This program was a Godsend for us. I don't see how we would have been able to afford college for our kids without this. Because of this plan they were able to graduate college without the staggering debt that so many kids face. I was planning to invest in another semester this month, and hoped to invest more in the future. Please fix the Maryland Prepaid College Trust, but do not end it. I urge a favorable report with amendment for HB 1290.

HB 1290 - STO Informational Testimony - Final.pdf

Uploaded by: Dereck Davis

Position: INFO



MARYLAND STATE TREASURER
Dereck E. Davis

Informational Testimony of the Maryland State Treasurer's Office

House Bill 1290: Higher Education - Maryland 529 Program - Reform

House Appropriations Committee

March 21, 2023

During his electoral address to the General Assembly, Treasurer Davis expressed a willingness to be a part of the solution to fix the problems facing the Maryland 529 Program. To that end, the State Treasurer's Office (STO) appreciates the opportunity to provide information regarding the reforms proposed in House Bill 1290. By reviewing STO's current staffing levels and the resources needed to integrate the Maryland 529 Program, this testimony endeavors to help the Committees decide the best path forward. Additionally, the testimony suggests one amendment to clarify the General Assembly's intent.

Background on STO

The State Treasurer's Office maintains a small staff of 63 employees who account for and invest over \$20 billion in assets on behalf of the State, oversee the State's debt issuances (exceeding \$1.0 billion in 2022), and manage the State's self-insurance program for tort claims, among other responsibilities. In order to fulfill the agency's core debt management, insurance, and treasury management functions, STO competes directly with private-sector employers in those industries. The tight labor market has made filling vacancies especially challenging, which led to a high-water mark vacancy rate of 35% in December 2021. Reclassifying salaries and implementing a telework policy have helped to reduce the vacancy rate to closer to 13%.

In terms of information technology (IT), upon taking office, Treasurer Davis learned that STO operates on a legacy system that is vulnerable to hardware and software challenges. The system had become so outdated that hardware replacement parts were nearly impossible to find and software had become completely unsupported. In fiscal year 2023, STO completed an important first step by upgrading the insurance part of the IT system, which is the one that interfaces most directly with the public. STO must now focus on banking, the system's most critical activity, which is responsible for all payments and

revenues received by the State. To STO has leased new hardware and entered into a new service agreement, which together make the system more secure throughout the transition.

While great progress has been made, Treasurer Davis continues to focus on hiring staff and modernizing the operations of the office. Additional resources are needed to support the core operations of the agency that are critical to overall functioning of State government.

Costs of 529 Program Integration

By extension, STO requires both flexibility and resources to successfully integrate its operations with those of the Maryland 529 Program. Flexibility with funding will help the Treasurer to take an agile approach to implementation. Additional resources will make it possible for STO to operationalize all of the Board's responsibilities, which comprise the majority of the bill text. For illustrative purposes, the list below identifies resources that STO anticipates needing for staffing, IT, and consultants.

Staffing

- **Existing Vacancies:** Several vacant positions within Maryland 529 need to be filled to improve the provision of services to account holders.
- **Deputy Director:** Hiring a Deputy Director would facilitate communication across STO, support the work of the Executive Director, and assist with succession planning in future years.
- **Contract Management:** There is need to increase State oversight of the various contracts that Maryland 529 manages. For example, the Program has three separate managers overseeing each of the three savings plans (Prepaid Plan, Maryland College Investment Plan, and ABLE). Additionally, Maryland 529 has contracts with other vendors who provide accounting, actuarial, auditing, and other services.
- **Customer and Constituent Service:** Maryland 529 currently lacks internal staff to provide customer service outreach. STO envisions establishing a robust staff dedicated to communicating with account holders and legislators. Beyond handling Prepaid Plan inquiries, these customer service representatives would also assist the Maryland College Investment Plan and ABLE account holders.
- **IT and Human Resources (HR):** The on-boarding of new staff and the integration of Maryland 529's IT system with STO's requires the addition of at least one full-time IT professional and one full-time HR professional.
- **Legal:** Additional STO staff and/or attorneys from the Office of the Attorney General may be needed to implement the interest payment requirement under § 18-1909 of the Education Article in the bill.
- **Marketing:** Marketing each of the three plans will require care and attention as public trust in Maryland 529 is rebuilt. STO may seek to hire an additional marketing expert to help the Program navigate these challenges.
- **Workgroup:** Depending on the nature of the work that the Workgroup undertakes, the expenditure of staff time may justify the need for additional staff to help the Workgroup until the work is complete.

IT

Upgrades to STO's website and its integration with the Maryland 529 website will better support the anticipated increase in web traffic following the transition.

Consultants

STO may require the assistance of various consultants to handle claims, review past practices, and communicate updates with the public. Possible engagements include audit and performance review, communications, and outside legal counsel. The need for outside legal counsel is especially pressing as long as the Assistant Attorney General position for Maryland 529 remains vacant.

Amendments

STO suggests one amendment to clarify the General Assembly's intent surrounding the proposed reforms. Specifically, the legislation is silent as to a remedy for account holders. The incentive for rolling over accounts from the Prepaid Plan to the Maryland College Investment Plan helps to phase out the Prepaid Plan, but does not address concerns that account holders have raised about their earnings. If the General Assembly would like STO to resolve the dispute between the Maryland 529 Program and account holders, the legislation will need to identify the methodology, process, and funding source for such resolution.

Treasurer Davis and STO hope that this information is useful as the committees consider House Bill 1290. Please contact Laura Atas, Deputy Treasurer for Public Policy (latas@treasurer.state.md.us), with any questions.