



FOR IMMEDIATE RELEASE

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COURTNEY, WESTLUND TO PROPOSE PREPAID TUITION PLAN
College Savings, with a Guarantee

Contact:

James Sinks, Office of the State Treasurer, 503-508-0737 (cell)

Phil Bentley, Senate President's Office, 503-780-3690 (cell)

SALEM – Treasurer-elect Ben Westlund and Senate President Peter Courtney, D-Salem, on Friday announced that they will work together to bring Oregon families an additional way to save money to send their children and grandchildren to college – and in a way that won't be subject to fluctuations in the stock market.

In the upcoming 2009 session, Westlund and Courtney will propose creation of a pre-paid college tuition plan as a new option in the Oregon College Savings Plan, the state's existing 529 plan

Prepaid tuition allows parents to purchase college classes for their children based on today's rates, for future use. And because the plan would be included under the same framework and tax laws as the existing 529 plan, parents and grandparents who invest in the future education of their children and grandchildren would be eligible for Oregon income tax deductions up to \$4,000 a year.

"Prepaid tuition will provide families with a new way to save for their children's education," said Westlund. "Access to an affordable college education is essential to the economic future of our children and our state."

"Education equals opportunity. There is no greater investment parents can make than a college education for their children," said Courtney, who sponsored a bill in 1997 that would have created a prepaid tuition plan and was a chief cosponsor in 1999 of the

legislation that created the existing college savings plan. "Unfortunately, saving for college is one of the biggest challenges parents face."

Under the proposed legislation, parents could lock in tuition rates, pay in advance for their child's education over a period of years, and experience a significant overall savings when compared to the probable increase in tuition costs.

Prepaid tuition plans first became available in the 1980s and are available in a number of other states, including Washington State. Addition of a prepaid plan will enhance the Oregon College Savings Plan with a new, complementary option. Parents will be able to save for tuition costs with a prepaid plan and, at the same time, invest for other education costs such as textbooks, room and board under the existing savings plan.

The prepaid tuition plan could be used to cover tuition at Oregon colleges, or the accumulated assets could be transferred to an out-of-state college.

"We need to do more today to help families prepare for tomorrow, and allowing them to buy actual college credits in advance not only saves them money but helps parents create a solid expectation that their child will attend college," Westlund said.

"In our uncertain economic times, prepaid tuition gives parents a guarantee that their investment now in their child's college education will be there when their child enters college in the future," Courtney said.

Westlund will officially take the oath of office and become Oregon's 26th Treasurer at 1 p.m. Monday. The 75th Oregon Legislative Assembly convenes January 12.

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FREQUENTLY ASKED QUESTIONS

Q: What is prepaid tuition?

A: If approved by the Legislature, prepaid tuition will be a new option within the existing Oregon College Savings Plan that will allow parents and other individuals to purchase college tuition based on today's rates for future use. Once tuition (or a specific number of academic years, or portions of years) is purchased, the program guarantees the use of that tuition when the student is ready to begin school.

Q: How is the tuition guaranteed?

A: The Oregon College Savings Plan will add a small premium to today's tuition rate to account for the inflation of tuition rates, which will be kept in trust. Once held in trust, the investment will be **insured** against market losses to ensure necessary returns.

Q: Once this program is in place, what would happen in the event of a market downturn and/or a spike in tuition rates?

A: The program will be guaranteed and families will be protected from market and tuition changes. Part of the invested dollars will pay for private insurance, and that policy would trigger in the event of a market downturn. Tuition rates will be constantly observed and the cost of the prepaid tuition (and premiums) will be adjusted each year to keep pace. (This will not affect the cost to participants who already purchased or financed tuition. Once you buy and lock-in tuition costs, you are protected from market and tuition changes.)

Q: Does this program replace the existing Oregon College Savings Plan?

A: No. Prepaid tuition is another college savings option that families will be able to choose within the Oregon College Savings Plan. Participants may still wish to use the existing savings options to pay for tuition and other costs, such as books, housing, or other academic costs.

Q: What schools are included?

A: Pre-paid tuition will be tailored for public institutions of higher education in Oregon, such as the University of Oregon, Oregon State University, and other public campuses. Private schools could have the option of joining the program, although the costs of tuition at those campuses would vary according to each school.

Q: What if a student decides not to enroll at a particular campus after tuition is purchased?

A: Depending on their plans, the tuition may be credited to another campus or simply withdrawn just as an existing 529 savings account can be. If the account balance is not used for academic purposes, a withdrawal penalty would apply.

Q: What are the tax advantages?

A: As with any 529 college savings option managed by the State of Oregon, up to \$4,000 in contributions each year is tax-deductible. Use of the money for qualified education costs is tax-free.

Q: What are the financial advantages to prepaid tuition (as opposed to the current savings option)?

A: A 529 savings account is set up to return cash -- which is then used to pay future college costs. Prepaid tuition allows the purchase of tuition long before the student enters college and treats the purchase as a guarantee of tuition regardless of market returns. Additionally, participants may choose to finance the purchase of any amount of tuition up front and then make regular monthly payments, giving participants maximum flexibility.

Q: Is this program a response to the recent market problems in the current 529 program?

A: Treasurer-elect Westlund and Senator Courtney are proposing a pre-paid tuition option as a way to provide a guarantee of tuition to families concerned about market fluctuations. Treasurer Westlund is also working on several other initiatives to restore stability and confidence in the Oregon College Savings Plan.

Q: How will Oregon's pre-paid tuition plan avoid difficulties faced by states like Colorado, who had to cancel prepaid tuition due to market losses?

A: Oregon's plan will actively insure pre-paid dollars against market losses and, will include a commitment from the state of Oregon to honor those purchases.

Q: How much would it cost to buy college tuition in advance – and how much could you save?

A: Families would decide how many years of school, or portions of years, that they want to purchase in advance. It is too soon to say what the prepaid rates in Oregon might be, but under the State of Washington's plan, a year of college tuition costs \$7,600 today – or \$30,400 for four years. Assuming a 5 percent annual increase in the cost of college, those same four years of college would cost \$47,000 in a decade.

Q: That 's a lot of money to pay at once. Could I pay in installments?

A: Yes. Families could spread their payments over a number of months or years. Using the example above and the cost of \$30,400, a full four years of tuition – if spread over 10 years – would cost \$362 a month.