Nebraska Retirement Systems Committee

Legislative Resolution 213
Interim Study Report

Examination of College Savings Plans Administered Under the Nebraska Educational Savings Plans Trust and Determination of Ways to Increase Plan Participation

Senator Jeremy Nordquist, Chairperson
Kate Allen, Committee Legal Counsel

January, 2014

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Legislative Resolution 213

Introduced by Kolowski

PURPOSE: The purpose of this resolution is to study the college savings plans administered under the Nebraska educational savings plan trust and ways to increase plan participation. In conducting this study, the study committee shall consult with the State Treasurer, the plan administrator, First National Bank of Omaha, and other interested parties. Issues considered by the study committee shall include, but not be limited to, the following:

(1) Current plan participation rates and the demographics of plan participants with regard to family income, race, gender, geographic location, and other variables;

(2) Fees currently assessed on plan participants and the use of those fees;

(3) Strategies for raising awareness and encouraging plan participation, especially among lower income families; and

(4) The relationship between educational savings and the likelihood of pursuing a higher education.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ONE HUNDRED THIRD LEGISLATURE OF NEBRASKA, FIRST SESSION:

That the Nebraska Retirement Systems Committee is designated to conduct an interim study to carry out the purpose of this resolution.

That the committee shall upon the conclusion of its study make a report of its findings, together with its recommendations, to the Legislative Council or Legislature.

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Background and Summary of LR 213 Testimony

Background

In 2000 the Nebraska Educational Savings Plan Trust was created to encourage families to save for future college expenses through tax-advantaged investment plans. These types of plans are known as 529 plans because they are named after Section 529 of the Internal Revenue Code. The State Treasurer was designated as the trustee of the trust and given responsibility for administration, operation and maintenance of the program. The deductions for contributions to the plan from federal adjusted gross income or federal taxable income were initially established at $2,500 for married filing separate returns and $5,000 for all other returns.

In 2013 the statute was amended to increase the deductions for colleges savings accounts beginning in 2014 for taxes due in April of 2015. Contribution amounts were increased to to $5,000 for married filing separate returns and $10,000 for all other returns.

Summary of LR 213 Testimony

Senator Rick Kolowski introduced LR 213 to examine college savings in Nebraska and to identify ways that participation in the state's 529 plans could be increased. The study also looked at barriers to participation and at financial literacy in the state. He presented the premise that if students save for college – no matter how small the amount may be – they are more likely to go to college, and the earlier they start to save, the earlier they get on the track to attend college.

Information provided by the Nebraska Department of Revenue based on filings of Nebraska personal income tax returns indicates the following:

> Nebraska families with adjusted gross income below $50,000 who make up nearly half of the state's population, only account for 6.8% of those who made 529 filings in 2011
>
> Nebraskans reporting an income of over $100,000 who make up less than 18% of the population, constitute nearly 45% of all 529 plan participants.

State Treasurer, Don Stenberg testified that there are currently more than 59,000 college savings accounts in Nebraska with $3.2 billion in assets in the Nebraska Educational Savings Trust – referred to as NEST. The First National Bank of Omaha is the program manager and NEST is made up of four separate college savings plans.

Treasurer Stenberg also discussed financial literacy and testified about a five-year agreement entered into in 2013 between NEST and EverFi. It's an on-line financial literacy program that is available to every Nebraska school district and every Nebraska high school student at no charge to the district or students. Currently there are 41 schools participating and 988 students.
Aubrey Mancuso on behalf of Voices for Children testified that:

The cost of higher education is increasing much faster than family incomes.

The average tuition and fees at a public four-year institution in Nebraska increased by 16% just over the last five years, and over that same time period median income in Nebraska only increased 2.2% – which is not adjusted for inflation.

State budgets have remained tight, limiting public funding for higher education. Over the same five year time period, per student state spending on higher education decreased by 17% which creates challenges on two fronts:

> Our economy needs educated workers. Some current projections indicate that by 2020, 71% of all jobs in Nebraska will require some form of post-secondary education. If the trends continue, only 47% of the population will have some form of higher education by that time, leaving a significant gap between workforce needs and the pool of available workers.
>
> Young adults are increasingly burdened by student debt. Approximately 63% of students in Nebraska graduate with some student debt and the average debt burden is over $24,000.

The ongoing cost-shift in higher education is not only from state to consumer but also from the family to the individual student. This is problematic not only for the individual but for the larger economy. Significant amount of student debt can hinder the ability of younger workers and families to make purchases that lead to longer term financial stability, like a home. According to a recent survey of the National Association of Realtors, 49% of respondents described student debt as a "huge" obstacle to affording a home.

Deborah Goodkin on behalf of First National Bank of Omaha – program manager of NEST, testified:

According to a study by Sallie Mae entitled "How America Pays for College 2013", only 38% of those that believe they will have money to pay for college, have a savings plan.

Shane Lopez, a Gallup senior scientist's research reveals there are benefits in encouraging children to dream. His research indicates that dreaming and knowing that a parent wants their child to go to college has an impact on the here and now in the form of better grades and in the future, by attending college.

A study out of Washington University in St. Louis finds that merely by having a savings account, a family sees hope for their child, which encourages the child to study more and to go to school more. Another study indicated that across all socioeconomic sectors, including low-income, children are six or seven times more likely to go to college if there is a savings account in their name.

Rich Mazikani, a 20 year old junior majoring in advertising and public relations at the University of Nebraska–Lincoln testified that he had a college savings plan by working and saving about $600 every summer. The program that had the largest savings impact on him was the Opportunity Passport Program in Omaha that offers a two-to-one match; every $1,000 saved every six months receives a $2,000 match. An account is opened at Wells Fargo for the savings, but money can only be withdrawn for educational purposes. He testified that he may not have gone to college if he knew he would accumulate a large student loan debt. He also feels he puts more effort into his school work.

Dean Obenauer, assistant director of financial aid at Creighton University testified that his role on campus is primarily financial literacy, counseling and education. His goal is to help students build money management skills and behaviors to manage their money now so they are better prepared to handle their money once they graduate.

<u>Examples of efforts in other states:</u>

Voices for Children testimony:

There is growing evidence of both a problem and promising research on solutions that have led states and cities to undertake efforts to address the lack of policy incentives for lower and middle income families to save. Examples from other states include:

> The Kansas Investments Developing Scholars (KIDS) programs provides matching deposits of up to $600 per child each year for households below 200% of the federal poverty level that are enrolled in a 529 plan.
>
> For at least the next three years the state of Nevada will seed a $50 college savings account for every child entering public kindergarten.

According to the National Conference of State Legislatures (NCSL) research:

Tax deductions tend to disproportionately benefit wealthier families. The value of a tax deduction is linked to the tax rate, so those paying higher taxes receive greater benefits for a deduction. NCSL identified twelve states that match contributions made to a savings plan to create incentives for low- and middle-income families to participate in 529 plans. The twelve states with matching grant programs include: Arkansas, Colorado, Florida, Kansas, Louisiana, Maine, Nevada, North Dakota, Rhode Island, Texas, Utah, and West Virginia.

[See Appendix C – National Conference of State Legislatures "*Saving for College: 529 Plans*"]

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Introducer's Recommendations

As a first step, ensure that 529 plans do not count as a resource in determining eligibility for public benefit programs. Under current law, a 529 plan can be a barrier to a family applying for temporary assistance through the Aid to Dependent Children (ADC), Child Care Assistance Program, and the Low-Income Home Emergency Assistance Program. This would help low-income families having to choose between long-term and immediate well-being when considering college savings.

Provide additional savings incentives or restructure current incentives to work for lower and middle income families. The current tax incentives are not reaching the families who need them most. Providing matching funds or an initial seed deposit, either privately or publicly funded, has been shown to be an effective incentive for lower income families.

Appendix A

Nebraska Department of Revenue data on
Nebraska College Savings Program by
Resident,
Filing Status,
Adjusted Gross Income, and
Resident County

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Nebraska College Savings Program (529) by Resident				
	All Returns	Resident	Non-Resident	Partial Year Resident
Number of Returns	13,010	12,759	134	117
Amount $	$ 33,654,512	$ 32,933,359	$ 411,091	$ 310,062
Average	$ 2,587	$ 2,581	$ 3,068	$ 2,650

Nebraska College Savings Program (529) by Filing Status			
	Married Filing Jointly	Single	All Other
Number of Returns	11,650	732	628
Amount $	$ 30,752,794	$ 1,705,823	$ 1,195,895
Average	$ 2,640	$ 2,330	$ 1,904

Nebraska College Savings Program by Adjusted Gross Income					
< AGI <=		Number of Returns	Amount	Percentage of Total	Average
$ -	$ 50,000	889	$ 1,451,296	6.83%	$ 1,633
$ 50,000	$ 60,000	501	$ 897,513	3.85%	$ 1,791
$ 60,000	$ 70,000	619	$ 1,088,249	4.76%	$ 1,758
$ 70,000	$ 80,000	881	$ 1,602,252	6.77%	$ 1,819
$ 80,000	$ 90,000	911	$ 1,706,605	7.00%	$ 1,873
$ 90,000	$ 100,000	990	$ 2,041,350	7.61%	$ 2,062
$ 100,000	$ 125,000	2,393	$ 5,305,018	18.39%	$ 2,217
$ 125,000	$ 150,000	1,601	$ 4,232,838	12.31%	$ 2,644
$ 150,000	$ 175,000	1,033	$ 3,030,297	7.94%	$ 2,933
$ 175,000	$ 200,000	676	$ 2,215,237	5.20%	$ 3,277
$ 200,000	$ 250,000	849	$ 3,118,714	6.53%	$ 3,673
$ 250,000	$ 300,000	457	$ 1,777,011	3.51%	$ 3,888
$ 300,000	$ 500,000	741	$ 3,074,065	5.70%	$ 4,149
$ 500,000	-	469	$ 2,114,067	3.60%	$ 4,508
Total		13,010	$ 33,654,512	100%	$ 2,587

Nebraska College Savings Program by Resident County			
County	Number of Returns	Amount	Average
Lancaster	2,918	$ 7,254,723	$ 2,486
Douglas	4,690	$ 12,815,695	$ 2,733
Sarpy	1,202	$ 3,094,044	$ 2,574
Other	4,200	$ 10,490,050	$ 2,498
Total	13,010	$ 33,654,512	$ 2,587

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Appendix B

Voices for Children Issue Brief

Higher Education:
Savings and Opportunity

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College Savings

Issue Brief

Higher Education: Savings and Opportunity

Postsecondary education and training is now more important than ever for individual success and societal progress. Investments in higher education provide significant returns in employment levels, financial earnings, tax revenues, health, upward mobility, and overall well-being.[1] Current projections indicate that demand for educated workers in Nebraska is projected to outpace current rates of educational attainment. There are significant barriers to pursuing higher education, leaving behind a surplus of untapped potential in our state's youth.

A postsecondary degree has become essential for obtaining quality employment, but the cost of higher education, and the consumer share of this cost, has skyrocketed. This has resulted in a significant increase in student debt and put higher education out of reach for many. Economic circumstances have some of the most pervasive impact on college readiness and success. Studies have found a strong relationship between a family's economic circumstances and school achievement, physical and emotional well-being, college planning, behavioral health, and academic expectations.

In recent years a variety of interventions have been explored across the country. These approaches have sought to bridge the gap between college aspirations and expectations for low-income students and to address the issue of affordability in higher education. This issue brief explores increasing college savings as a promising model for encouraging more lower income students to pursue higher education and helping to ensure that Nebraska has a workforce that meets our future needs.

1. Baum, Kathy, Jennifer Ma, and Kathleen Payea. "Education Pays 2013: The Benefits of Higher Education for Individuals and Society." College Board 2013. http://trends.collegeboard.org/sites/default/files/education-pays-2013-full-report.pdf (accessed October 7, 2013), 5-6.

A publication of

voices for children IN NEBRASKA

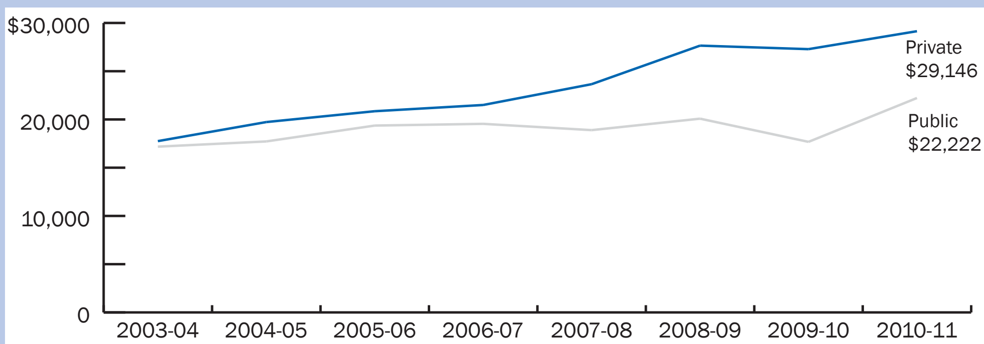
December 2013

A Growing Economy Stifled by Divestment in Higher Education

Nationwide trends forecast a shortage in educated workers for the coming years. By 2020, it is projected that 71% of jobs in Nebraska will require some postsecondary education.[2] However, at current educational attainment rates, over 27,090 positions will remain unfilled by the same year.[3] Without a focused effort on preparing Nebraska's youth to meet projected workforce needs, industries with the fastest job growth rates—such as natural resource extraction and scientific services—will be forced to find other means of meeting demand.

In addition to projected workforce shortages, college affordability is a growing concern. The average tuition and fees at a public four-year institution in Nebraska increased by 16% in the last five years.[4] During the same five-year period, state spending on higher education per student decreased by just about the same amount, nearly 17%.[5] As state spending on higher education decreases, an increased share of the cost falls on students and families. After taking a sharp hit from the recession in 2008, the student share of public higher education costs is at an all-time high in Nebraska; conversely, the state appropriations share is at an all-time low while total enrollment has seen consistent growth (Figure 2).[6] These new patterns in higher education have resulted in the ballooning of student loan debt. Approximately 63% of students in Nebraska graduate with some student debt, with an average debt burden of over $24,000 (Figure 1).[7]

Fig. 1. Nebraska Student Debt (2000-01 to 2010-11)



Source: The Institute for College Access & Success, College InSight, http://www.college-insight.org.

If this pattern of increasing student debt continues, the implications for the future Nebraska's economy are significant. The seemingly insurmountable "sticker price" of a college education is often enough for a family with little experience in financial aid to rule out college altogether. And as students take on more debt to pay for education, their high debt burdens have a ripple effect on the economy. Many of today's graduates delay making large purchases—like buying a home or a new car—because of crippling student debt.[8]

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2. Carnevale, Anthony P., Nicole Smith, and Jeff Strohl. "Recovery: Job Growth and Education Requirements Through 2020 State Report." Georgetown University, Center on Education and the Workforce, June 2013. http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/Recovery2020.SR.Web.pdf (accessed September 30, 2013), 3.

3. Ibid., 64.

4. College Board Advocacy and Policy Center. "Figure 7: In-State Tuition and Fees by State and Sector, 2012-13 and 5-year Percent Change." In Trends in College Pricing 2013. The College Board, October 23, 2013. http://trends.collegeboard.org/college-pricing/figures-tables/in-state-tuition-fees-state-2013-14-and-5-year-percent-age-changes (accessed October 23, 2013).

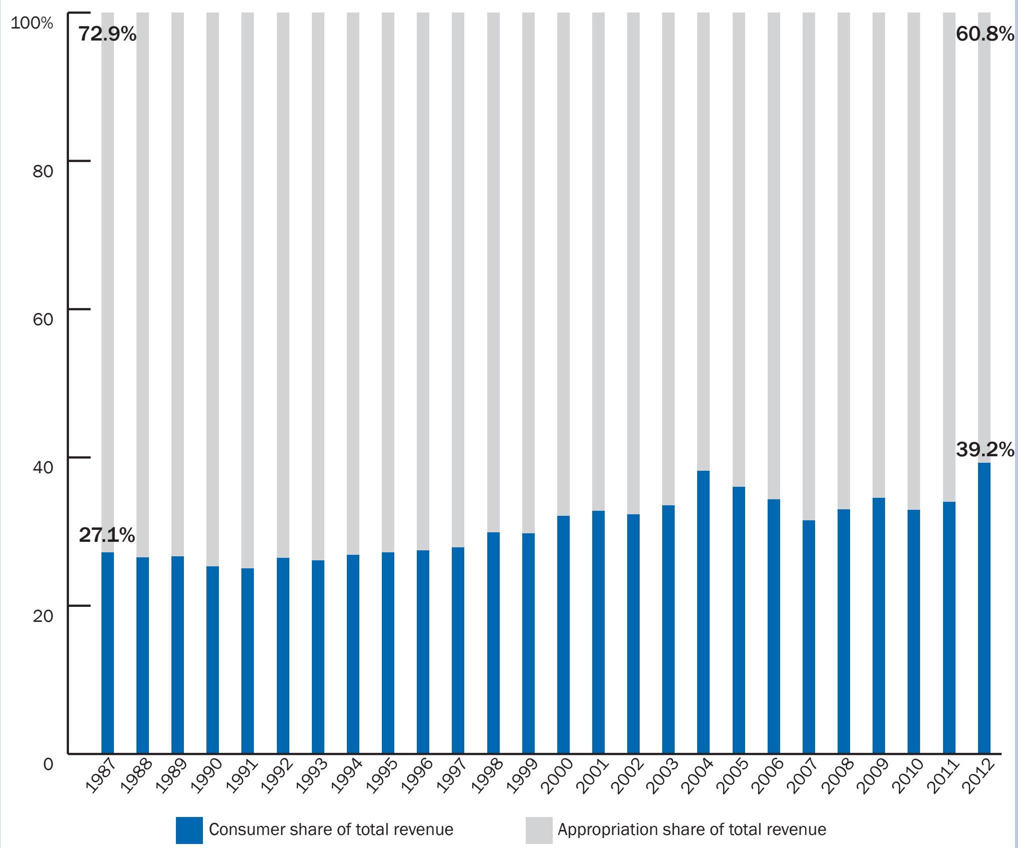
5. Oliff, Phil, Vincent Palacios, Ingrid Johnson, and Michael Leachman. "Recent Deep State Higher Education Cuts May Harm Students and the Economy for Years to Come." Center for Budget and Policy Priorities, March 19, 2013. http://www.cbpp.org/files/3-19-13sfp.pdf (accessed August 29, 2013), 4.

