

Education is the Best Bet (SB 328)

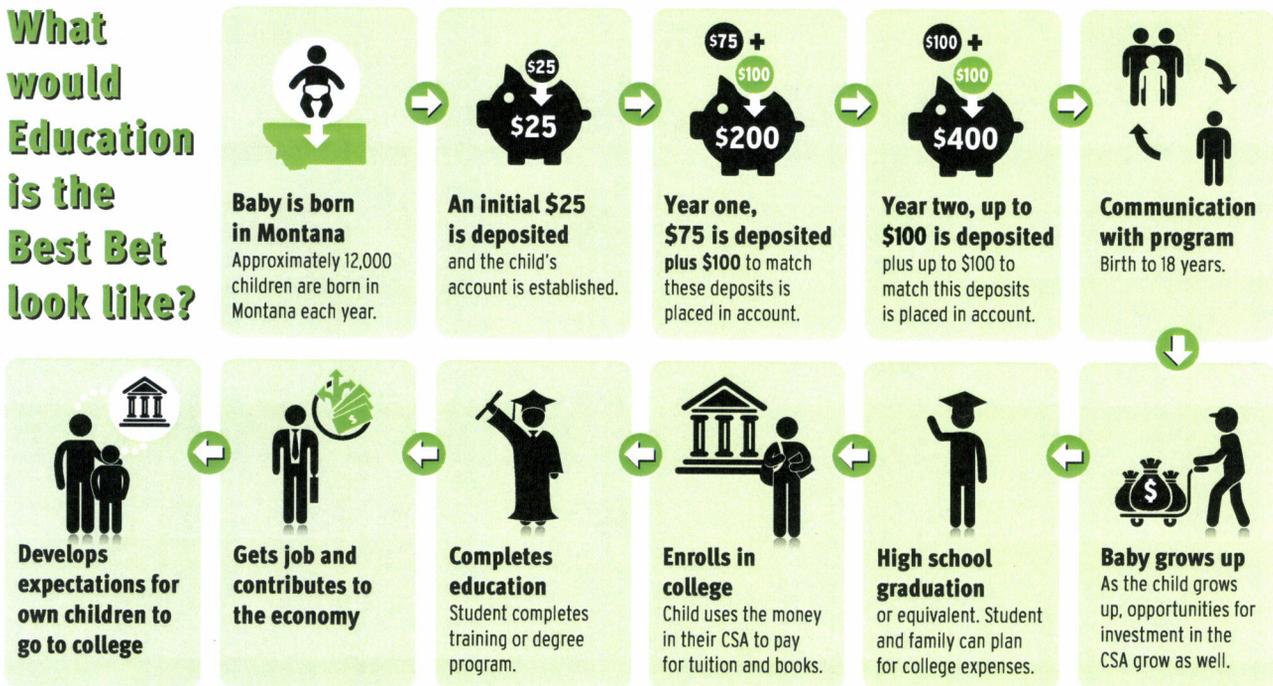
Sponsored by Senator Llew Jones

Supported by Student Assistance Foundation, Associated Students of Montana State, Associated Students of UM, Montana Associated Students, Montana Chamber Foundation, Montana Women's Foundation, Montana's Credit Unions, Montana Organizing Project, OCHE, and Rural Dynamics, Inc.

Education is the Best Bet (SB 328) is an innovative solution to the higher education affordability problem facing Montana in the form of Children's Savings

Accounts. This solution successfully marries a small state investment with personal responsibility.

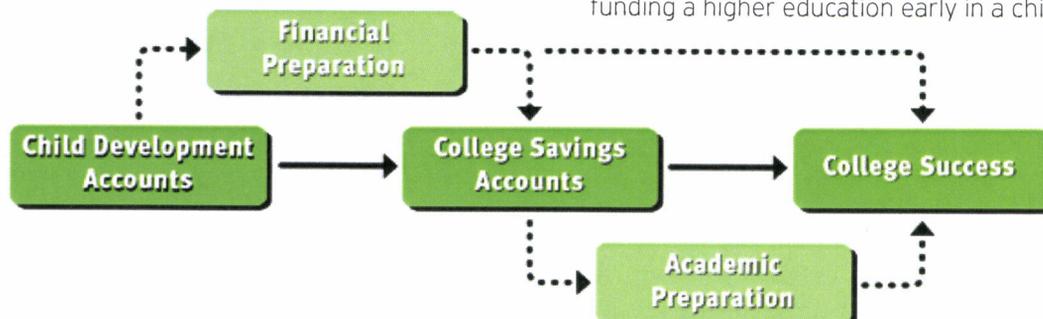
What would Education is the Best Bet look like?



