



## **Critics: Free community college on the backs of 529 plans punishes savers**

By Greg Bishop

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A plan to end a tax break for 529 college savings plans as a way to fund community college for millions of people across the country is drawing fire as being punishment for those who save for the future. President Barack Obama announced last week a plan to remove the tax break for those who save through a 529 plan. Betty Lochner, the Chair of the College Savings Network says the President's plan punishes those who put something away for their children's higher education needs.

"They're doing this as they can. These are not wealthy people that are participating in these plans. These are people that are in the middle class that don't have enough money to pay as you go, but aren't going to qualify for the need based grants."

Lochner says there are over twelve million 529 accounts nationwide with a total value of two-hundred-forty-billion dollars. The average account is just under twenty-one-thousand dollars, something Lochner says shows it's not the wealthy elite saving money for future college costs, it's the middle class that will feel the tax.

"So it's really a dis-insensitive to families to saving for college which is exactly the opposite of what we want. We want families to be encouraged to save and to not have to use the debt model to pay for college."

Lochner says they are people who will more than likely have to take out loans to pay for their kid's college. There are three-hundred eighty-five-thousand college savings accounts worth over seven-billion dollars in Illinois. Nicole Kaeding, a budget analyst at the Cato Institute, says the President's proposal is a fine for those who do save.

“What he’s saying is the way we’re going to provide free college tuition for millions of people is by taxing the middle class Americans who have actually been saving for their children’s education.”

If President Obama’s plan to tax college savings plans goes through, the three-hundred-eighty-five-thousand Bright Start accounts in Illinois could be painted with a bright target. The President wants to remove a tax break for the 529 plans, which are named for their spot in the federal tax code. Gregg Rivara, spokesman for Illinois Treasurer Michael Frerichs, who administers the Bright Start program, says there’s a total value of seven-point-one-seven billion dollars in Illinois’ college savings accounts. Rivara says the new Treasurer is a strong proponent of empowering families to save for college. Neither Rivara nor a spokesman for Governor Bruce Rauner addressed how their respective state officials stand on President Obama’s proposal.

### **Lawmakers: Awaiting Governor’s Budget Address**

There are more thoughts from lawmakers on how to solve Illinois’ budget problems. State Senator Kwame Raoul likes the idea of finding more revenue. Raoul says Illinois needs to consider broadening the sales tax base to include some services, something Governor Bruce Rauner floated during the election.

“You know you have to be careful about what you tax and by how much. Perhaps you can expand the sales tax base and lower the sales tax and still generate revenue.”

Raoul says even with an expanded tax base it’s still unclear if the funds are there to pay for necessary services and education. Republican Representative David McSweeney says he’s anxiously awaiting the Governor’s budget address but suggests a look at Medicaid costs, among other areas, to find efficiencies.

“To make sure the truly needy are actually absolutely receiving the benefits, that we’re eliminating waste and fraud in the system, again it’s a program that we need to make sure the people who are in need are actually the receiving the benefits. But by completing a private audit to determine the correct eligibility you can save money in Medicaid.”

McSweeney also says that there can be cost savings with group health insurances for state employees. Last week Governor Rauner briefly addressed Medicaid and state employee healthcare costs. The Governor delivers his State of the State and Budget Addresses next month. Rauner plans to reveal more of his agenda in the next few weeks.

### **Food stamp enrollment up in December**

More households are on food stamps in Illinois than anytime since 2010. The Illinois Department of Human Services say one-million-seventy-thousand households enrolled in the Supplemental

Nutrition Assistance Program in the last month, up twenty thousand from the previous month. The total number of Illinoisans getting food subsidies jumped thirty-seven-thousand-five-hundred last month to two-million, eighty-thousand people. Sixty thousand Illinoisans were added to the rolls last year.

### **Lawmaker urges no tax dollars for Presidential Library**

A proposed ordinance to the Chicago City Council would allow for land to be used for a possible presidential library, but one state lawmakers says no public money should be used. The ordinance from Mayor Rahm Emanuel would allow President Obama's library to be built on some land if the Library Foundation chooses the University of Chicago over other rivals in Chicago, New York and Hawaii. However, State Representative Bill Mitchell says no taxpayer funds should go to the Presidential Library. Mitchell highlights the mounting budget shortfall for Illinois in the billions and says private funds should be used to build the library. Mitchell even went as far to tout the president's fundraising skills as a need to keep tax dollars away from the project. A recent effort for Illinois to spend one-hundred million on the library was floated in the General Assembly last year.

### **Cabinet positions announced**

Governor Bruce Rauner has more names to add to cabinet level positions. If the State Senate approves, the Illinois Department of Labor will be directed by Hugo Chaviano, an employment and contract lawyer. The new State Police Director will be Chicago Police Department Deputy Chief Leo Schmitz. Rocco Claps will continue his post as the Human Rights Department director, where he's been for twelve years. Tom Tyrrell will lead Central Management Services while Bryan Schneider will lead the Department of Financial and Professional Regulation.