6. State Higher Education Executive Officers. "State Higher Education Finance FY12: All States Wavechart." State Higher Education Executive Officers Association, 2013. http://sheeo.org/sites/default/files/publications/All%20States%20Wavechart%202012%20REV20130322.pdf (accessed October 7, 2013), 28.

7. Reed, Matthew and Debbie Cochrane. "Student Debt and the Class of 2011." Institute for College Access and Success, October 2012. http://projectonstudentdebt.org/files/pub/classof2011.pdf (accessed September 30, 2013), 6.

8. Brown, Meta and Sydnee Caldwell. "Young Student Loan Borrowers Retreat from Housing and Auto Markets."

Fig. 2. Higher Education Cost Burdens in Nebraska, 1987-2012.



Source: State Higher Education Executive Officers. "State Higher Education Finance FY12: All States Wavechart."

Inequity in Access: An Untapped Resource

A college education is one of the most effective promoters of economic mobility. In Nebraska, those who have a bachelor's degree can expect to make on average 60% more annually than those with only a high school diploma.[9] But the high cost of a college education is becoming increasingly inaccessible to students who most need it. A variety of mutually reinforcing barriers continue to prevent generations of Nebraska's youth from realizing their full potential through higher education. These barriers include upfront costs, a lack of information, inadequate college counseling, a lack of accelerated secondary coursework, the absence of a college-going environment, and home instability.[10]

The tightening of state funding for higher education comes at a cost to the poorest students and families. In order to generate revenue to cover the budget gaps left by the slowing of state funding, many institutions across the country have shifted aid dollars typically allocated to the neediest students to merit-based aid directed at students who are more financially capable of bearing the cost a college education.[11] In Nebraska, the average percentage of Pell Grant recipients at four-year public colleges has declined

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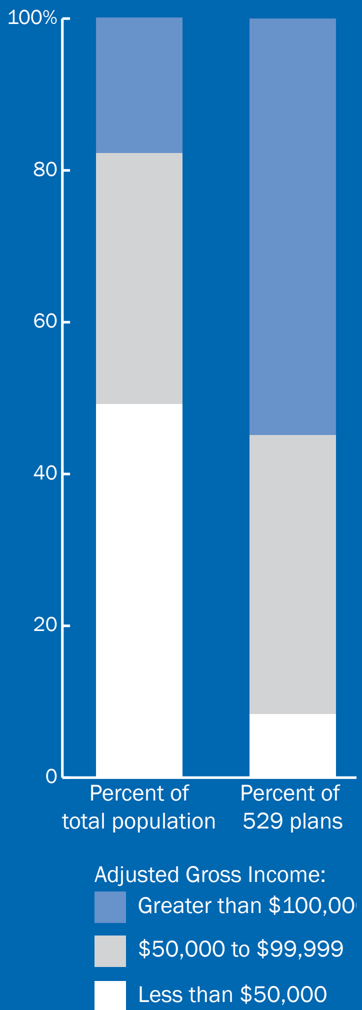
Federal Reserve Bank of New York, April 17, 2013. http://libertystreeteconomics.newyorkfed.org/2013/04/young-student-loan-borrowers-retreat-from-housing-and-auto-markets.html (accessed October 7, 2013).

9. 2007-2011 5-year American Community Survey estimates, Table B20004.

10. Pew Charitable Trusts. "Pursuing the American Dream: Economic Mobility Across Generations." Pew Charitable Trusts Economic Mobility Project, July 2012. http://www.pewstates.org/uploadedFiles/PCS_Assets/2012/Pursuing_American_Dream.pdf (accessed September 18, 2013)

11. Wang, Marian. "Public Colleges' Quest for Revenue and Prestige Squeezes Needy Students." The Chronicle of Higher Education, September 11, 2013.; Burd, Stephen. "Undermining Pell: How Colleges Compete for Wealthy Students and Leave the Low-Income Behind." New America Foundation, May 2013.

Fig. 3. Nebraska 529 plan participation by adjusted gross income (2012)



Source: Nebraska Department of Revenue. "Nebraska College Savings Program (529), 2011."; U.S. Census Bureau. "DP03: Selected Economic Characteristics – Nebraska." 2012 American Community Survey 1-Year Estimates.

by 8% in four years and at the same time, the average net price paid out-of-pocket by students with a household income of $30,000 or less increased by nearly 23%.[12] From a broader perspective, an admissions process that favors wealthier students whose tuition dollars are capable of easing growing budget gaps at both public and private institutions only perpetuate the underrepresentation of low-income students at more selective institutions that are typically better equipped to produce higher-earning and more highly sought-after graduates.[13]

Furthermore, the rising costs of raising a child account for a significantly greater share of total income among low-income families than they do for middle- and high-income families.[14] As a result, the more immediate demands of raising a child, such as finding low-cost childcare or balancing food and school supply costs can eclipse long-term goals like saving for college. Low-income students are consistently the most frequent student loan borrowers, and struggle with debt burdens that are growing at a faster rate than their higher-income peers.[15]

College Savings and Nebraska

The growing cost of higher education and workforce shortage issues have led many states and cities to look for solutions. One avenue has been exploring the potential of educational savings. Interventions to encourage college savings and planning most commonly exist in the form of 529 savings plans, named for the section of the Internal Revenue Code that allows for tax advantages by using this as a vehicle for educational savings. These plans began in states and eventually became a federal prepaid tuition or savings tax-exempt plan that allow families to purchase shares in state-established trusts that are invested in mutual funds.[16] The money in the plan can be used for tuition and other related educational expenses. The state of Nebraska currently offers four types of 529 savings plans.[17]

Although 529 plans have been designed to offer families a relatively secure way to invest into postsecondary education, for the most part they are highly underutilized by low-income families. Nationally, fewer than 3% of families participate in 529 plans, and the median income of participating families was over $142,000.[18] Overall, information on 529 participants is scarce, and thus many states have not been able to thoroughly evaluate the program for improvements. The state of Texas, which recently began data collection on 529 plan enrollees found that of nearly 160,000 contracts purchased from 1996 to 2003, approximately 58% of enrollees were White and nearly 90% of families using the plan had some form of postsecondary education or training. Only 5% of enrollees reported a family income under $50,000.[19]

While families in Nebraska with an adjusted gross income below $50,000 make up nearly half of the state's population, they only accounted for 6.8% of those who made 529 filings in 2011. Meanwhile, Nebraskans reporting an income of over $100,000 make up less

12. Figures calculated from the Integrated Postsecondary Education Data System (IPEDS) data collected by the U.S. Department of Education National Center for Education Statistics at http://nces.ed.gov/ipeds/datacenter. Method adapted from Burd, "Undermining Pell: How Colleges Compete for Wealthy Students and Leave the Low-Income Behind."

13. Carnevale, Anthony P. and Jeff Strohl. "Separate & Unequal: How Higher Education Reinforces the Intergenerational Reproduction of White Racial Privilege." Georgetown University, Center on Education and the Workforce, July 2013.; National Student Clearinghouse Research Center. "High School Benchmarks Report: National College Progression Rates." National Student Clearinghouse, Fall 2013.

14. Lino, Mark. "Expenditures on Children by Families, 2012." U.S. Department of Agriculture, Center for Nutrition Policy and Promotion Publication No. 1528-2012, August 2013.

15. U.S. Department of Education. "Trends in Debt for Bachelor's Degree Recipients a Year After Graduation: 1994, 2001, and 2009." Institute of Education Sciences National Center for Education Statistics, December 2012.

16. U.S. Government Accountability Office. "Higher Education: A Small Percentage of Families Save in 529 Plans." GAO Report to the Chairman, Committee on Finance, U.S. Senate, December 2012.

17. Savings Plans Network. "Nebraska." http://www.collegesavings.org/viewState.aspx?state=NE

18. U.S. Government Accountability Office, "Higher Education: A Small Percentage of Families Save in 529 Plans."

19.Texas Comptroller. "Texas Prepaid Higher Education Tuition Program: Annual Report 2012." Texas Tomorrow Funds, Publication 96-481, February 2013, 9.

than 18% of the population, but constitute nearly 45% of all 529 plan participants (Figure 3).[20] The disparities in existing state 529 programs are apparent and underscore the importance of ensuring that college savings is an accessible option for all families.

Integrating Research into Policy

The main incentive for 529 savings—tax-free growth on disposable income—is irrelevant for many low-income families, who are typically already less experienced in navigating preferential tax policies.[21] Nebraska recently increased the amount of contribution to a 529 that is tax deductible from $2,500 to $5,000 for a person filing taxes separately and to $10,000 for a joint filing. This change essentially increased what the state is "spending" (in lost revenue) to encourage savings for higher education but in a way that is only likely to help those with significant amounts of disposable income.

Research has shown that savings is largely passive in nature, as opposed to more active spending decisions such as those made on food or shelter. In this light, the willingness to save is distinct from savings behaviors that are often delayed by indecisiveness or more pressing concerns.[22] This is particularly relevant to low-income families who are often more consumed by daily financial pressures.

Aspirations and Expectations for College

Recent studies on the relationship between college savings and attendance focus on the distinction between the desire to pursue a higher education and actual expectations for realizing those goals. For low-income students, important college decisions—like habitual classroom participation or visiting a college counselor—are made against the backdrop of financial hardships.[23] Research suggests that postsecondary goals are relatively constant across incomes, but simply knowing that college is a real and financial possibility makes a significant difference in other behaviors that eventually lead to actual college enrollment. Therefore, even accessibility programs targeted at high school seniors may be too late, where the effect of a lifetime of socioeconomic constraints have already left low-income students behind their classmates in college readiness.

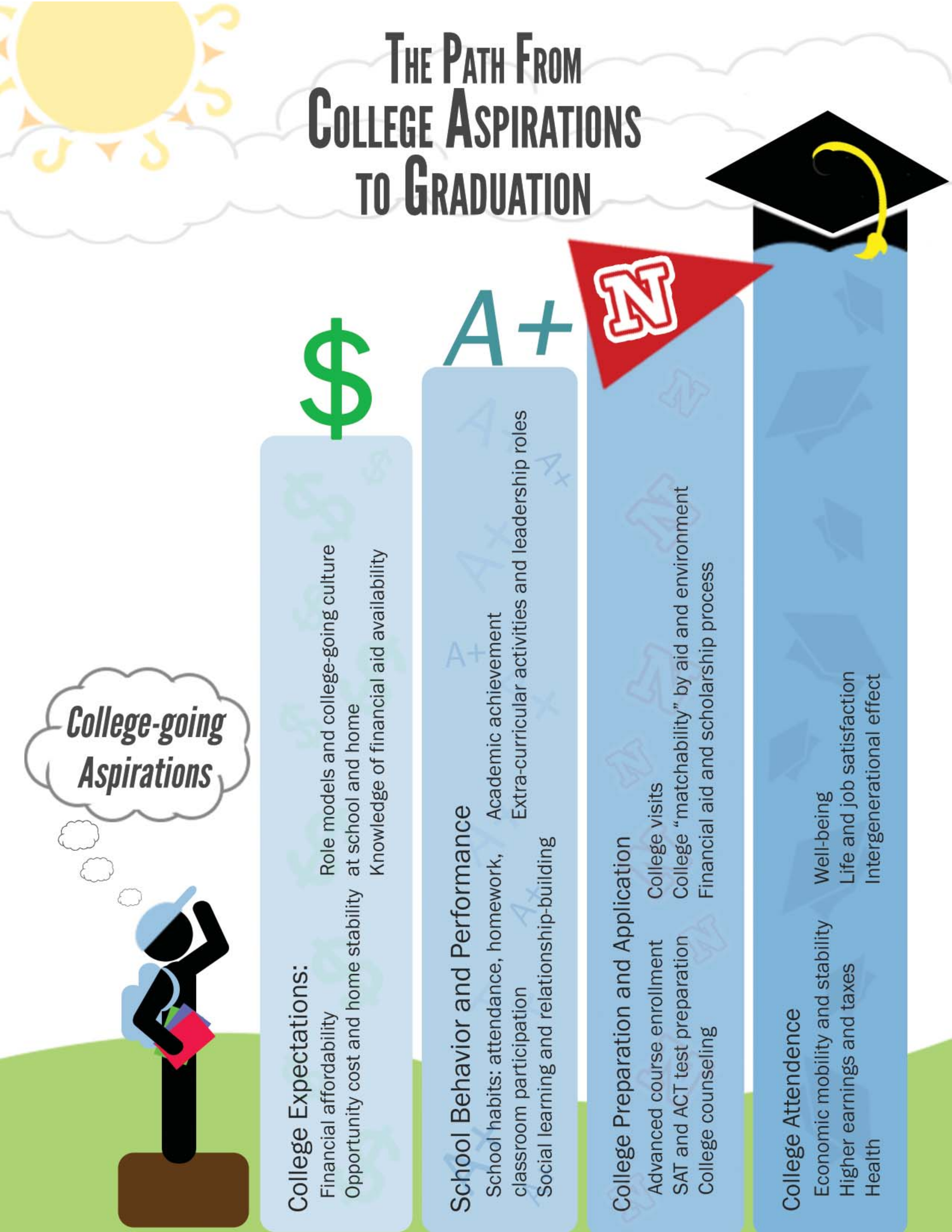
Various studies have found that savings has a positive effect on college enrollment and success, even after controlling for academic achievement, parental involvement, and family income. This effect is particularly strong for low- to middle-income students, for whom a savings account offers an element of financial control over their postsecondary outcomes.[24] One such study found that students enrolled in a college savings account were six times more likely to attend college than peers with similar aspirations who were not enrolled in an account.[25] A college savings program targeted to younger children and accessible to lower income families offers one of the simplest and most cost-effective means of ensuring that any child in Nebraska that aspires to seek higher education feels that their goals are within reach.

20. *Nebraska Department of Revenue. "Nebraska College Savings Program (529), 2011."; U.S. Census Bureau. "DP03: Selected Economic Characteristics – Nebraska." 2012 American Community Survey 1-Year Estimates.*
21. *Black, Rachel and Mark Huelsman. "Overcoming Obstacles to College Attendance and Degree Completion: Toward a Pro-College Savings Agenda." New America Foundation Asset Building Program, March 2012.*
22. *Mullainathan, Sendhil. "Better Choices to Reduce Poverty," in Understanding Poverty, ed. Abhijit Vinayak Banerjee et al. (Oxford Scholarship Online, September 2006), 380-383.*
23. *Hoxby, Caroline M. and Christopher Avery. "The Missing 'One-Offs': The Hidden Supply of High-Achieving Low Income Students." National Bureau of Economic Research Working Paper No. 18586, December 2012.; Mani, Anandi, Sendhil Mullainathan, Eldar Shafir, and Jiaying Zhao. "Poverty Impedes Cognitive Function." Science 341(976):2013. DOI: 10.1126/science.1238041.; Elliot, William, Eune Hee Choi, Mesmin Destin, and Kevin H.Kim. "The Age Old Question, Which Comes First? A Simultaneous Test of Children's Savings and College-bound Identity." Children and Youth Services Review 33(7):2007, 1101-1111.; Shanks, Trina R. and Christine Robinson. "Assets, Economic Opportunity, and Toxic Stress." Washington University in St. Louis Center for Social Development Working Paper No. 12-22, 2012.; Coley, Richard J. and Bruce Baker. "Poverty and Education: Finding the Way Forward." Educational Testing Service Center for Research on Human Capital and Education, July 2013.*
24. *Elliott, William. "Why Policymakers Should Care about Children's Savings." Washington University in St. Louis Center for Social Development, January 2012.*
25. *Elliott, William and Sondra Beverly. "The Role of Savings and Wealth in Reducing "Wilt" between Expectations and College Attendance." Journal of Children and Poverty 17(2):2011, 165-185.*

Fig. 4. The cost of college (4-year public college) (2012-2013)

Tuition and Fees	$7,315.00
On-campus room and board	$7,257.17
Books and supplies	$1,091.33
Total	**$15,663.50**

Sources: College Board Advocacy and Policy Center. "Figure 7: In-State Tuition and Fees by State and Sector, 2012-13 and 5-year Percent Change." In Trends in College Pricing 2013. The College Board, October 23, 2013. http://trends.collegeboard.org/college-pricing/figures-tables/in-state-tuition-fees-state-2013-14-and-5-year-percentage-changes; U.S. Department of Education National Center for Education Statistics. "Integrated Postsecondary Data System (IPEDS)." http://nces.ed.gov/ipeds/datacenter



The Path From College Aspirations to Graduation
College-going Aspirations
College Expectations:
Financial affordability
Opportunity cost and home stability
Role models and college-going culture at school and home
Knowledge of financial aid availability
School Behavior and Performance
School habits: attendance, homework, classroom participation
Social learning and relationship-building
Academic achievement
Extra-curricular activities and leadership roles
College Preparation and Application
Advanced course enrollment
SAT and ACT test preparation
College counseling
College visits
College "matchability" by aid and environment
Financial aid and scholarship process
College Attendence
Economic mobility and stability
Higher earnings and taxes
Health
Well-being
Life and job satisfaction
Intergenerational effect

Higher Education Savings Models

A range of innovative models for higher education savings are being explored across the country. Through legislative, private and administrative initiatives, cost-effective and early interventions in educational savings have sought to equip students as early as possible with the confidence that pursuing higher education is a realistic goal.