Why do Child Savings Accounts (CSAs) Work?

Research has shown that having college savings:

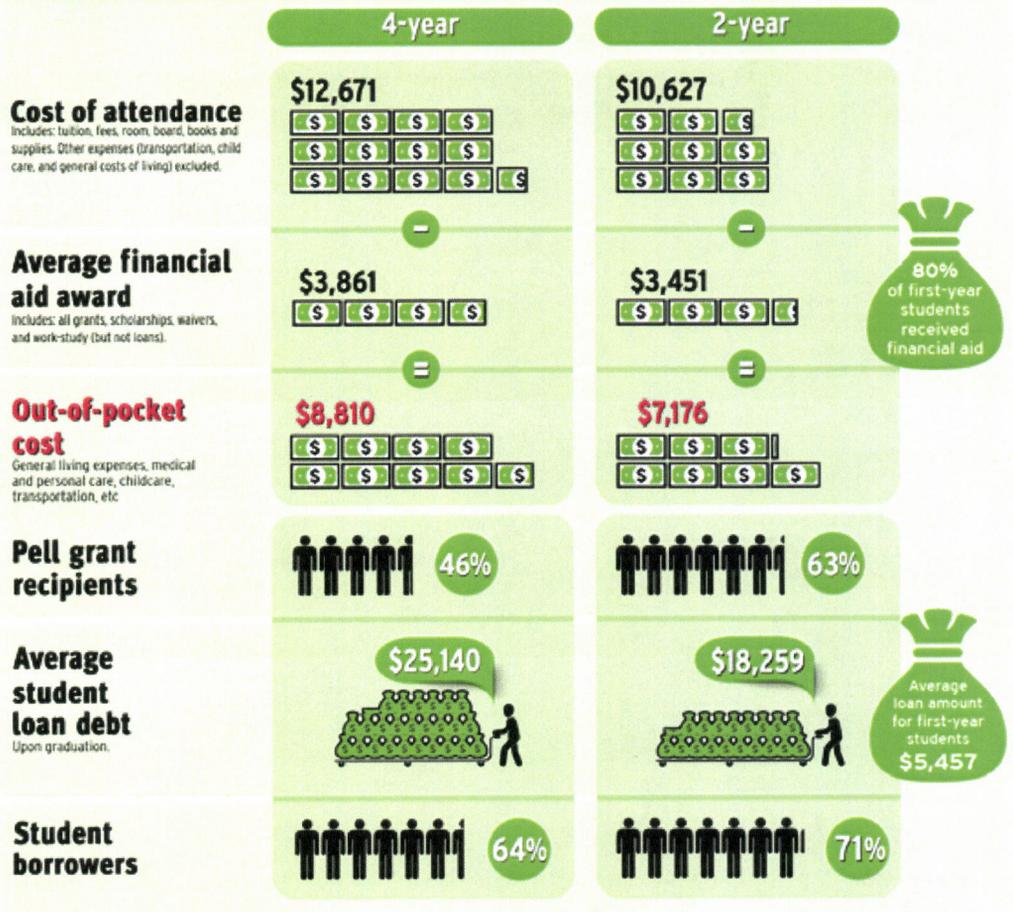
- Increases enrollment and graduation rates
 - low-to moderate-income children with savings of \$1 - \$499 are more than 2.5 times more likely to enroll in college and more than 4.5 times more likely to graduate.
 - 74% of children with savings designated for college are enrolled or have graduated from a 2 or 4 year college by age 23 compared to 41% of children without.
- Confers significant psychological benefits and measurable impacts related to students' perceptions about their ability to pursue, succeed, and finance college.
- Influences school-related behaviors in a way that may increase educational engagement, resulting in greater academic preparedness and success in higher education.
- Facilitates asset accumulation for higher education and helps families take on the responsibility of funding a higher education early in a child's life.



College Affordability in Montana

Given the unique needs of Montana's 21st century workforce, increasing access to higher education is crucial to maintaining our competitive edge in a world economy. Unfortunately, in the fall of 2012, only 60% of graduating seniors enrolled in college. The high cost of higher education is a significant barrier for many students.

