

March 20, 2023

Dear Delegate Korman and other members of the House Appropriations Committee,

As a longtime District 16 resident and 529 prepaid accountholder since 2004, I suggest the following amendments:

Amendment I:

**Methodology:**

Earning Rate: As of June 1, 2023, The State Treasurer shall grant and apply accountholders a 6% earnings rate compounded monthly on account balances from the date of contribution to the date of the transfer to be calculated by Intuition.

Amendment II:

**Types of Claims:**

**A. Accept and process Rollover, Refund, Tuition, and other Qualified Educational Expenses on priority system as follows:**

1. Beginning July 1, 2023: Priority Group 1 is defined as accountholders or beneficiaries that have incurred college expenses from the time of the earnings freeze to the present and those that will be attending college in the Fall of 2023.
2. Beginning September 1, 2023: Priority Group 2 is defined as all other accountholders or beneficiaries.

Rationale: Relieves accountholders that have not been able to pay past expenses first and allows those that will have fall bills due in August to have access to their funds. Prevents further damages to accoun holders that are incurring IRS penalties due to trust payments being made in years after expenses were incurred.

**B. Establish a Damages Claims Process for those who have incurred expenses who were unable to access their funds from April 15, 2022 to present**

For those that used Weighted Average Tuition after the investment earnings freeze (April 15, 2022), the excess benefits not accessible shall be calculated and returned to beneficiaries or account holders.

Accountholders who suffered damages as a result of the frozen earnings, for example, by taking loans with interest, incurring interest from credit cards, paying penalties for using retirement accounts, refinancing a house at higher interest, incurring IRS tax and/or state tax penalty, etc., should be reimbursed for their losses.

**Amendment III:**  
Funding Sources:

**1. MD PrePaid College Trust.** The 2022 annual report indicated the Trust had \$1.2B in assets that included a \$355.6M surplus as well as \$321M set aside for accrued earnings. The funds in the trust belong to the accountholders and consist solely of contributions made by accountholders and the investment earnings made on those contributions. All fund expenses have been borne by the accountholders via fees paid per accountholder contracts. There is no taxpayer money in this fund; therefore, the funds should be returned to whom they belong – the accountholders themselves for the intended benefit of the education of their children.

2. The MPCT operating surplus is invested in a Money Market Mutual fund and has been maintained in an account held by Wells Fargo (As of June 30, 2022, the amount invested in this account was \$13,321,779).

3. If necessary, the Maryland State rainy day fund (\$2.9B) and/or The Maryland State General fund (\$2B), as other states have done when their PrePaid Trust Plans became insolvent. Additionally, in the case of liquidity shortcoming by the Trust, the State could provide a loan to the Trust up to the full value of the Trust assets to cover accountholder requests (there is precedent to this as the State provided start-up loans to the Trust for both the PrePaid and ABLE plans).

**Amendment IV:** Add subpoena power so the work group can obtain information.

**Amendment V:** Provide a mechanism to combine multiple accounts of a beneficiary in order to comply with IRS rule that only one account rollover is permitted per year.

**Amendment VI:** Extend statute of limitations for contract disputes to 1 year after the work group report is made public.

**Amendment VII:** Provide notice to accountholders regarding 529 legal changes via mail, email, and on the 529 website within 15 days of passage of the Bill.

**Amendment VIII:** Upon passage of the Bill, close Maryland 529 Prepaid College Trust to new contracts.

**Amendment IX:** Start work group by June 1, 2023 and end date to September 2023. Work group should include 2 appointed Senators, 2 appointed Delegates, 4 MD 529 accountholders who have experienced issues accessing their funds, and the Treasurer.

**Amendment X:** After December 31, 2023, the Treasurer will establish a rollover option with an additional incentive to be determined based on the surplus funds identified in the actuarial audit.

Thank you. Elena Paoli, 529 Prepaid accountholder, District 16