While some models seek to address the current crisis of student loan debt, an ideal approach should be cost-efficient, sustainable, and encouraging of other college-going behaviors. One type of college savings initiative promotes a long-term commitment to savings by automatically enrolling children in college savings plans upon birth. Many states augment this initiative by offering matching programs or seed funding, which guarantee a certain amount of public investment into savings accounts.[26] Examples of savings programs include:

1) **SEED for Oklahoma Kids (SEED OK)** launched a privately-funded exploratory program in 2007, offering 1,358 randomly-selected newborns $1,000 in a state-owned 529 account, the option to open a privately-owned account, and matched participant-owned contributions on a sliding scale for families with an adjusted gross income under $43,500. The longitudinal study also includes 1,346 newborns without a savings account in a control group. The study has provided rigorous research-based evidence on the importance of automatic enrollment, centralization, strategic communication, and targeted savings incentives for policymakers to consider when shaping college savings programs and policies. The experiment is ongoing and its participants have just entered elementary school, but early findings lend strong support to the importance of automatic enrollment. Participant families held an average of $1,040 more in educational assets than similar families in the control group.[27]
2) **Kansas Investments Developing Scholars (KIDS)** program was initiated in 2006 and provides matching deposits of up to $600 per child each year for households below 200% of the federal poverty level that are enrolled in a 529 plan. The matching contribution is intended to introduce greater equity to the 529 structure by mirroring the preexisting state subsidies in the tax code for high-earning enrollees who are able to enjoy tax-free growth of major contributions. The KIDS program has provided strong evidence that even small dollar amounts of savings have marked outcomes in college enrollment and success for low-income students.[28]
3) **Kindergarten to College (K2C)** implemented by the City of San Francisco "seeded" a deposit of $50 from general public funds to each child enrolled in public Kindergarten in the city beginning in 2011, providing an additional $50 for students eligible for free or reduced lunch. Additional incentives, including a $100 match and a $100 incentive for regular contributions, encourage families to continue growing the "seed" with the help of private investors.[29]

The value of inventive college savings approaches is clear: encouraging savings early on requires minimal initial investments and a centralized system, but offers extremely high monetary and social returns. The powerful nature of programs like K2C was expressed by one San Francisco parent as having "changed the dialogue in our house. We always intended for our girls to go to college, but it used to be on the back burner and now

26. Lassar, Terry, Margaret Clancy, and Sarah McClure. "Toward More Inclusive College Savings Plans: Sample State Legislation." Washington University in St. Louis Center for Social Development Working Paper 10-02, 2010.

27. Nam, Yunju, Youngmi Kim, Margaret Clancy, Robert Zager, and Michael Sherraden. "Do Child Development Accounts Promote Account Holding, Saving, and Asset Accumulation for Children's Future? Evidence from a Statewide Randomized Experiment." Washington University in St. Louis Center for Social Development Working Paper No. 11-33, 2011.

28. Elliot, William. "Kansas' Experiment in Encouraging College Savings." New America Foundation, January 16, 2013.

29. Phillips, Leigh and Anne Stuhldreher. "Kindergarten to College (K2C): A First-in-the-Nation Incentive to Set All Kindergarteners on the Path to College." New America Foundation, September 2011.

A college savings program targeted to younger children and accessible to lower income families offers one of the simplest and most cost-effective means of ensuring that any child in Nebraska that aspires to seek higher education feels that their goals are within reach.

it's front and center. It sends a message to the next generation. We have to do this together."[30]

Yet another important aspect of new approaches has been removing savings disincentives. For many low-income families, the already-challenging task of asset building can be amplified through the asset tests in public assistance programs. This can encourage the practice of "spending down," where families do not save because having financial assets can bar them from access to Supplemental Nutrition Assistance Program (SNAP) or child care subsidies.[31] In Nebraska, the SNAP program excludes non-liquid assets like educational savings but other public programs do not. The challenge of asset building among low-income families is significant, but evidence from other states proves that it is not unsolvable.

Policy Recommendations

Data Collection: The first steps in addressing the affordability of higher education in Nebraska is to work towards more complete knowledge about savings trends. Demographic data collection on the enrollees and purchasers of 529 savings plans can better inform policymakers on where public resources can be most effectively targeted in order to invest in an educated workforce for the future of the state economy.

Remove Barriers to Savings in Public Programs: Currently, assets held in a 529 savings plan are exempt from state financial aid packages and public assistance eligibility tests with the exception of Aid to Dependent Children (ADC), Child Care Subsidy Program, and the Low Income Home Emergency Assistance Program (LIHEAP). Removal of 529 savings from the remaining public programs would prevent low-income families from facing the zero-sum choice between long-term and immediate well-being when considering college savings.

Promote Matched Savings Accounts: Policymakers and private funders should build on innovative models from around the country that match or seed savings, especially for lower income families. This can increase both aspirations for higher education and provide a means of paying for some portion of expenses.

Conclusion

In order to fill the demand for educated workers in the growing economy, Nebraska can invest in a generation of educated youth and prepare for future workforce needs by pursing strategies to make higher education more accessible, especially for lower income families. Educational savings is one area where research has shown we can impact both individual aspirations and resources available for higher education. By targeting higher education savings incentives towards families that need it the most, we can increase the likelihood that individuals will succeed and prepare the labor market for the future demands of the state economy.

When weighed against the consequences of a major skills gap in the labor market, taking the first steps to overcome savings barriers that leave many low-income students behind in the increasingly difficult path to higher education is crucial. All Nebraskans stand to reap countless benefits that have been shown to come with higher education, including higher earnings, tax payments, social mobility, greater participation in pension plans and health insurance, lower poverty levels, increased health, and greater civic participation.[32]

30. Williams, Kale. "Duncan lauds S.F.'s Kindergarten to College." San Francisco Chronicle, June 22, 2013.

31. Lassar et al., "Toward More Inclusive College Savings Plans: Sample State Legislation," 10-12.

32. Baum et al., "Education Pays 2013: The Benefits of Higher Education for Individuals and Society."

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Appendix C

National Conference of State Legislatures

Savings for College: 529 Plans

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Hot Topics in Higher Education

This brief is part of the series "Hot Topics in Higher Education," written for state policymakers.

Discussed in this brief:

- State Income Tax Benefits
- Risks of 529 College Savings Plans
- Risks of 529 Prepaid Tuition Plans
- 529 Plans: Who Benefits?
- State Legislation

Saving for College: 529 Plans

By Brenda Bautsch *May 2012*

Now more than ever, people need a college degree to obtain stable, well-paying jobs. At the same time, however, college continues to become more expensive. 529 plans provide a way for families to save money for college now and be better positioned to afford higher education in the future.

Definition

A 529 plan is a tax-advantaged investment plan designed to encourage families to save for future college expenses. The plans, named after Section 529 of the Internal Revenue Code, are operated by states, private sector partners and educational institutions. The two different types of 529 plans are prepaid tuition plans and college savings plans. Under both plans, funds grow income-tax free and, when withdrawn, are exempt from federal income taxes if used for qualifying higher education expenses. If withdrawn funds are not used for higher education, they are subject to federal income taxes plus a 10 percent penalty.

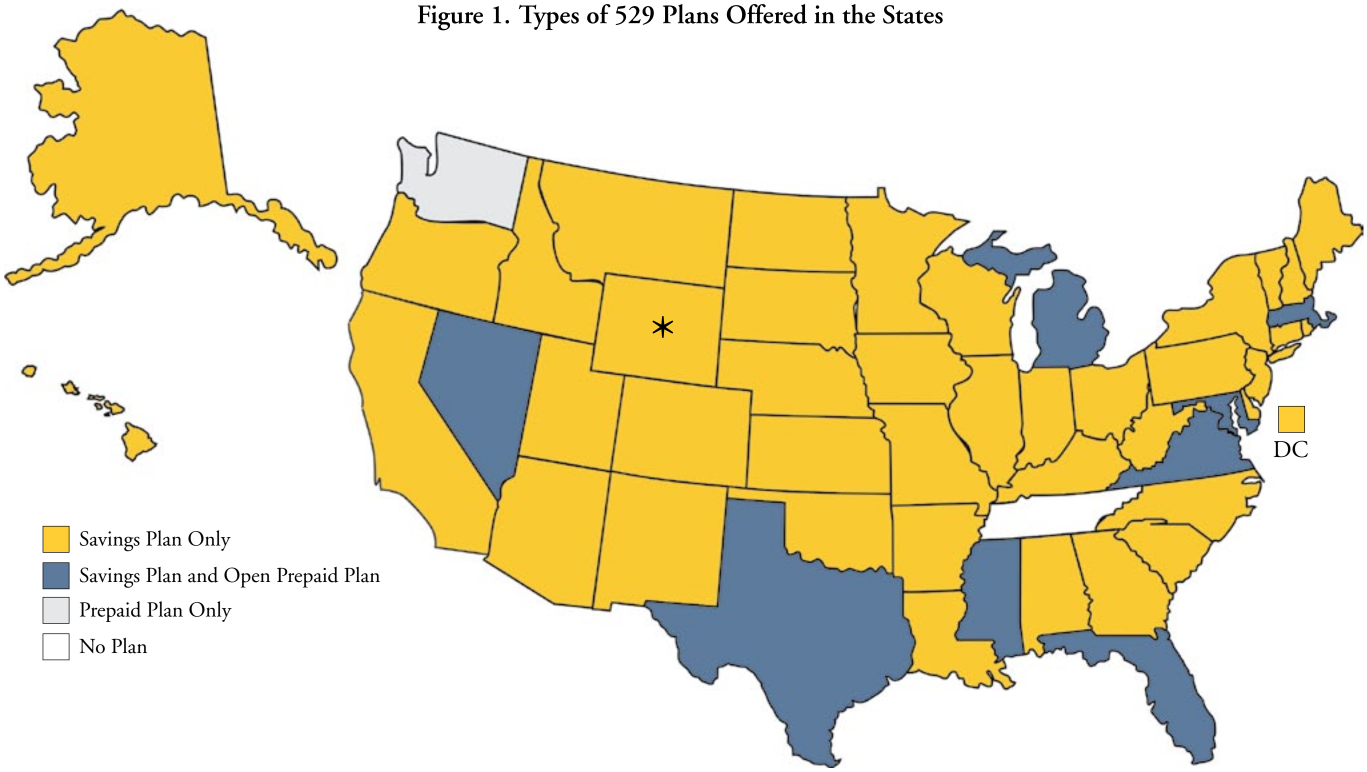
Prepaid tuition plans allow families to buy tuition credits at today's price to be used in the future. Since tuition prices are continually rising, prepaid tuition plans can be a good deal. The downside is that the plans offer little flexibility. Most state-operated plans require the funds to be used at in-state public institutions. As an alternative, a consortium of private colleges offers a prepaid tuition plan. In either case, parents must predict where their child will want to attend college—and the student will need to be accepted at that institution.

The 529 college savings plans, which function similarly to 401(k) plans, are a better option for families that want more flexibility. Families have a variety of investment options with the college savings plans, and the funds can be used at any college. Families are encouraged to invest aggressively early in the plan, then switch to conservative investments as the date of college enrollment approaches.

Quick Facts

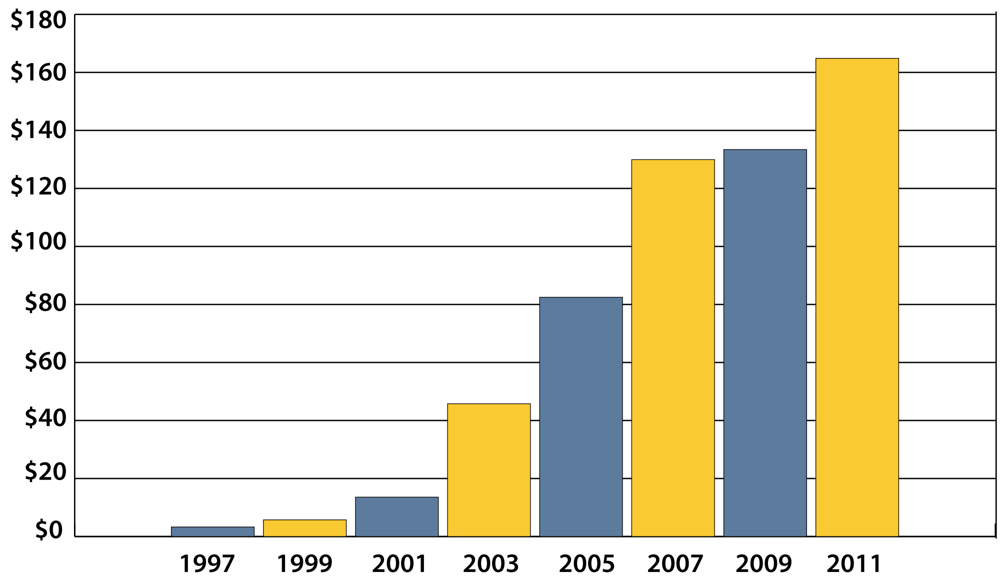
- Forty-nine states and the District of Columbia offer a 529 plan. Forty states offer only a college savings plan, one state offers only a prepaid tuition plan, and eight states offer both types of 529 plans. (See Figure 1, below.)
- Withdrawn funds used for college expenses are free from federal income taxes, and in some states, funds also are eligible for state income tax breaks.
- During the last 15 years, the amount invested in 529 plans has grown immensely. In 1997, families invested a total of $3.29 billion in 529 plans. By 2011, the amount invested had increased to a record level of $164.9 billion.[1] (See Figure 2, below.)
- Several factors affect the return on investment of a 529 savings plan. According to FinAid, these include "the amount of time invested, the family's tax bracket, the amount of any fees and sales charges, the amount invested, and the availability of state income tax deductions for contributions."[2]

Figure 1. Types of 529 Plans Offered in the States



*In Wyoming, the college savings plan is authorized by the state in affiliation with CollegeInvest Colorado.
Source: College Savings Plan Network, *529 Report,* 2012.

Figure 2. Assets in 529 Plans Nationally
($ in billions)



Source: College Savings Plans Network, *529 Report*, 2012.

State Income Tax Benefits

Table 1 illustrates the state tax benefits families can receive for contributing to 529 plans. Thirty-four states and Washington, D.C., offer a tax benefit, nine states do not offer tax benefits, and seven do not have state income taxes. Most states permit out-of-state families to purchase its 529 plans, but the family likely will lose their state tax income benefit. If a family resides in Oklahoma, for example, but wishes to purchase the Utah 529 plan, they can do so, but they will not be able to claim a deduction on their Oklahoma taxes. Only Arizona, Kansas, Maine and Pennsylvania allow its residents to claim a state income tax deduction for contributions to other states' 529 plans (known as tax reciprocity).

Financial advisors encourage families to consider not only the state tax benefits, but also plan fees when considering which 529 plan to use. This is due to the fact that, if fees are high, the costs may outweigh the possible benefits that can be earned from tax credits or deductions. FinAid.org, a popular financial aid resource, notes, "If you have a longer-term investing horizon, the plan with the lower fees is usually better despite not having a state income tax deduction. The value of the state income tax deduction is effectively amortized over the term of the investment, yielding a very small financial benefit per year." In addition, it is important to evaluate the various plans offered within each state. Most states offer both direct-sold plans and adviser-sold plans; the direct-sold plans usually have lower fees.