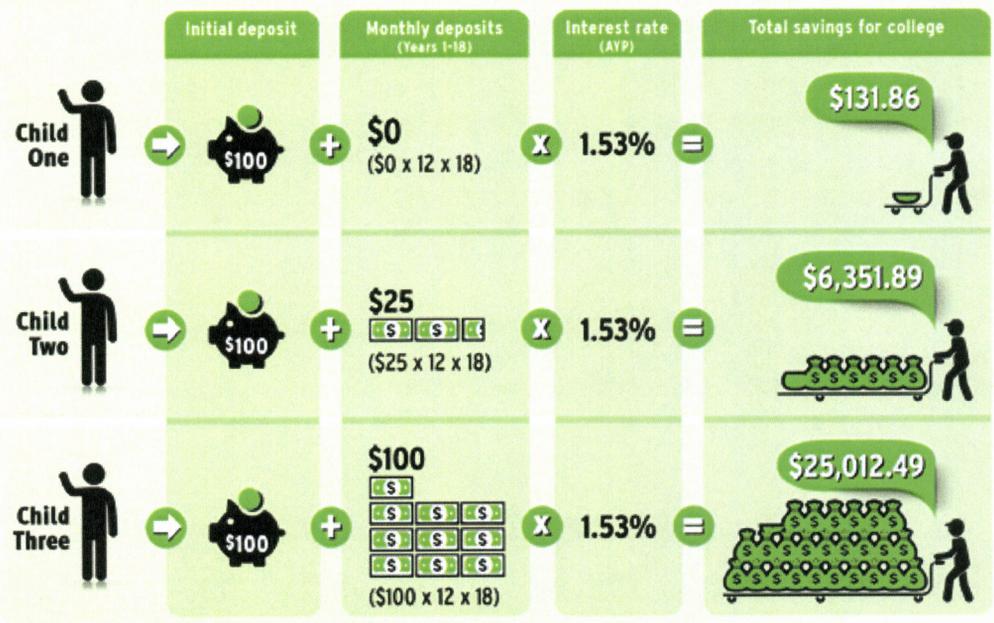
True cost of college in Montana for Montana students (per year)



Education is the Best Bet Accounts Make College More Affordable

A confluence of economic factors, rising tuition costs, federal lending policies, and insufficient financial literacy are combining to create significant barriers for Montanans to successfully enroll in and complete a college education. We are at a critical moment and Education is the Best Bet accounts can significantly help Montanans afford a college education.

How Money Grows in a CSA



SB328 – Higher Education Seeded Savings Accounts

(Sen. Llew Jones)



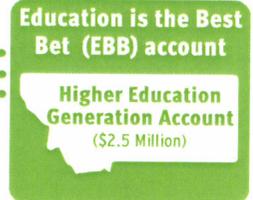
The family opens a 529 college savings account, makes deposits at least equal to the match amount in the EBB account. If they fail to do so, the child's EBB account will revert to the state of MT.

The family controls the 529 college savings account. They may make additional deposits.

529 account can be used for qualified higher education expenses at **any postsecondary institution**.

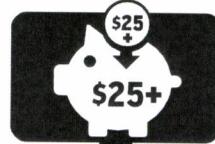


Baby is born in Montana. Parents opt-in to have an Education is the Best Bet (EBB) account opened.



Up to \$200 in the child's EBB account would be funded through the Higher Education Generation Account in the first two years.

The EBB funds can be used to pay for qualified higher education expenses at a **public postsecondary institution**.



Child turns one



Child turns two



Child attends postsecondary institution (2-year, 4-year, tribal or community college).

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FAQ's

1. Are there any restrictions regarding which schools Education is the Best Bet funds can be used?

YES. The \$200 (maximum) contribution to the Education is the Best Bet account can only be used at a public college or university in the state of Montana. This includes tribal colleges, community colleges, and 2-year and 4-year units of the Montana University System.

2. What happens if the child chooses to pursue a degree at a private college or an out-of-state college?

Private funds can be contributed to address these situations, much like they are used for recipients of the Governor's Best and Brightest Scholarship program.

3. Do these same restrictions apply to the family's 529 college savings account?

No, funds in a 529 account can be used to pay for qualified educational expenses at any postsecondary institution. The family controls the assets in their 529 account. The state of Montana controls the assets in the Education is the Best Bet account.

4. How many babies are born in Montana each year?

About 12,000

5. Do similar programs exist in other states?

Yes, many states have similar programs designed to help families start saving early for their child's future postsecondary education expenses.

6. Are there provisions in the bill to address special situations, like adoptions?

Yes. The bill allows the program administrator (OCHE) to develop rules and processes to address special situations.

7. What happens if the child doesn't go to college?

If a child with an Education is the Best Bet account does not enroll in postsecondary education by the time they reach age 25, the \$200 (maximum) in their account will revert to the state of Montana. The family can name a new beneficiary for their 529 account at any time, and the funds in their 529 account do not have to be used by any particular deadline.