Table 1. State 529 Tax Deductions and Credits

State/ Jurisdiction	529 Deductions and Credits
Alabama	$5,000 per parent ($10,000 joint)
Alaska	No state income tax
Arizona	$750 single or head of household/$1,500 joint (any state plan)
Arkansas	$5,000 per parent ($10,000 joint)
California	--
Colorado	Full amount of contribution
Connecticut	$5,000 per parent ($10,000 joint), five-year carry-forward on excess contributions
Delaware	--
Florida	No state income tax
Georgia	$2,000 per beneficiary
Hawaii	--
Idaho	$4,000 single/$8,000 joint
Illinois	$10,000 single/$20,000 joint per beneficiary (25% tax credit for employers for matching contributions up to $500 per employee)
Indiana	20% tax credit on contributions up to $5,000 ($1,000 maximum credit)
Iowa	$2,811 single/$5,622 joint per account
Kansas	$3,000 single/$6,000 joint per beneficiary (any state plan), above the line exclusion from income
Kentucky	--
Louisiana	$2,400 single/$4,800 joint per beneficiary, above the line exclusion from income, unlimited carry-forward of unused deduction into subsequent years
Maine	$250 per beneficiary starting 2007 (any state plan), above the line exclusion from income, phase-out at $100,000 single/$200,000 joint
Maryland	$2,500 per account per beneficiary, 10 year carry-forward
Massachusetts	--
Michigan	$5,000 single/$10,000 joint, above the line exclusion from income
Minnesota	--
Mississippi	$10,000 single/$20,000 joint, above the line exclusion from income
Missouri	$8,000 single/$16,000 joint, above the line exclusion from income

Table 1. State 529 Tax Deductions and Credits (continued)

State/ Jurisdiction	529 Deductions and Credits
Montana	$3,000 single/$6,000 joint, above the line exclusion from income
Nebraska	$5,000 per tax return ($2,500 if filing separate), above the line exclusion from income
Nevada	No state income tax
New Hampshire	--
New Jersey	--
New Mexico	Full amount of contribution, above the line exclusion from income
New York	$5,000 single/$10,000 joint, above the line exclusion from income
North Carolina	$2,500 single/$5,000 joint, above the line exclusion from income
North Dakota	$5,000 single/$10,000 joint
Ohio	$2,000 per beneficiary per contributor or married couple, above the line exclusion from income, unlimited carry-forward of excess contributions
Oklahoma	$10,000 single/$20,000 joint per beneficiary, above the line exclusion from income, five-year carry-forward of excess contributions
Oregon	$2,090 single/$4,180 joint (i.e., $2,090 per contributor) per year, above the line exclusion from income, four-year carry-forward of excess contributions
Pennsylvania	$13,000 per contributor per beneficiary (any state plan)
Rhode Island	$500 single/$1,000 joint, above the line exclusion from income, unlimited carry-forward of excess contributions
South Carolina	Full amount of contribution, above the line exclusion from income
South Dakota	No state income tax
Tennessee	--
Texas	No state income tax
Utah	5% tax credit on contributions of up to $1,740 single/$3,480 joint per beneficiary (credit of $87 single/$174 joint)
Vermont	10% tax credit on up to $2,500 in contributions per beneficiary (up to $250 tax credit per taxpayer per beneficiary)
Virginia	$4,000 per account per year (no limit age 70 and older), above the line exclusion from income, unlimited carry-forward of excess contributions
Washington	No state income tax
West Virginia	Full amount of contribution up to extent of income, above the line exclusion from income, five-year carry-forward of excess contributions
Wisconsin	$3,000 per dependent beneficiary, self or grandchild, above the line exclusion from income
Wyoming	No state income tax
District of Columbia	$4,000 single/$8,000 joint, above the line exclusion from income

Source: Mark Kantrowitz, FinAid.org, 2011.

Risks of 529 College Savings Plans

The 529 college savings plans operate like 401K plans, but researchers caution that a significant difference exists between saving for retirement and saving for college—namely time. The Education Sector, a nonpartisan think tank, states: "The shorter time horizon of saving for college—18 years for traditional college students compared to 40+ years for retirement—increases risk and volatility."[3] As a result, much of the success of 529 college savings plans is based on luck and timing.

Families with students in college during the Great Recession experienced the unlucky effects of a risky market. States where 529 college savings plans automatically shift assets into conservative investment accounts as children reach college age even were affected. In Maryland, North Carolina and Virginia, for example, 529 accounts lost up to 30 percent of their value in 2008 alone, which represented a significant loss for parents whose children were almost ready to attend college. In contrast, Florida's 529 college savings plans more successfully shifted investments into conservative funds for families with high-school-age children, and those plans incurred no losses in 2008. The North Carolina state agency that oversees 529 plans commented that families can take the initiative to move their money into more conservative investments at any time. Although financial advisors note that such sharp economic downturns are rare, it is nonetheless important for families who are investing in 529 college savings plans to carefully consider how their state plan handles funds that are being invested as high school students near graduation.

In addition, it may be helpful for state legislators to understand how their state 529 college savings plans operate and to determine if there is room for improvement by requiring a review of the plans. The Virginia General Assembly, for example, passed the Virginia College Savings Plan Oversight Act in April 2012. The act requires the Joint Legislative Audit and Review Commission to continuously evaluate and oversee the state college savings plan. The commission will review the structure and governance of the Virginia 529 College Savings Plan; the structure of the investment portfolio; investment practices, policies and performance; and plan administration and management.

Risks of 529 Prepaid Tuition Plans

Although 529 Prepaid Tuition Plans do not rely on the volatile stock market, they do depend on the state operating the plan to remain solvent. According to the nonprofit association College Savings Plans Network, state prepaid plans are about 93 percent funded. This figure bodes well compared to state pension plans, which are, on average, 76 percent funded. Some state plans, however, such as those in Alabama, Colorado, Illinois and Texas, have endured serious shortfalls and have had to take actions to improve their situations.

Alabama

Alabama currently is embroiled in legal and fiscal woes related to its prepaid tuition plan. Recent projections show the plan will run out of funds by 2015. The Legislature passed a bill in 2010 to bail out the plan by directing $547.6 million toward it over 13 years. The legislation also reduced benefits in way that limited the amount of return families initially were promised. In response, a group of parents sued the state. A settlement was reached in 2010, but it was thrown out by the state Supreme Court in 2012, which ruled that the settlement violated the 2010 bailout law. Alabama policymakers currently are considering how to move forward.[4]

Colorado

Colorado is one of nine states that closed its prepaid tuition plan to new participants. In 2002, when Colorado closed the plan, it gave existing participants a choice to either cash out at the current tuition value, or continue in the program but be subject to limitations on the plan's total value.[5]

Illinois

As of 2011, Illinois' 529 prepaid tuition plan was only 70 percent funded and was facing a shortfall of $559 million and the possibility that all funds would be depleted by 2021.[6] Illinois is working on a solution.

Texas

Texas' first prepaid tuition plan stopped accepting new enrollees in 2003, but still has almost 90,000 active participants who expect to use their plan to fund their college education. The plan is facing a $600 million shortfall due to skyrocketing in-state tuition rates and poor market performance. Estimates show that the plan, which is constitutionally backed, will be depleted by 2014; this means the Legislature will be required to take action to bail out the plan in coming years.[7]

In 2008, Texas created a new prepaid tuition plan, the Texas Tuition Promise Fund, to replace the previous plan. The new plan places the risk on colleges and universities, not on the state. Public institutions must accept prepaid tuition credits even if the value of the credits is less than current tuition prices.[8] Texas is the only state to structure their prepaid tuition plan in such a way.

529s Plans: Whom Do They Benefit?

Tax deductions tend to disproportionately benefit wealthier families. The value of a tax deduction is linked to the tax rate, so those paying higher taxes receive greater benefits from a deduction. One study found that, "for high-income households, the tax advantages of financing college expenses through 529 plans can amount to as much as a 39 percent advantage over traditional taxable savings accounts. For middle-income families, the advantage was 35 percent, but for low-income families, it was only 22 percent."[9] To create incentives for low- and middle-income families to participate in 529 plans, 12 states match contributions made to a savings plan. (See Table 2.)

Table 2. State Matching Grant Programs

State	Matching Grants
Arkansas	The Aspiring Scholars Matching Grant Program provides matching funds of up to $500 for up to five years. The program matches $2 for $1 of contributions for families with incomes less than $30,000 and $1 for $1 of contributions for families with incomes of $30,000 to $60,000.
Colorado	Eligible lower- to middle-income families can receive a $1 for $1 grant up to $500, for up to five years for contributions they make to a CollegeInvest account.
Florida	The Florida Prepaid College Foundation provides college scholarships to low-income children. To fund these scholarships, the foundation receives an annual appropriation from the Florida Legislature and funding from community partners. The foundation may provide matching funds, or the partner may underwrite the entire scholarship.
Kansas	Kansas residents with a household income lower than 200% of the federal poverty level ($46,100 for a family of four in 2011) can receive $1 for $1 matching funds when they contribute at least $100 to the state's 529 savings plan. Families may receive up to $600 in matching funds each year.
Louisiana	Louisiana matches a portion of contributions to Student Tuition Assistance and Revenue Trust (START) savings accounts, based on the family income of the account owner and the category of the account. Matching amounts range from 2% to 14% of the contribution.
Maine	NextGen Matching Grant Programs are available for Maine accounts opened for new beneficiaries, regardless of family income. The Harold Alfond College Challenge Grant provides a one-time $500 grant to families who open a NextGen account before their baby's first birthday. The NextGen Initial Matching Grant provides a one-time $200 Initial Matching Grant for Maine accounts opened with a minimum initial contribution of $50. The NextStep Matching Grant provides a one-third match on contributions made to Maine accounts within the first two years after opening, up to a maximum award of $400.
Nevada	The Silver State Matching Grant Program is open to Nevada residents with a Upromise College Fund 529 account. The beneficiary must be age 13 or younger when first approved for the matching grant. Contributions are matched $1 for $1 for families with adjusted gross income below 41,300, and are matched $1 for $2 for families with income between $41,301 and $61,950. The lifetime maximum award is $1,500.
North Dakota	The Bank of North Dakota provides matching grants to eligible North Dakota residents with a College SAVE account. The program matches up to $300 for singles earning $20,000 or less adjusted gross income (AGI), or $40,000 AGI or less if married, filing jointly. Account owners in this income group can apply for the match up to three years in a row. For account owners in a higher income bracket, the program offers a one-time match of up to $300 for singles earning $40,000 AGI or less, or $80,000 AGI or less if married, filing jointly. The account beneficiary must be age 12 or younger.
Rhode Island	The CollegeBoundfund® Matching Grant Program provides low- and moderate-income Rhode Island families with matching funds when they contribute to their child's 529 college savings account. For eligible participants, Rhode Island will match up to $500 of contributions made to the account each year. Those eligible for the $2 for $1 matching level may receive a maximum annual matching award of $1,000. A single beneficiary may receive no more than five consecutive years of matching grant awards.
Texas	Under Section 54.7521, Texas Education Code and rules of the Board, the board has established the Texas Save and Match, which encourages lower-income Texas families to save for college tuition by providing matching contributions to existing prepaid tuition account holders in the Texas Tuition Promise Fund.
Utah	The Fast Forward Matching Program provides $1 for $1 matching funds for contributions made to the Utah Educational Savings Plan, up to $400 annually per beneficiary. Eligibility for the matching program is based on income level and age requirements.
West Virginia	Residents of West Virginia may be eligible to participate in the SMART529 Matching Grant Program, which provides a $1 for $1 match up to $500 annually (with a lifetime maximum of $2,500). Applicants must meet family income guidelines that are subject to the number of dependents, and the beneficiary must be age 12 or younger.

Source: College Savings Plan Network, 2012.

Legislative Actions

A wide range of actions is available to legislators concerning 529 plans, in addition to creating them in the first place. Legislators have a role in designing matching grant programs, such as the ones described above, and they can set state tax benefits for 529 plan contributions. Further, other legislative actions can provide incentives for families of all income levels to enroll in 529 plans and save for college.

Some legislative actions to consider include the following.

- **Provide an option for taxpayers to deposit some or all of their state tax refund into a 529 plan.** State examples include **Arkansas** (Act 211 of 2009), **Maine** (implemented through administrative order) and **Utah** (§59-10-1313). Arkansas' statutory language reads:
  "Arkansas Code §26-51-456(a)(1) The Revenue Division of the Department of Finance and Administration shall include on the Arkansas individual income tax forms, including those forms on which a husband and wife file separately on the same form, a designation as follows:
  "If you are entitled to a refund, check if you wish to designate [ ] $25, [ ] $50, [ ] $100, [ ] _______ (write in amount) or [ ] all of your tax refund to an Arkansas Tax Deferred Tuition Savings Program account. Your refund will be reduced by this amount."

- **Exempt 529 plans from "asset tests" used to determine eligibility for public assistance programs such as Temporary Assistance for Needy Families (TANF) or Medicaid.** State examples include **Arkansas** (Act 587 of 2007), **California** (Assembly Bill 1078 of 2007), **Colorado** (Senate Bill 134 of 2006) and **Oklahoma** (Senate Bill 1390 of 2008). Oklahoma's legislation stated: "An Oklahoma College Savings Plan account shall be exempt for purposes of determining eligibility for public assistance, provided that the federal rules for these programs permit such an exemption."

- **Exclude 529 plan assets from state financial aid considerations.** At least 17 states preclude assets held in 529 plans from counting against a student's eligibility for state need-based financial aid. State examples include **Georgia** (House Bill 417 of 2011), **Indiana** (§21-9-7-2, 2009) and **Rhode Island** (§16-57-6.6, 2009). Sample language from Rhode Island statutes provides that: "No moneys invested in the tuition savings program shall be considered to be an asset for purposes of determining an individual›s eligibility for a need based grant, need based scholarship or need based work opportunity offered by the state."

- **Provide tax breaks to employers that match employee contributions to 529 plans.** According to a Gallup poll, "Low-income families cite employer matches as the strongest incentive to start saving for post-secondary education."[10] State examples include **Illinois** (Act 096-0198 of 2009) and **Utah** (§59-7-106, 2009).

Conclusion

Although most states offer a 529 prepaid tuition or college savings plan, these may differ in terms of investment strategy, fees, and state tax benefits. This brief elucidates some of the differences and offers strategies for legislators to improve and strengthen their state 529 plans. With a college degree becoming both more valuable and more expensive, state 529 plans can be a smart state strategy to help families save for college.

Additional Resources

- FinAid! The Smart Student Guide to Financial Aid
- College Savings Plans Network
- SmartMoney: Grade Your 529 Plan
- SavingforCollege.com

Notes

1. *College Savings Plans Network: 529 Report*, April 2012; www.collegesavings.org.

2. Mark Kantrowitz, "Rating the State Section 529 Plans," *FinAid.org*, March 2012.

3. Chad Adelman, *Why 529 College Savings Plans Favor the Fortunate* (Washington, D.C.: Education Sector, 2011).

4. Kim Chandler, "Alabama's prepaid tuition program will go broke in three years by one estimate," *The Birmingham News*, March 25, 2012; http://blog.al.com/spot-news/2012/03/alabamas_prepaid_tuition_progr_2.html.

5. Amy E. Buttell, "Joe Hurley on the Future of 529 Plans and Saving for College," *Journal Of Financial Planning* 23, no. 8 (August 2010):18-22.

6. Annamaria Andriotis, "Risks Rise for College Prepaid Plans," *SmartMoney*, March 1, 2012; http://www.smartmoney.com/invest/strategies/risks-rise-for-college-prepaid-plans-1330528634530.

7. Diane Smith, "Texas' prepaid tuition program could go broke by 2014," *Star-Telegram*, July 1, 2011; http://www.star-telegram.com/2011/06/30/3192693/texas-prepaid-tuition-program.html#storylink=cpy.

8. Christina Couch, "College 529 prepaid tuition plans at risk," *Bankrate.com*, Nov. 3, 2009; http://www.bankrate.com/finance/college-finance/college-529-prepaid-tuition-plans-at-risk-1.aspx#ixzz1tkAlDd1L.

9. Adelman, 4.

10. Terry Lassar, Margaret Clancy, and Sarah McClure, *Toward More Inclusive College Savings Plans: Sample State Legislation* (St. Louis: Center for Social Development, Washington University in St. Louis, 2010), 13.

This brief was written by Brenda Bautsch, NCSL senior policy specialist, who covers higher education issues. For more information about this brief or topic, contact her at brenda.bautsch@ncsl.org.

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Appendix D

Nebraska Education Savings Trust (NEST) Materials

Provided by State Treasurer, Don Stenberg

Exhibit 1 – LR 213 Testimony of Don Stenberg

Exhibit 2 – NEST Performance Portfolio

Exhibit 3 – NEST Number of Accounts

Exhibit 4 – NEST 529 Plans Offerred

Exhibit 5 – Number and Ratio of Current Accounts to Population Under 18

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Exhibit 1

STATE OF NEBRASKA
Don Stenberg, State Treasurer
State Capitol, Suite 2005 | P.O. Box 94788 | Lincoln, NE 68509 | 402-471-2455 | www.treasurer.org

October 30, 2013

Dear Governor Heineman and Members of the Nebraska State Legislature:

As we present the 2012 annual report of the Nebraska Educational Savings Trust (NEST), we thank you for the support you have shown to our program, specifically through the passage of LB296 in the 2013 Legislature. As you know, that measure doubled the amount that can be deducted from Nebraska state income taxes for contributions to NEST accounts.

That change was cited by Morningstar, a financial investment research firm, as one of the main reasons for awarding Bronze medal ratings to two of our NEST plans in 2013, up from Neutral ratings last year. The two plans were among 32 college savings plans nationwide to receive medals.

As directed by Nebraska statutes, the 2012 annual report for NEST is being presented to you in an electronic format. You may access the report at http://www.treasurer.org/cs/annualaudit.asp. The report includes audits conducted by Hayes & Associates LLC of Omaha for the calendar year 2012. The four individual audits cover the activities of the NEST Direct College Savings Plan, the NEST Advisor College Savings Plan, the TD Ameritrade 529 College Savings Plan, and The State Farm College Savings Plan.

We also are taking this opportunity to comment on other significant accomplishments we have made in 2012-2013, our third year with First National Bank of Omaha as program manager. The relationship between the Nebraska State Treasurer's Office and First National Bank of Omaha has matured during this time, resulting in an increase in the number of plan participants to more than 208,000 today and an increase in total assets from $2.4 billion in January 2011 to more than $3.2 billion today. Of the total number of accounts, 59,000 of them are owned by Nebraskans.

Among our accomplishments this past year is the creation of Nebraska NEST Financial Scholars for Students and Nebraska NEST Financial Scholars for Families, a coordinated web-based initiative to help teach financial literacy to high school students and to help families learn more about state-sponsored 529 college savings plans in general and NEST in particular. Both programs were developed by EverFi, an educational technology firm in Washington, D.C.

NEST Financial Scholars for Students is being made available to every Nebraska high school at no charge to the schools or the students. NEST Financial Scholars for Families is also free to Nebraskans. Both programs can be accessed through the Nebraska State Treasurer's website at www.treasurer.org.

Our pride and confidence in the Nebraska Educational Savings Trust continue to grow. We are working tirelessly to inform Nebraskans of our college savings plans and the value these plans provide for families looking for responsible and effective ways to save for college. We are also striving to offer more scholarship opportunities and events for children and young teens so that they can be involved with their parents in planning for their college careers, as well as their future endeavors and the continued well-being of the Great State of Nebraska.

Yours truly,

Don Stenberg

Don Stenberg
Nebraska State Treasurer

DS:rb

Rachel Biar
Assistant State Treasurer
College Savings Program | Long Term Care Savings Program
Nebraska State Treasurer's Office

Exhibit 2

NEST Direct Plan
Nebraska Educational Savings Trust

NEST DIRECT COLLEGE SAVINGS PLAN PORTFOLIO PERFORMANCE

Period Ended 09/30/2013

Investment Option Name *Benchmark**	Total Returns Quarter Ending 9/30/2013	Total Returns Year To Date	Average Annualized Total Returns 1 year	Average Annualized Total Returns 3 year	Average Annualized Total Returns Since Inception**	Inception Date
Age-Based Investment Options						
Age-Based Aggressive 0-5	**6.77%**	**16.68%**	**18.17%**	—	**9.69%**	**12/17/2010**
NEST Benchmark 0-5 yr Aggressive	*6.30%*	*16.62%*	*18.36%*	*13.21%*		
Age-Based Aggressive 6-10	**6.13%**	**14.16%**	**15.58%**	—	**9.81%**	**12/17/2010**
NEST Benchmark 6-10 yr Aggressive	*5.71%*	*14.05%*	*15.60%*	*12.39%*		
Age-Based Aggressive 11-14	**4.81%**	**9.91%**	**11.09%**	—	**8.08%**	**12/17/2010**
NEST Benchmark 11-14 yr Aggressive	*4.40%*	*9.96%*	*11.18%*	*10.01%*		
Age-Based Aggressive 15-18	**3.48%**	**5.98%**	**6.83%**	—	**6.37%**	**12/17/2010**
NEST Benchmark 15-18 yr Aggressive	*3.14%*	*5.99%*	*6.85%*	*7.54%*		
Age-Based Aggressive 19+	**1.88%**	**1.88%**	**2.53%**	—	**4.68%**	**12/17/2010**
NEST Benchmark 19+ yr Aggressive	*1.84%*	*2.09%*	*2.57%*	*5.01%*		
Age-Based Growth 0-5	**6.13%**	**14.16%**	**15.58%**	—	**9.81%**	**12/17/2010**
NEST Benchmark 0-5 yr Growth	*5.71%*	*14.05%*	*15.60%*	*12.39%*		
Age-Based Growth 6-10	**4.81%**	**9.91%**	**11.09%**	—	**8.08%**	**12/17/2010**
NEST Benchmark 6-10 yr Growth	*4.40%*	*9.96%*	*11.18%*	*10.01%*		
Age-Based Growth 11-14	**3.48%**	**5.98%**	**6.83%**	—	**6.37%**	**12/17/2010**
NEST Benchmark 11-14 Growth	*3.14%*	*5.99%*	*6.85%*	*7.54%*		
Age-Based Growth 15-18	**1.88%**	**1.88%**	**2.53%**	—	**4.68%**	**12/17/2010**
NEST Benchmark 15-18yr Growth	*1.84%*	*2.09%*	*2.57%*	*5.01%*		
Age-Based Growth 19+	**0.67%**	**-1.77%**	**-1.58%**	—	**1.97%**	**12/17/2010**
NEST Benchmark 19+ yr Growth	*0.60%*	*-1.63%*	*-1.58%*	*1.65%*		
Age-Based Index 0-5	**4.14%**	**9.97%**	**11.03%**	—	**8.58%**	**12/17/2010**
NEST Benchmark 0-5 yr Index	*4.22%*	*10.19%*	*11.32%*	*9.85%*		
Age-Based Index 6-10	**2.84%**	**6.12%**	**6.97%**	—	**6.66%**	**12/17/2010**
NEST Benchmark 6-10 yr Index	*2.96%*	*6.44%*	*7.25%*	*7.38%*		
Age-Based Index 11-14	**1.61%**	**2.44%**	**2.90%**	—	**4.61%**	**12/17/2010**
NEST Benchmark 11-14 yr Index	*1.89%*	*3.06%*	*3.53%*	*4.99%*		
Age-Based Index 15-18	**0.48%**	**-1.13%**	**-1.13%**	—	**1.73%**	**12/17/2010**
NEST Benchmark 15-18 yr Index	*0.58%*	*-0.99%*	*-1.00%*	*1.49%*		
Age-Based Index 19+	**0.20%**	**-0.58%**	**-0.58%**	—	**0.82%**	**12/17/2010**
NEST Benchmark 19+ yr Index	*0.26%*	*-0.40%*	*-0.29%*	*0.85%*		
Age-Based Conservative 0-5	**3.48%**	**5.98%**	**6.93%**	—	**6.37%**	**12/17/2010**
NEST Benchmark 0-5 yr Conservative	*3.14%*	*5.99%*	*6.85%*	*7.54%*		
Age-Based Conservative 6-10	**1.88%**	**1.88%**	**2.53%**	—	**4.68%**	**12/17/2010**
NEST Benchmark 6-10 yr Conservative	*1.84%*	*2.09%*	*2.57%*	*5.01%*		
Age-Based Conservative 11-14	**0.67%**	**-1.77%**	**-1.58%**	—	**1.97%**	**12/17/2010**
NEST Benchmark 11-14 yr Conservative	*0.60%*	*-1.63%*	*-1.58%*	*1.65%*		
Age-Based Conservative 15-18	**0.39%**	**-0.96%**	**-0.87%**	—	**0.96%**	**12/17/2010**
NEST Benchmark 15-18 yr Conservative	*0.38%*	*-0.79%*	*-0.73%*	*0.92%*		
Age-Based Conservative 19+	**0.10%**	**-0.10%**	**0.00%**	—	**0.07%**	**12/17/2010**
NEST Benchmark 19+ yr Conservative	*0.17%*	*0.10%*	*0.17%*	*0.18%*		

NEST Direct Plan
Nebraska Educational Savings Trust

NEST DIRECT COLLEGE SAVINGS PLAN PORTFOLIO PERFORMANCE

Period Ended 09/30/2013

Investment Option Name / *Benchmark**	Total Returns: Quarter Ending 9/30/2013	Total Returns: Year To Date	Average Annualized Total Returns: 1 year	Average Annualized Total Returns: 3 year	Average Annualized Total Returns: Since Inception**	Inception Date
Static Investment Options						
Growth Static	**6.13%**	**14.16%**	**15.58%**	**—**	**9.81%**	**12/17/2010**
NEST Benchmark Growth Static	*5.71%*	*14.05%*	*15.60%*	*12.39%*		
Balanced Index Static	**3.12%**	**7.10%**	**7.95%**	**—**	**7.46%**	**12/17/2010**
NEST Benchmark Index Balanced Static	*3.23%*	*7.35%*	*8.18%*	*8.31%*		
Conservative Static	**1.97%**	**1.97%**	**2.62%**	**—**	**4.68%**	**12/17/2010**
NEST Benchmark Conservative Static	*1.84%*	*2.09%*	*2.57%*	*5.01%*		
Individual Investment Options						
State Street S&P 500® Index	**5.17%**	**19.48%**	**18.88%**	**—**	**13.49%**	**12/17/2010**
S&P 500	*5.24%*	*19.79%*	*19.34%*	*16.27%*		
Vanguard Total Stock Market Index	**6.23%**	**21.05%**	**21.15%**	**—**	**13.75%**	**12/17/2010**
CRSP US Total Mkt	*6.14%*	*21.24%*	*20.87%*	*N/A*		
T. Rowe Price Large Cap Growth	**13.24%**	**28.06%**	**27.29%**	**—**	**15.32%**	**12/17/2010**
Russell 1000 Growth	*8.11%*	*20.87%*	*19.27%*	*16.94%*		
Vanguard Equity Income	**3.46%**	**19.09%**	**19.20%**	**—**	**21.79%**	**6/22/2012**
Russell 1000 Value	*3.94%*	*20.47%*	*22.30%*	*16.25%*		
FTSE High Div Yld	*1.75%*	*16.27%*	*13.91%*	*N/A*		
Vanguard Extended Market Index	**10.11%**	**27.29%**	**31.18%**	**—**	**14.54%**	**12/17/2010**
S&P Completion	*9.80%*	*26.17%*	*29.63%*	*N/A*		
Tributary Small Company	**8.31%**	**22.62%**	**23.52%**	**—**	**11.51%**	**12/17/2010**
Russell 2000	*10.21%*	*27.69%*	*30.06%*	*18.29%*		
Russell 2000 Value	*7.59%*	*23.07%*	*27.04%*	*16.57%*		
iShares Russell 2000 Growth ETF	**12.99%**	**31.73%**	**32.21%**	**—**	**34.14%**	**6/22/2012**
Russell 2000 Growth	*12.80%*	*32.47%*	*33.07%*	*19.96%*		
Vanguard REIT Index	**-2.98%**	**3.01%**	**5.47%**	**—**	**11.90%**	**12/17/2010**
MSCI US REIT Index	*-3.00%*	*3.66%*	*6.27%*	*12.48%*		
State Street MSCI® ACWI ex USA Index	**10.01%**	**9.69%**	**16.05%**	**—**	**4.18%**	**12/17/2010**
MSCI ACWI ex USA (Net)	*10.09%*	*10.04%*	*16.48%*	*5.95%*		
SPDR Barclays Intl Treasury Bond ETF	**3.89%**	**-3.43%**	**-3.52%**	**—**	**1.18%**	**6/22/2012**
Barclays Global Treasury ex-U.S.	*4.13%*	*-3.54%*	*-5.83%*	*0.68%*		
PIMCO Total Return	**1.08%**	**-2.08%**	**-1.05%**	**—**	**4.42%**	**12/17/2010**
Barclays Capital U.S. Aggregate	*0.57%*	*-1.89%*	*-1.68%*	*2.86%*		
Vanguard Total Bond Market Index	**0.46%**	**-2.14%**	**-2.14%**	**—**	**3.38%**	**12/17/2010**
Barclays Capital U.S. Aggregate	*0.57%*	*-1.89%*	*-1.68%*	*2.86%*		
Vanguard Short-Term Bond Index	**0.58%**	**-0.10%**	**0.00%**	**—**	**1.63%**	**12/17/2010**
Barclays Capital Gov/Credit 1-5	*0.63%*	*0.14%*	*0.34%*	*1.63%*		
Vanguard Inflation-Protected Securities	**0.81%**	**-6.97%**	**-6.50%**	**—**	**4.22%**	**12/17/2010**
Barclays Capital U.S. Treasury: U.S. TIPS	*0.70%*	*-6.74%*	*-6.10%*	*4.02%*		
Goldman Sachs Prime Money Market***	**0.00%**	**0.00%**	**0.00%**	**—**	**0.00%**	**12/17/2010**
Citigroup 3-month T-bill	*0.01%*	*0.04%*	*0.07%*	*0.08%*		
Bank Savings	**0.10%**	**0.40%**	**0.50%**	**—**	**0.56%**	**10/17/2011**
1 Month US Bank Deposit Index	*0.05%*	*0.15%*	*0.20%*	*N/A*		

NEST Direct Plan
Nebraska Educational Savings Trust

* *Each benchmark is not managed. Therefore, its performance does not reflect management fees, expenses or the imposition of sales charges.*

** *Since Inception Returns for less than one year are not annualized.*

*** *Investments in the Goldman Sachs Prime Money Market Individual Option are not insured or guaranteed by the Federal Deposit Insurance Corporation or any governmental agency. Although this Option seeks to preserve the value of your investment of $1.00 per share, it is possible to lose money by investing in this option.*

The performance data shown represents past performance. Past performance - especially short-term performance - is not a guarantee of future results. Performance information is current as of the most recent timeframe reference above and is net of the weighted average operating expense ratio of the underlying fund, program management fee and state administrative fee. Investment returns and principal value will fluctuate, so that investors' units, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited.

The NEST Direct Plan is sponsored by the State of Nebraska and administered by the Nebraska State Treasurer. The NEST Direct Plan offers a series of investment portfolios within the Nebraska Educational Savings Plan Trust, which offers other investment portfolios not affiliated with the NEST Direct Plan. The NEST Direct Plan is intended to operate as a qualified tuition program to be used only to save for qualified higher education expenses, pursuant to Section 529 of the U.S. Internal Revenue Code.

Investors should consider the Plan's investment objectives, risks, charges and expenses before investing. The Program Disclosure Statement, which contains more information, should be read carefully before investing.

Investors should consider before investing whether their or their beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program and should consult their tax advisor, attorney and/or other advisor regarding their specific legal, investment or tax situation.

This material is provided for general and educational purposes only, and is not intended to provide legal, tax or investment advice, or for use to avoid penalties that may be imposed under U.S. federal tax laws. This material is not an offer to sell or a solicitation of an offer to buy any securities. Any offer to sell units within the Plan may only be made by the Program Disclosure Statement and Participation Agreement relating to the Plan.

Participation in the Plan does not guarantee that contributions and the investment return on contributions, if any, will be adequate to cover future tuition and other higher education expenses, or that a beneficiary will be admitted to or permitted to continue to attend an eligible educational institution.

Except for the Bank Savings Individual Investment Option, investments in the NEST Direct Plan are not guaranteed or insured by the FDIC or any other government agency and are not deposits or other obligations of any depository institution. Investments are not guaranteed or insured by the State of Nebraska, the Nebraska State Treasurer, the Nebraska Investment Council or First National Bank of Omaha or its authorized agents or their affiliates, and are subject to investment risks, including the loss of the principal amount invested.

Nebraska Educational Savings Plan Trust Issuer
Nebraska State Treasurer Trustee
Nebraska Investment Council Investment Oversight
First National Bank of Omaha Program Manager
First National Capital Markets Principal Distributor, Member FINRA, Member SIPC
First National Capital Markets and First National Bank of Omaha are affiliates

Investments Are Not FDIC Insured* | No Bank, State or Federal Guarantee | May Lose Value
* Except for the Bank Savings Individual Investment Option

For further information about investments and for the most recent month-end performance data, please visit our website at www.NEST529Direct.com

NEST Advisor Plan
Nebraska Educational Savings Trust

NEST ADVISOR COLLEGE SAVINGS PLAN PORTFOLIO PERFORMANCE PERIOD ENDING 09/30/2013

Investment Option Name		Total Returns without Sales Charges					Total Returns with Maximum Sales Charges					
		Quarter Ending	Year to Date	Average Annualized		Since	Quarter Ending	Year to Date	Average Annualized		Since	Inception
Benchmark[1]	*Class*	9/30/13	9/30/13	1 year	3 year	Inception[2]	9/30/13	9/30/13	1 year	3 year	Inception[2]	Date
Age-Based Investment Options												
Age-Based Aggressive 0-5	A[3]	7.05%	16.74%	18.24%	—	9.56%	3.28%	12.66%	14.06%	—	8.18%	12/17/10
Age-Based Aggressive 0-5	A[4]	7.05%	16.74%	18.24%	—	9.56%	1.98%	11.21%	12.66%	—	7.66%	12/17/10
Age-Based Aggressive 0-5	C[5]	6.85%	16.18%	17.47%	—	8.77%	5.85%	15.18%	16.47%	—	8.77%	12/17/10
NEST Benchmark 0-5 yr Aggressive		*6.30%*	*16.62%*	*18.36%*	*13.21%*		*6.30%*	*16.62%*	*18.36%*	*13.21%*		
Age-Based Aggressive 6-10	A[3]	6.34%	14.15%	15.47%	—	9.60%	2.62%	10.15%	11.39%	—	8.21%	12/17/10
Age-Based Aggressive 6-10	A[4]	6.34%	14.15%	15.47%	—	9.60%	1.25%	8.76%	9.97%	—	7.69%	12/17/10
Age-Based Aggressive 6-10	C[5]	6.12%	13.55%	14.69%	—	8.80%	5.12%	12.55%	13.69%	—	8.80%	12/17/10
NEST Benchmark 6-10 yr Aggressive		*5.71%*	*14.05%*	*15.60%*	*12.39%*		*5.71%*	*14.05%*	*15.60%*	*12.39%*		
Age-Based Aggressive 11-14	A[3]	5.01%	9.96%	11.15%	—	7.90%	1.31%	6.09%	7.29%	—	6.54%	12/17/10
Age-Based Aggressive 11-14	A[4]	5.01%	9.96%	11.15%	—	7.90%	0.00%	4.75%	5.91%	—	6.03%	12/17/10
Age-Based Aggressive 11-14	C[5]	4.85%	9.39%	10.39%	—	7.11%	3.85%	8.39%	9.39%	—	7.11%	12/17/10
NEST Benchmark 11-14 yr Aggressive		*4.40%*	*9.96%*	*11.18%*	*10.01%*		*4.40%*	*9.96%*	*11.18%*	*10.01%*		
Age-Based Aggressive 15-18	A[3]	3.68%	6.01%	6.87%	—	6.18%	0.08%	2.34%	3.14%	—	4.84%	12/17/10
Age-Based Aggressive 15-18	A[4]	3.68%	6.01%	6.87%	—	6.18%	-1.25%	0.94%	1.81%	—	4.34%	12/17/10
Age-Based Aggressive 15-18	C[5]	3.40%	5.37%	6.05%	—	5.37%	2.40%	4.37%	5.05%	—	5.37%	12/17/10
NEST Benchmark 15-18 yr Aggressive		*3.14%*	*5.99%*	*6.85%*	*7.54%*		*3.14%*	*5.99%*	*6.85%*	*7.54%*		
Age-Based Aggressive 19+	A[3]	1.99%	1.80%	2.36%	—	4.45%	-1.57%	-1.74%	-1.22%	—	3.13%	12/17/10
Age-Based Aggressive 19+	A[4]	1.99%	1.80%	2.36%	—	4.45%	-2.84%	-3.01%	-2.50%	—	2.64%	12/17/10
Age-Based Aggressive 19+	C[5]	1.75%	1.19%	1.65%	—	3.68%	0.75%	0.19%	0.65%	—	3.68%	12/17/10
NEST Benchmark 19+ yr Aggressive		*1.84%*	*2.09%*	*2.57%*	*5.01%*		*1.84%*	*2.09%*	*2.57%*	*5.01%*		
Age-Based Growth 0-5	A[3]	6.34%	14.15%	15.47%	—	9.60%	2.62%	10.15%	11.39%	—	8.21%	12/17/10
Age-Based Growth 0-5	A[4]	6.34%	14.15%	15.47%	—	9.60%	1.25%	8.76%	9.97%	—	7.69%	12/17/10
Age-Based Growth 0-5	C[5]	6.12%	13.55%	14.69%	—	8.80%	5.12%	12.55%	13.69%	—	8.80%	12/17/10
NEST Benchmark 0-5 yr Growth		*5.71%*	*14.05%*	*15.60%*	*12.39%*		*5.71%*	*14.05%*	*15.60%*	*12.39%*		
Age-Based Growth 6-10	A[3]	5.01%	9.96%	11.15%	—	7.90%	1.31%	6.09%	7.29%	—	6.54%	12/17/10
Age-Based Growth 6-10	A[4]	5.01%	9.96%	11.15%	—	7.90%	0.00%	4.75%	5.91%	—	6.03%	12/17/10
Age-Based Growth 6-10	C[5]	4.76%	9.39%	10.29%	—	7.11%	3.76%	8.39%	9.29%	—	7.11%	12/17/10
NEST Benchmark 6-10 yr Growth		*4.40%*	*9.96%*	*11.18%*	*10.01%*		*4.40%*	*9.96%*	*11.18%*	*10.01%*		
Age-Based Growth 11-14	A[3]	3.68%	6.01%	6.87%	—	6.18%	0.08%	2.34%	3.14%	—	4.84%	12/17/10
Age-Based Growth 11-14	A[4]	3.68%	6.01%	6.87%	—	6.18%	-1.25%	0.94%	1.81%	—	4.34%	12/17/10
Age-Based Growth 11-14	C[5]	3.40%	5.37%	6.05%	—	5.37%	2.40%	4.37%	5.05%	—	5.37%	12/17/10
NEST Benchmark 11-14 Growth		*3.14%*	*5.99%*	*6.85%*	*7.54%*		*3.14%*	*5.99%*	*6.85%*	*7.54%*		
Age-Based Growth 15-18	A[3]	1.99%	1.80%	2.45%	—	4.48%	-1.57%	-1.74%	-1.14%	—	3.16%	12/17/10
Age-Based Growth 15-18	A[4]	1.99%	1.80%	2.45%	—	4.48%	-2.84%	-3.00%	-2.42%	—	2.67%	12/17/10
Age-Based Growth 15-18	C[5]	1.75%	1.19%	1.65%	—	3.68%	0.75%	0.19%	0.65%	—	3.68%	12/17/10
NEST Benchmark 15-18yr Growth		*1.84%*	*2.09%*	*2.57%*	*5.01%*		*1.84%*	*2.09%*	*2.57%*	*5.01%*		
Age-Based Growth 19+	A[3]	0.57%	-1.96%	-1.69%	—	1.77%	-2.96%	-5.41%	-5.15%	—	0.48%	12/17/10
Age-Based Growth 19+	A[4]	0.57%	-1.96%	-1.69%	—	1.77%	-4.20%	-6.58%	-6.33%	—	0.00%	12/17/10
Age-Based Growth 19+	C[5]	0.49%	-2.46%	-2.37%	—	1.03%	-0.51%	-3.44%	-3.35%	—	1.03%	12/17/10
NEST Benchmark 19+ yr Growth		*0.60%*	*-1.63%*	*-1.58%*	*1.65%*		*0.60%*	*-1.63%*	*-1.58%*	*1.65%*		
Age-Based Index 0-5	A[3]	4.09%	9.67%	10.65%	—	8.24%	0.48%	5.86%	6.76%	—	6.88%	12/17/10
Age-Based Index 0-5	A[4]	4.09%	9.67%	10.65%	—	8.24%	-0.87%	4.44%	5.41%	—	6.36%	12/17/10
Age-Based Index 0-5	C[5]	4.00%	9.11%	9.89%	—	7.46%	3.00%	8.11%	8.89%	—	7.46%	12/17/10
NEST Benchmark 0-5 yr Index		*4.22%*	*10.19%*	*11.32%*	*9.85%*		*4.22%*	*10.19%*	*11.32%*	*9.85%*		
Age-Based Index 6-10	A[3]	2.86%	5.89%	6.56%	—	6.31%	-0.75%	2.15%	2.86%	—	4.97%	12/17/10
Age-Based Index 6-10	A[4]	2.86%	5.89%	6.56%	—	6.31%	-1.98%	0.85%	1.45%	—	4.47%	12/17/10
Age-Based Index 6-10	C[5]	2.56%	5.26%	5.74%	—	5.50%	1.56%	4.26%	4.74%	—	5.50%	12/17/10
NEST Benchmark 6-10 yr Index		*2.96%*	*6.44%*	*7.25%*	*7.38%*		*2.96%*	*6.44%*	*7.25%*	*7.38%*		
Age-Based Index 11-14	A[3]	1.54%	2.19%	2.56%	—	4.22%	-2.01%	-1.41%	-1.06%	—	2.90%	12/17/10
Age-Based Index 11-14	A[4]	1.54%	2.19%	2.56%	—	4.22%	-3.28%	-2.69%	-2.35%	—	2.41%	12/17/10
Age-Based Index 11-14	C[5]	1.38%	1.57%	1.76%	—	3.44%	0.38%	0.57%	0.76%	—	3.44%	12/17/10
NEST Benchmark 11-14 yr Index		*1.89%*	*3.06%*	*3.53%*	*4.99%*		*1.89%*	*3.06%*	*3.53%*	*4.99%*		
Age-Based Index 15-18	A[3]	0.39%	-1.52%	-1.52%	—	1.35%	-3.17%	-4.95%	-4.95%	—	0.07%	12/17/10
Age-Based Index 15-18	A[4]	0.39%	-1.52%	-1.52%	—	1.35%	-4.42%	-6.23%	-6.23%	—	-0.41%	12/17/10
Age-Based Index 15-18	C[5]	0.30%	-2.02%	-2.21%	—	0.61%	-0.70%	-3.00%	-3.19%	—	0.61%	12/17/10
NEST Benchmark 15-18 yr Index		*0.58%*	*-0.99%*	*-1.00%*	*1.49%*		*0.58%*	*-0.99%*	*-1.00%*	*1.49%*		
Age-Based Index 19+	A[3]	0.20%	-0.78%	-0.88%	—	0.50%	-3.34%	-4.25%	-4.34%	—	-0.77%	12/17/10
Age-Based Index 19+	A[4]	0.20%	-0.78%	-0.88%	—	0.50%	-4.52%	-5.50%	-5.59%	—	-1.24%	12/17/10
Age-Based Index 19+	C[5]	0.00%	-1.39%	-1.59%	—	-0.25%	-1.00%	-2.38%	-2.57%	—	-0.25%	12/17/10
NEST Benchmark 19+ yr Index		*0.26%*	*-0.40%*	*-0.29%*	*0.85%*		*0.26%*	*-0.40%*	*-0.29%*	*0.85%*		

NEST Advisor Plan
Nebraska Educational Savings Trust

NEST ADVISOR COLLEGE SAVINGS PLAN PORTFOLIO PERFORMANCE PERIOD ENDING 09/30/2013

Investment Option Name / Benchmark[1]	Class	Total Returns without Sales Charges: Quarter Ending 9/30/13	Year to Date 9/30/13	Average Annualized 1 year	Average Annualized 3 year	Since Inception[2]	Total Returns with Maximum Sales Charges: Quarter Ending 9/30/13	Year to Date 9/30/13	Average Annualized 1 year	Average Annualized 3 year	Since Inception[2]	Inception Date
Age-Based Investment Options, continued												
Age-Based Conservative 0-5	A[3]	3.68%	6.01%	6.87%	—	6.18%	0.08%	2.34%	3.14%	—	4.84%	12/17/10
Age-Based Conservative 0-5	A[4]	3.68%	6.01%	6.87%	—	6.18%	-1.25%	0.94%	1.81%	—	4.34%	12/17/10
Age-Based Conservative 0-5	C[5]	3.40%	5.37%	6.05%	—	5.37%	2.40%	4.37%	5.05%	—	5.37%	12/17/10
NEST Benchmark 0-5 yr Conservative		*3.14%*	*5.99%*	*6.85%*	*7.54%*		*3.14%*	*5.99%*	*6.85%*	*7.54%*		
Age-Based Conservative 6-10	A[3]	2.08%	1.89%	2.45%	—	4.48%	-1.48%	-1.65%	-1.14%	—	3.16%	12/17/10
Age-Based Conservative 6-10	A[4]	2.08%	1.89%	2.45%	—	4.48%	-2.75%	-2.92%	-2.42%	—	2.67%	12/17/10
Age-Based Conservative 6-10	C[5]	1.84%	1.28%	1.75%	—	3.71%	0.84%	0.28%	0.75%	—	3.71%	12/17/10
NEST Benchmark 6-10 yr Conservative		*1.84%*	*2.09%*	*2.57%*	*5.01%*		*1.84%*	*2.09%*	*2.57%*	*5.01%*		
Age-Based Conservative 11-14	A[3]	0.57%	-1.96%	-1.69%	—	1.77%	-2.96%	-5.41%	-5.15%	—	0.48%	12/17/10
Age-Based Conservative 11-14	A[4]	0.57%	-1.96%	-1.69%	—	1.77%	-4.20%	-6.58%	-6.33%	—	0.00%	12/17/10
Age-Based Conservative 11-14	C[5]	0.49%	-2.46%	-2.37%	—	1.03%	-0.51%	-3.44%	-3.35%	—	1.03%	12/17/10
NEST Benchmark 11-14 yr Conservative		*0.60%*	*-1.63%*	*-1.58%*	*1.65%*		*0.60%*	*-1.63%*	*-1.58%*	*1.65%*		
Age-Based Conservative 15-18	A[3]	0.39%	-1.07%	-0.97%	—	0.75%	-3.13%	-4.49%	-4.40%	—	-0.52%	12/17/10
Age-Based Conservative 15-18	A[4]	0.39%	-1.07%	-0.97%	—	0.75%	-4.40%	-5.72%	-5.64%	—	-1.00%	12/17/10
Age-Based Conservative 15-18	C[5]	0.10%	-1.67%	-1.77%	—	-0.04%	-0.90%	-2.66%	-2.75%	—	-0.04%	12/17/10
NEST Benchmark 15-18 yr Conservative		*0.38%*	*-0.79%*	*-0.73%*	*0.92%*		*0.38%*	*-0.79%*	*-0.73%*	*0.92%*		
Age-Based Conservative 19+	A[3]	0.20%	0.00%	0.00%	—	0.07%	0.20%	0.00%	0.00%	—	0.07%	12/17/10
Age-Based Conservative 19+	A[4]	0.20%	0.00%	0.00%	—	0.07%	0.20%	0.00%	0.00%	—	0.07%	12/17/10
Age-Based Conservative 19+	C[5]	0.20%	0.00%	0.00%	—	0.07%	0.20%	0.00%	0.00%	—	0.07%	12/17/10
NEST Benchmark 19+ yr Conservative		*0.17%*	*0.10%*	*0.17%*	*0.18%*		*0.17%*	*0.10%*	*0.17%*	*0.18%*		
Static Investment Options												
Growth Static	A[3]	6.34%	14.15%	15.47%	—	9.60%	2.62%	10.15%	11.39%	—	8.21%	12/17/10
Growth Static	A[4]	6.34%	14.15%	15.47%	—	9.60%	1.25%	8.76%	9.97%	—	7.69%	12/17/10
Growth Static	C[5]	6.12%	13.55%	14.69%	—	8.80%	5.12%	12.55%	13.69%	—	8.80%	12/17/10
NEST Benchmark Growth Static		*5.71%*	*14.05%*	*15.60%*	*12.39%*		*5.71%*	*14.05%*	*15.60%*	*12.39%*		
Balanced Index Static	A[3]	3.15%	6.79%	7.55%	—	7.11%	-0.49%	3.06%	3.77%	—	5.76%	12/17/10
Balanced Index Static	A[4]	3.15%	6.79%	7.55%	—	7.11%	-1.78%	1.68%	2.45%	—	5.25%	12/17/10
Balanced Index Static	C[5]	2.95%	6.18%	6.65%	—	6.31%	1.95%	5.18%	5.65%	—	6.31%	12/17/10
NEST Benchmark Index Balanced Static		*3.23%*	*7.35%*	*8.18%*	*8.31%*		*3.23%*	*7.35%*	*8.18%*	*8.31%*		
Conservative Static	A[3]	2.08%	1.89%	2.54%	—	4.48%	-1.48%	-1.65%	-1.05%	—	3.16%	12/17/10
Conservative Static	A[4]	2.08%	1.89%	2.54%	—	4.48%	-2.75%	-2.92%	-2.33%	—	2.67%	12/17/10
Conservative Static	C[5]	1.84%	1.37%	1.84%	—	3.71%	0.84%	0.37%	0.84%	—	3.71%	12/17/10
NEST Benchmark Conservative Static		*1.84%*	*2.09%*	*2.57%*	*5.01%*		*1.84%*	*2.09%*	*2.57%*	*5.01%*		
Individual Investment Options												
State Street S&P 500® Index	A[3]	5.13%	19.32%	18.72%	—	13.23%	1.43%	15.15%	14.59%	—	11.80%	12/17/10
State Street S&P 500® Index	A[4]	5.13%	19.32%	18.72%	—	13.23%	0.14%	13.67%	13.12%	—	11.27%	12/17/10
State Street S&P 500® Index	C[5]	4.92%	18.68%	17.77%	—	12.39%	3.92%	17.68%	16.77%	—	12.39%	12/17/10
S&P 500		*5.24%*	*19.79%*	*19.34%*	*16.27%*		*5.24%*	*19.79%*	*19.34%*	*16.27%*		
Vanguard Total Stock Market ETF	A[3]	6.11%	20.26%	20.46%	—	13.03%	2.40%	16.09%	16.28%	—	11.61%	12/17/10
Vanguard Total Stock Market ETF	A[4]	6.11%	20.26%	20.46%	—	13.03%	1.08%	14.58%	14.76%	—	11.07%	12/17/10
Vanguard Total Stock Market ETF	C[5]	6.00%	19.70%	19.60%	—	12.22%	5.00%	18.70%	18.60%	—	12.22%	12/17/10
CRSP US Total Mkt		*6.14%*	*21.24%*	*20.87%*	*N/A*		*6.14%*	*21.24%*	*20.87%*	*N/A*		
Dodge & Cox Stock	A[3]	-	-	-	—	1.10%	-	-	-	—	-2.41%	7/26/13
Dodge & Cox Stock	A[4]	-	-	-	—	1.10%	-	-	-	—	-3.71%	7/26/13
Dodge & Cox Stock	C[5]	-	-	-	—	0.90%	-	-	-	—	-0.10%	7/26/13
Russell 1000 Value		*3.94%*	*20.47%*	*22.30%*	*16.25%*		*3.94%*	*20.47%*	*22.30%*	*16.25%*		
T. Rowe Price Large Cap Growth	A[3]	13.17%	27.85%	26.98%	—	15.04%	9.24%	23.37%	22.55%	—	13.59%	12/17/10
T. Rowe Price Large Cap Growth	A[4]	13.17%	27.85%	26.98%	—	15.04%	7.80%	21.75%	20.95%	—	13.05%	12/17/10
T. Rowe Price Large Cap Growth	C[5]	13.04%	27.13%	26.02%	—	14.20%	12.04%	26.13%	25.02%	—	14.20%	12/17/10
Russell 1000 Growth		*8.11%*	*20.87%*	*19.27%*	*16.94%*		*8.11%*	*20.87%*	*19.27%*	*16.94%*		
SPDR S&P® Dividend ETF	A[3]	4.35%	19.82%	20.92%	—	24.24%	0.69%	15.61%	16.64%	—	20.83%	6/22/12
SPDR S&P® Dividend ETF	A[4]	4.35%	19.82%	20.92%	—	24.24%	-0.60%	14.11%	15.21%	—	19.56%	6/22/12
SPDR S&P® Dividend ETF	C[5]	4.15%	19.16%	20.04%	—	23.35%	3.15%	18.16%	19.04%	—	23.35%	6/22/12
S&P High Yield Dividend Aristrocrats		*4.24%*	*20.70%*	*22.32%*	*N/A*		*4.24%*	*20.70%*	*22.32%*	*N/A*		

NEST Advisor Plan
Nebraska Educational Savings Trust

NEST ADVISOR COLLEGE SAVINGS PLAN PORTFOLIO PERFORMANCE PERIOD ENDING 09/30/2013

Individual Investment Options, continued

Investment Option Name / Benchmark[1]	Class	Total Returns without Sales Charges: Quarter Ending 9/30/13	Year to Date 9/30/13	Average Annualized 1 year	Average Annualized 3 year	Since Inception[2]	Total Returns with Maximum Sales Charges: Quarter Ending 9/30/13	Year to Date 9/30/13	Average Annualized 1 year	Average Annualized 3 year	Since Inception[2]	Inception Date
Vanguard Extended Market ETF	A[3]	10.12%	26.52%	30.31%	—	32.90%	6.29%	22.11%	25.74%	—	29.26%	6/22/12
Vanguard Extended Market ETF	A[4]	10.12%	26.52%	30.31%	—	32.90%	4.89%	20.47%	24.11%	—	27.90%	6/22/12
Vanguard Extended Market ETF	C[5]	9.90%	25.75%	29.30%	—	31.81%	8.90%	24.75%	28.30%	—	31.81%	6/22/12
S&P Completion		*9.80%*	*26.17%*	*29.63%*	*N/A*		*9.80%*	*26.17%*	*29.63%*	*N/A*		
Tributary Small Company	A[3]	8.20%	22.36%	23.26%	—	11.25%	4.42%	18.07%	18.90%	—	9.85%	12/17/10
Tributary Small Company	A[4]	8.20%	22.36%	23.26%	—	11.25%	3.06%	16.54%	17.45%	—	9.32%	12/17/10
Tributary Small Company	C[5]	8.03%	21.79%	22.36%	—	10.44%	7.03%	20.79%	21.36%	—	10.44%	12/17/10
Russell 2000		*10.21%*	*27.69%*	*30.06%*	*18.29%*		*10.21%*	*27.69%*	*30.06%*	*18.29%*		
Russell 2000 Value		*7.59%*	*23.07%*	*27.04%*	*16.57%*		*7.59%*	*23.07%*	*27.04%*	*16.57%*		
iShares Russell 2000 Growth ETF	A[3]	12.94%	31.73%	32.09%	—	33.85%	8.95%	27.11%	27.44%	—	30.18%	6/22/12
iShares Russell 2000 Growth ETF	A[4]	12.94%	31.73%	32.09%	—	33.85%	7.57%	25.45%	25.78%	—	28.81%	6/22/12
iShares Russell 2000 Growth ETF	C[5]	12.82%	30.96%	31.20%	—	32.76%	11.82%	29.96%	30.20%	—	32.76%	6/22/12
Russell 2000 Growth		*12.80%*	*32.47%*	*33.07%*	*19.96%*		*12.80%*	*32.47%*	*33.07%*	*19.96%*		
Vanguard REIT ETF	A[3]	-2.84%	2.85%	5.21%	—	10.86%	-6.26%	-0.74%	1.52%	—	9.46%	12/17/10
Vanguard REIT ETF	A[4]	-2.84%	2.85%	5.21%	—	10.86%	-7.43%	-2.06%	0.23%	—	8.94%	12/17/10
Vanguard REIT ETF	C[5]	-2.97%	2.27%	4.48%	—	10.05%	-3.94%	1.27%	3.48%	—	10.05%	12/17/10
MSCI US REIT Index		*-3.00%*	*3.66%*	*6.27%*	*12.48%*		*-3.00%*	*3.66%*	*6.27%*	*12.48%*		
State Street MSCI® ACWI ex USA Index	A[3]	10.08%	9.54%	15.92%	—	3.95%	6.20%	5.69%	11.85%	—	2.64%	12/17/10
State Street MSCI® ACWI ex USA Index	A[4]	10.08%	9.54%	15.92%	—	3.95%	4.90%	4.31%	10.41%	—	2.15%	12/17/10
State Street MSCI® ACWI ex USA Index	C[5]	9.87%	8.99%	15.08%	—	3.17%	8.87%	7.99%	14.08%	—	3.17%	12/17/10
MSCI ACWI ex USA (Net)		*10.09%*	*10.04%*	*16.48%*	*5.95%*		*10.09%*	*10.04%*	*16.48%*	*5.95%*		
Vanguard FTSE Emerging Markets ETF	A[3]	4.14%	-8.06%	-1.34%	—	*8.32%*	0.45%	-11.30%	-4.82%	—	5.35%	6/22/12
Vanguard FTSE Emerging Markets ETF	A[4]	4.14%	-8.06%	-1.34%	—	*8.32%*	-0.81%	-12.42%	-6.03%	—	4.24%	6/22/12
Vanguard FTSE Emerging Markets ETF	C[5]	3.89%	-8.59%	-2.14%	—	*7.47%*	2.89%	-9.50%	-3.12%	—	7.47%	6/22/12
FTSE Emerging Markets		*4.09%*	*-5.27%*	*0.21%*	*N/A*		*4.09%*	*-5.27%*	*0.21%*	*N/A*		
SPDR Barclays Intl Treasury Bond ETF	A[3]	3.79%	-3.62%	-3.71%	—	*0.94%*	0.20%	-6.99%	-7.07%	—	-1.83%	6/22/12
SPDR Barclays Intl Treasury Bond ETF	A[4]	3.79%	-3.62%	-3.71%	—	*0.94%*	-1.17%	-8.17%	-8.25%	—	-2.86%	6/22/12
SPDR Barclays Intl Treasury Bond ETF	C[5]	3.62%	-4.21%	-4.48%	—	*0.16%*	2.62%	-5.16%	-5.44%	—	0.16%	6/22/12
Barclays Global Treasury ex-U.S.		*4.13%*	*-3.54%*	*-5.83%*	*0.68%*		*4.13%*	*-3.54%*	*-5.83%*	*0.68%*		
PIMCO Total Return	A[3]	0.99%	-2.27%	-1.32%	—	4.15%	-2.52%	-5.72%	-4.76%	—	2.84%	12/17/10
PIMCO Total Return	A[4]	0.99%	-2.27%	-1.32%	—	4.15%	-3.78%	-6.90%	-6.04%	—	2.34%	12/17/10
PIMCO Total Return	C[5]	0.83%	-2.83%	-2.05%	—	3.38%	-0.17%	-3.81%	-3.03%	—	3.38%	12/17/10
Barclays Capital U.S. Aggregate		*0.57%*	*-1.89%*	*-1.68%*	*2.86%*		*0.57%*	*-1.89%*	*-1.68%*	*2.86%*		
Federated Total Return Bond	A[3]	0.73%	-2.05%	-1.52%	—	3.51%	-2.82%	-5.49%	-5.00%	—	2.21%	12/17/10
Federated Total Return Bond	A[4]	0.73%	-2.05%	-1.52%	—	3.51%	-4.09%	-6.69%	-6.22%	—	1.72%	12/17/10
Federated Total Return Bond	C[5]	0.56%	-2.62%	-2.27%	—	2.66%	-0.44%	-3.60%	-3.25%	—	2.66%	12/17/10
Barclays Capital U.S. Aggregate		*0.57%*	*-1.89%*	*-1.68%*	*2.86%*		*0.57%*	*-1.89%*	*-1.68%*	*2.86%*		
Dreyfus Bond Market Index Basic	A[3]	0.37%	-2.61%	-2.61%	—	2.90%	-3.13%	-5.99%	-5.99%	—	1.60%	12/17/10
Dreyfus Bond Market Index Basic	A[4]	0.37%	-2.61%	-2.61%	—	2.90%	-4.41%	-7.20%	-7.20%	—	1.12%	12/17/10
Dreyfus Bond Market Index Basic	C[5]	0.19%	-3.11%	-3.37%	—	2.15%	-0.81%	-4.07%	-4.34%	—	2.15%	12/17/10
Barclays Capital U.S. Aggregate		*0.57%*	*-1.89%*	*-1.68%*	*2.86%*		*0.57%*	*-1.89%*	*-1.68%*	*2.86%*		
Vanguard Short-Term Bond ETF	A[3]	0.50%	-0.40%	-0.30%	—	*0.24%*	-3.00%	-3.93%	-3.74%	—	-2.51%	6/22/12
Vanguard Short-Term Bond ETF	A[4]	0.50%	-0.40%	-0.30%	—	*0.24%*	-4.29%	-5.11%	-5.02%	—	-3.54%	6/22/12
Vanguard Short-Term Bond ETF	C[5]	0.40%	-0.80%	-1.00%	—	*-0.47%*	-0.60%	-1.79%	-1.99%	—	-0.47%	6/22/12
Barclays Capital Gov/Credit 1-5		*0.63%*	*0.14%*	*0.34%*	*1.63%*		*0.63%*	*0.14%*	*0.34%*	*1.63%*		
American Century Inflation-Adjusted Bond	A[3]	0.64%	-7.44%	-6.97%	—	3.75%	-2.89%	-10.65%	-10.21%	—	2.44%	12/17/10
American Century Inflation-Adjusted Bond	A[4]	0.64%	-7.44%	-6.97%	—	3.75%	-4.15%	-11.85%	-11.36%	—	1.95%	12/17/10
American Century Inflation-Adjusted Bond	C[5]	0.37%	-7.95%	-7.72%	—	3.07%	-0.63%	-8.87%	-8.64%	—	3.07%	12/17/10
Barclays Capital U.S. Treasury: U.S. TIPS		*0.70%*	*-6.74%*	*-6.10%*	*4.02%*		*0.70%*	*-6.74%*	*-6.10%*	*4.02%*		
Goldman Sachs Prime Money Market[5]	A[3]	0.00%	0.00%	0.00%	—	0.00%	0.00%	0.00%	0.00%	—	0.00%	12/17/10
Goldman Sachs Prime Money Market[5]	A[4]	0.00%	0.00%	0.00%	—	0.00%	0.00%	0.00%	0.00%	—	0.00%	12/17/10
Goldman Sachs Prime Money Market[5]	C[5]	0.00%	0.00%	0.00%	—	0.00%	0.00%	0.00%	0.00%	—	0.00%	12/17/10
Citigroup 3-month T-bill		*0.01%*	*0.04%*	*0.07%*	*0.08%*		*0.01%*	*0.04%*	*0.07%*	*0.08%*		
Bank Savings	A[3]	0.10%	0.40%	0.50%	—	0.56%	0.10%	0.40%	0.50%	—	0.56%	10/17/11
Bank Savings	A[4]	0.10%	0.40%	0.50%	—	0.56%	0.10%	0.40%	0.50%	—	0.56%	10/17/11
Bank Savings	C[5]	0.10%	0.40%	0.50%	—	0.56%	0.10%	0.40%	0.50%	—	0.56%	10/17/11
1 Month US Bank Deposit Index		*0.05%*	*0.15%*	*0.20%*	*N/A*		*0.05%*	*0.15%*	*0.20%*	*N/A*		

NEST Advisor Plan
Nebraska Educational Savings Trust

[1] *Each benchmark is not managed. Therefore, its performance does not reflect management fees, expenses or the imposition of front-end sales loads or contingent deferred sales charges.*

[2] *Since Inception Returns for less than one year are not annualized.*

[3] *Total Returns with Maximum Sales Charges include a maximum-up-front sales load of 3.50% available for accounts opened prior to 12/17/2010.*

[4] *Total Returns with Maximum Sales Charges include a maximum up-front sales load of 4.75% for accounts opened after 12/17/2010.*

[5] *Total Returns without Sales Charges do not include sales charge or contingent deferred sales charge (CDSC). Total Returns with Maximum Sales Charges for Class C units reflect the applicable contingent deferred sales charge of 1% through the first year.*

[6] *Investments in the Goldman Sachs Prime Money Market Individual Investment Option are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any governmental agency. Although this Option seeks to preserve the value of your investment of $1.00 per share, it is possible to lose money by investing in this Option.*

The performance data shown represents past performance. Past performance - especially short-term performance - is not a guarantee of future results. Performance information is current as of the most recent timeframe referenced above and is net of the weighted average operating expense ratio of the underlying fund, program management fee, state administrative fee and the distribution and marketing fee. Investment returns and principal value will fluctuate, so that investors' units, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited.

The NEST Advisor Plan is sponsored by the State of Nebraska and administered by the Nebraska State Treasurer. The NEST Advisor Plan offers a series of investment portfolios within the Nebraska Educational Savings Plan Trust, which offers other investment portfolios not affiliated with the NEST Advisor Plan. The NEST Advisor Plan is intended to operate as a qualified tuition program to be used only to save for qualified higher education expenses, pursuant to Section 529 of the U.S. Internal Revenue Code.

An investor should consider the Plan's investment objectives, risks, charges and expenses before investing. The Program Disclosure Statement, which contains more information, should be read carefully before investing.

Investors should consider before investing whether their or their beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program and should consult their tax advisor, attorney and/or other advisor regarding their specific legal, investment or tax situation.

s material is provided for general and educational purposes only, and is not intended to provide legal, tax or investment advice, or for use to avoid penalties that may be imposed under U.S. ıederal tax laws. This material is not an offer to sell or a solicitation of an offer to buy any securities. Any offer to sell units within the Plan may only be made by the Program Disclosure Statement and Participation Agreement relating to the Plan. Participation in the Plan does not guarantee that contributions and the investment return on contributions, if any, will be adequate to cover future tuition and other higher education expenses, or that a beneficiary will be admitted to or permitted to continue to attend an eligible educational institution.

Except for the Bank Savings Individual Investment Option, investments in the NEST Advisor Plan are not guaranteed or insured by the FDIC or any other government agency; are not deposits or other obligations of any depository institution. Investments are not guaranteed or insured by the State of Nebraska, the Nebraska State Treasurer, the Nebraska Investment Council or First National Bank of Omaha or its authorized agents or their affiliates, and are subject to investment risks, including the loss of principal amount invested.

Nebraska Educational Savings Plan Trust Issuer
Nebraska State Treasurer Trustee
Nebraska Investment Council Investment Oversight
First National Bank of Omaha Program Manager
First National Capital Markets Principal Distributor, Member FINRA, Member SIPC
First National Capital Markets and First National Bank of Omaha are affiliates

Investments Are Not FDIC Insured* | No Bank, State or Federal Guarantee | May Lose Value
* Except for the Bank Savings Individual Investment Option

For further information about investments and for the most recent month-end performance data, please visit our website at www.NEST529Advisor.com

TD Ameritrade

TD AMERITRADE 529 COLLEGE SAVINGS PLAN PORTFOLIO PERFORMANCE

Period Ended 09/30/2013

Investment Option Name / *Benchmark*[1]	Total Returns: Quarter Ending 9/30/2013	Total Returns: Year To Date	Average Annual Total Returns As of 09/30/2013: 1 year	3 year	Since Inception[2]	Inception Date	Expense Ratio[3]
Age-Based Investment Options							
Age-Based Aggressive 0-5	6.84%	16.97%	18.57%	—	9.75%	12/17/2010	0.64%
NEST Benchmark 0-5 yr Aggressive	*6.30%*	*16.62%*	*18.36%*	*13.21%*			
Age-Based Aggressive 6-10	6.22%	14.26%	15.79%	—	9.81%	12/17/2010	0.66%
NEST Benchmark 6-10 yr Aggressive	*5.71%*	*14.05%*	*15.60%*	*12.39%*			
Age-Based Aggressive 11-14	4.81%	10.12%	11.30%	—	8.05%	12/17/2010	0.68%
NEST Benchmark 11-14 yr Aggressive	*4.40%*	*9.96%*	*11.18%*	*10.01%*			
Age-Based Aggressive 15-18	3.40%	5.99%	6.95%	—	6.28%	12/17/2010	0.68%
NEST Benchmark 15-18 yr Aggressive	*3.14%*	*5.99%*	*6.85%*	*7.54%*			
Age-Based Aggressive 19+	1.89%	1.80%	2.36%	—	4.48%	12/17/2010	0.67%
NEST Benchmark 19+ yr Aggressive	*1.84%*	*2.09%*	*2.57%*	*5.01%*			
Age-Based Growth 0-5	6.13%	14.26%	15.79%	—	9.81%	12/17/2010	0.66%
NEST Benchmark 0-5 yr Growth	*5.71%*	*14.05%*	*15.60%*	*12.39%*			
Age-Based Growth 6-10	4.81%	10.12%	11.30%	—	8.05%	12/17/2010	0.68%
NEST Benchmark 6-10 yr Growth	*4.40%*	*9.96%*	*11.18%*	*10.01%*			
Age-Based Growth 11-14	3.40%	5.99%	6.95%	—	6.28%	12/17/2010	0.68%
NEST Benchmark 11-14 Growth	*3.14%*	*5.99%*	*6.85%*	*7.54%*			
Age-Based Growth 15-18	1.89%	1.80%	2.36%	—	4.48%	12/17/2010	0.67%
NEST Benchmark 15-18yr Growth	*1.84%*	*2.09%*	*2.57%*	*5.01%*			
Age-Based Growth 19+	0.58%	-1.96%	-1.87%	—	1.70%	12/17/2010	0.69%
NEST Benchmark 19+ yr Growth	*0.60%*	*-1.63%*	*-1.58%*	*1.65%*			
Age-Based Index 0-5	4.16%	9.83%	10.90%	—	8.36%	12/17/2010	0.55%
NEST Benchmark 0-5 yr Index	*4.22%*	*10.19%*	*11.32%*	*9.85%*			
Age-Based Index 6-10	2.85%	6.06%	6.73%	—	6.44%	12/17/2010	0.56%
NEST Benchmark 6-10 yr Index	*2.96%*	*6.44%*	*7.25%*	*7.38%*			
Age-Based Index 11-14	1.62%	2.27%	2.73%	—	4.38%	12/17/2010	0.58%
NEST Benchmark 11-14 yr Index	*1.89%*	*3.06%*	*3.53%*	*4.99%*			
Age-Based Index 15-18	0.39%	-1.42%	-1.42%	—	1.45%	12/17/2010	0.62%
NEST Benchmark 15-18 yr Index	*0.58%*	*-0.99%*	*-1.00%*	*1.49%*			
Age-Based Index 19+	0.10%	-0.88%	-0.88%	—	0.54%	12/17/2010	0.61%
NEST Benchmark 19+ yr Index	*0.26%*	*-0.40%*	*-0.29%*	*0.85%*			
Age-Based Conservative 0-5	3.49%	6.09%	6.95%	—	6.28%	12/17/2010	0.68%
NEST Benchmark 0-5 yr Conservative	*3.14%*	*5.99%*	*6.85%*	*7.54%*			
Age-Based Conservative 6-10	1.89%	1.80%	2.36%	—	4.48%	12/17/2010	0.67%
NEST Benchmark 6-10 yr Conservative	*1.84%*	*2.09%*	*2.57%*	*5.01%*			
Age-Based Conservative 11-14	0.58%	-1.96%	-1.87%	—	1.70%	12/17/2010	0.69%
NEST Benchmark 11-14 yr Conservative	*0.60%*	*-1.63%*	*-1.58%*	*1.65%*			
Age-Based Conservative 15-18	0.20%	-1.26%	-1.16%	—	0.68%	12/17/2010	0.66%
NEST Benchmark 15-18 yr Conservative	*0.38%*	*-0.79%*	*-0.73%*	*0.92%*			
Age-Based Conservative 19+	0.10%	-0.30%	-0.30%	—	-0.07%	12/17/2010	0.64%
NEST Benchmark 19+ yr Conservative	*0.17%*	*0.10%*	*0.17%*	*0.18%*			

TD Ameritrade

TD AMERITRADE 529 COLLEGE SAVINGS PLAN PORTFOLIO PERFORMANCE

Period Ended 09/30/2013

Investment Option Name / *Benchmark* [1]	Total Returns: Quarter Ending 9/30/2013	Total Returns: Year To Date	Average Annual Total Returns As of 09/30/2013: 1 year	3 year	Since Inception[2]	Inception Date	Expense Ratio[3]
Static Investment Options							
Growth Static	6.22%	14.26%	15.79%	—	9.81%	12/17/2010	0.66%
NEST Benchmark Growth Static	*5.71%*	*14.05%*	*15.60%*	*12.39%*			
Balanced Index Static	3.14%	6.95%	7.71%	—	7.24%	12/17/2010	0.55%
NEST Benchmark Index Balanced Static	*3.23%*	*7.35%*	*8.18%*	*8.31%*			
Conservative Static	1.89%	1.89%	2.54%	—	4.51%	12/17/2010	0.67%
NEST Benchmark Conservative Static	*1.84%*	*2.09%*	*2.57%*	*5.01%*			
Individual Investment Options							
State Street S&P 500 Index	5.15%	19.39%	18.73%	—	21.94%	6/22/2012	0.51%
S&P 500	*5.24%*	*19.79%*	*19.34%*	*16.27%*			
Vanguard Total Stock Market Index	6.11%	20.78%	20.88%	—	13.52%	12/17/2010	0.53%
CRSP US Total Mkt	*6.14%*	*21.24%*	*20.87%*	*N/A*			
Vanguard Russell 1000 Value Index	3.83%	19.98%	21.63%	—	24.90%	6/22/2012	0.57%
Russell 1000 Value	*3.94%*	*20.47%*	*22.30%*	*16.25%*			
T. Rowe Price Large Cap Growth	13.24%	27.81%	27.04%	—	15.10%	12/17/2010	1.06%
Russell 1000 Growth	*8.11%*	*20.87%*	*19.27%*	*16.94%*			
Vanguard Equity Income	3.47%	19.02%	19.02%	—	21.64%	6/22/2012	0.70%
Russell 1000 Value	*3.94%*	*20.47%*	*22.30%*	*16.25%*			
FTSE High Div Yld	*1.75%*	*16.27%*	*13.91%*	*N/A*			
Vanguard Extended Market Index	10.09%	27.04%	30.90%	—	31.66%	6/22/2012	0.57%
S&P Completion	*9.80%*	*26.17%*	*29.63%*	*N/A*			
Tributary Small Company	8.27%	22.43%	23.33%	—	11.31%	12/17/2010	1.45%
Russell 2000	*10.21%*	*27.69%*	*30.06%*	*18.29%*			
Russell 2000 Value	*7.59%*	*23.07%*	*27.04%*	*16.57%*			
iShares Russell 2000 Growth ETF	12.95%	31.64%	32.00%	—	33.77%	6/22/2012	0.74%
Russell 2000 Growth	*12.80%*	*32.47%*	*33.07%*	*19.96%*			
Vanguard REIT Index	-3.13%	2.80%	5.26%	—	11.66%	12/17/2010	0.57%
MSCI US REIT Index	*-3.00%*	*3.66%*	*6.27%*	*12.48%*			
State Street MSCI ACWI ex USA Index	9.99%	9.61%	15.88%	—	21.19%	6/22/2012	0.58%
MSCI ACWI ex USA (Net)	*10.09%*	*10.04%*	*16.48%*	*5.95%*			
Vanguard FTSE Emerging Markets ETF	4.13%	-7.90%	-1.19%	—	6.55%	6/22/2012	0.67%
FTSE Emerging Markets	*4.09%*	*-5.27%*	*0.21%*	*N/A*			
SPDR Barclays Intl Treasury Bond ETF	3.78%	-3.61%	-3.70%	—	-0.94%	6/22/2012	0.99%
Barclays Global Treasury ex-U.S.	*4.13%*	*-3.54%*	*-5.83%*	*0.68%*			
PIMCO Total Return	1.08%	-2.26%	-1.23%	—	4.22%	12/17/2010	0.95%
Barclays Capital U.S. Aggregate	*0.57%*	*-1.89%*	*-1.68%*	*2.86%*			
Vanguard Total Bond Market Index	0.40%	-2.26%	-2.26%	—	-0.55%	6/22/2012	0.54%
Barclays Capital U.S. Aggregate	*0.57%*	*-1.89%*	*-1.68%*	*2.86%*			
Vanguard Short-Term Bond Index	0.48%	-0.29%	-0.29%	—	1.42%	12/17/2010	0.54%
Barclays Capital Gov/Credit 1-5	*0.63%*	*0.14%*	*0.34%*	*1.63%*			
American Century Inflation-Adjusted Bond	0.63%	-7.34%	-6.95%	—	3.85%	12/17/2010	0.77%
Barclays Capital U.S. Treasury: U.S. TIPS	*0.70%*	*-6.74%*	*-6.10%*	*4.02%*			
Goldman Sachs Prime Money Market[4]	0.00%	0.00%	0.00%	—	0.00%	12/17/2010	0.67%
Citigroup 3-month T-bill	*0.01%*	*0.04%*	*0.07%*	*0.08%*			

[1] *Each benchmark is not managed. Therefore, its performance does not reflect management fees, expenses or the imposition of sales charges.*

[2] *Since Inception Returns for less than one year are not annualized.*

[3] *Expense ratio information includes the weighted average operating expense ratio, the Program Management Fee, the TD Ameritrade Distribution Fee and the State Administration Fee.*

[4] *Investments in the Goldman Sachs Prime Money Market Individual Option are not insured or guaranteed by the Federal Deposit Insurance Corporation or any governmental agency. Although this Option seeks to preserve the value of your investment of $1.00 per share, it is possible to lose money by investing in this option.*

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Investors should consider the plan's investment objectives, risks, charges and expenses before investing. The TD Ameritrade 529 College Savings Plan Program Disclosure Statement contains more information and should be read carefully before investing. For more information on the TD Ameritrade 529 College Savings Plan, please call 877.408.4644 or contact your financial advisor.

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Participation in the Plan does not guarantee that contributions and the investment return on contributions, if any, will be adequate to cover future tuition and other higher education expenses, or that a beneficiary will be admitted to or permitted to continue to attend an eligible educational institution.

Investments in the TD Ameritrade 529 College Savings Plan are not guaranteed or insured by the FDIC, SIPC or any other government agency and are not deposits or other obligations of any depository institution. Investments are not guaranteed or insured by the State of Nebraska, the Nebraska State Treasurer, the Nebraska Investment Council, First National Bank of Omaha or its authorized agents or their affiliates, or TD Ameritrade or its authorized agents or its affiliates, and are subject to investment risks, including the loss of the principal amount invested. TD Ameritrade and Nebraska Educational Savings Plan Trust are separate and unaffiliated and are not responsible for each other's services or policies.

Nebraska Educational Savings Plan Trust Issuer
Nebraska State Treasurer Trustee
Nebraska Investment Council Investment Oversight
First National Bank of Omaha Program Manager
TD Ameritrade, Inc. Distributor, Member FINRA, Member SIPC, Member NFA

Investments Are Not FDIC Insured | No Bank, State or Federal Guarantee | May Lose Value

For further information about investments and for the most recent month-end performance data, please visit our website at www.collegesavings.tdameritrade.com

Performance

Period Ended: 9/30/13 State Farm College Savings Plan of Nebraska	Unit Class	Total Return[1] 1 Month	3 Month	YTD	Average Annual Total Return[1] 1 Year	3 Year	Inception	Inception Date
13+ Years to College Portfolio	A	**4.96**	**8.12**	**18.63**	**21.18**	**11.90**	**13.02**	11/03/2008
Customized Performance Benchmark[2]		4.78	7.44	18.22	20.72	13.98	15.26	
Variance		*0.18*	*0.68*	*0.41*	*0.46*	*-2.08*	*-2.24*	
7-12 Years to College Portfolio	A	**4.20**	**6.62**	**14.29**	**16.88**	**11.24**	**12.99**	11/03/2008
Customized Performance Benchmark[2]		3.99	6.04	13.93	15.87	11.86	13.62	
Variance		*0.21*	*0.58*	*0.36*	*1.01*	*-0.62*	*-0.63*	
4-6 Years to College Portfolio	A	**3.22**	**4.81**	**9.49**	**11.07**	**9.18**	**9.84**	11/03/2008
Customized Performance Benchmark[2]		3.06	4.48	9.96	11.15	9.90	11.81	
Variance		*0.16*	*0.33*	*-0.47*	*-0.08*	*-0.72*	*-1.97*	
1-3 Years to College Portfolio	A	**2.20**	**3.24**	**5.79**	**6.50**	**6.17**	**6.60**	11/03/2008
Customized Performance Benchmark[2]		2.06	3.03	6.73	7.40	7.03	8.40	
Variance		*0.14*	*0.21*	*-0.94*	*-0.90*	*-0.86*	*-1.80*	
College Now Portfolio	A	**0.91**	**0.81**	**-0.10**	**-0.10**	**2.18**	**2.49**	11/03/2008
Customized Performance Benchmark[2]		0.83	0.95	1.24	1.37	3.12	4.64	
Variance		*0.08*	*-0.14*	*-1.34*	*-1.47*	*-0.94*	*-2.15*	
Growth Portfolio	A	**4.95**	**8.09**	**18.53**	**21.22**	**13.05**	**13.82**	11/03/2008
Customized Performance Benchmark[2]		4.78	7.44	18.22	20.72	13.98	15.26	
Variance		*0.17*	*0.65*	*0.31*	*0.50*	*-0.93*	*-1.44*	
Moderate Growth Portfolio	A	**4.18**	**6.68**	**14.33**	**16.91**	**11.35**	**13.08**	11/03/2008
Customized Performance Benchmark[2]		3.99	6.04	13.93	15.87	11.86	13.62	
Variance		*0.19*	*0.64*	*0.40*	*1.04*	*-0.51*	*-0.54*	
Balanced Portfolio	A	**3.32**	**4.92**	**9.61**	**11.10**	**9.15**	**9.80**	11/03/2008
Customized Performance Benchmark[2]		3.06	4.48	9.96	11.15	9.90	11.81	
Variance		*0.26*	*0.44*	*-0.35*	*-0.05*	*-0.75*	*-2.01*	
Money Market Portfolio	A	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.12**	11/03/2008
Customized Performance Benchmark[2]		0.00	0.01	0.03	0.04	0.06	0.17	
Variance		*0.00*	*-0.01*	*-0.03*	*-0.04*	*-0.06*	*-0.05*	

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See Disclosure Page for additional information.

Performance

Period Ended: 9/30/13 State Farm College Savings Plan of Nebraska	Unit Class	Total Return[1] 1 Month	3 Month	YTD	Average Annual Total Return[1] 1 Year	3 Year	Inception	Inception Date
13+ Years to College Portfolio	B	4.93	7.94	17.99	20.38	11.08	12.19	11/03/2008
Customized Performance Benchmark[2]		4.78	7.44	18.22	20.72	13.98	15.26	
Variance		*0.15*	*0.50*	*-0.23*	*-0.34*	*-2.90*	*-3.07*	
7-12 Years to College Portfolio	B	4.05	6.40	13.68	15.91	10.40	12.14	11/03/2008
Customized Performance Benchmark[2]		3.99	6.04	13.93	15.87	11.86	13.62	
Variance		*0.06*	*0.36*	*-0.25*	*0.04*	*-1.46*	*-1.48*	
4-6 Years to College Portfolio	B	3.19	4.67	8.93	10.24	8.36	9.03	11/03/2008
Customized Performance Benchmark[2]		3.06	4.48	9.96	11.15	9.90	11.81	
Variance		*0.13*	*0.19*	*-1.03*	*-0.91*	*-1.54*	*-2.78*	
1-3 Years to College Portfolio	B	2.11	2.91	5.16	5.57	5.33	5.79	11/03/2008
Customized Performance Benchmark[2]		2.06	3.03	6.73	7.40	7.03	8.40	
Variance		*0.05*	*-0.12*	*-1.57*	*-1.83*	*-1.70*	*-2.61*	
College Now Portfolio	B	0.85	0.64	-0.63	-0.84	1.42	1.72	11/03/2008
Customized Performance Benchmark[2]		0.83	0.95	1.24	1.37	3.12	4.64	
Variance		*0.02*	*-0.31*	*-1.87*	*-2.21*	*-1.70*	*-2.92*	
Growth Portfolio	B	4.84	7.84	17.96	20.26	12.18	12.97	11/03/2008
Customized Performance Benchmark[2]		4.78	7.44	18.22	20.72	13.98	15.26	
Variance		*0.06*	*0.40*	*-0.26*	*-0.46*	*-1.80*	*-2.29*	
Moderate Growth Portfolio	B	4.04	6.37	13.63	15.96	10.52	12.22	11/03/2008
Customized Performance Benchmark[2]		3.99	6.04	13.93	15.87	11.86	13.62	
Variance		*0.05*	*0.33*	*-0.30*	*0.09*	*-1.34*	*-1.40*	
Balanced Portfolio	B	3.20	4.68	8.85	10.27	8.34	8.97	11/03/2008
Customized Performance Benchmark[2]		3.06	4.48	9.96	11.15	9.90	11.81	
Variance		*0.14*	*0.20*	*-1.11*	*-0.88*	*-1.56*	*-2.84*	
Money Market Portfolio	B	0.00	0.00	0.00	0.00	0.00	0.12	11/03/2008
Customized Performance Benchmark[2]		0.00	0.01	0.03	0.04	0.06	0.17	
Variance		*0.00*	*-0.01*	*-0.03*	*-0.04*	*-0.06*	*-0.05*	

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State Farm

Underlying Investment Performance

Period Ended: 9/30/13 State Farm College Savings Plan of Nebraska	Total Return[1]			Average Annual Total Return[1]		
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year
Oppenheimer Capital Appreciation Fund Y	**4.39**	**7.67**	**17.13**	**16.00**	**13.52**	**8.49**
Russell 1000 Growth Index	4.46	8.11	20.87	19.27	16.94	12.07
Variance	-0.07	-0.44	-3.74	-3.27	-3.42	-3.59
Oppenheimer Value Fund Y	**3.98**	**5.90**	**20.37**	**22.49**	**13.88**	**8.30**
Russell 1000 Value Index	*2.51*	*3.94*	*20.47*	*22.30*	*16.25*	*8.86*
Variance	1.48	1.96	-0.10	0.19	-2.36	-0.56
Oppenheimer Main Street Small & Mid-Cap Fund Y	**4.90**	**8.97**	**24.33**	**27.85**	**17.48**	**11.95**
Russell 2500 Index	*5.73*	*9.08*	*25.89*	*29.79*	*18.44*	*12.68*
Variance	-0.83	-0.10	-1.56	-1.94	-0.97	-0.73
Oppenheimer International Growth Fund Y	**6.39**	**11.31**	**18.24**	**26.00**	**12.90**	**11.52**
MSCI ACWI Ex USA Index	*6.95*	*10.09*	*10.04*	*16.48*	*5.95*	*6.26*
Variance	-0.56	1.22	8.19	9.52	6.95	5.26
Oppenheimer Developing Markets Fund Y	**8.74**	**8.94**	**4.82**	**9.64**	**4.46**	**11.77**
MSCI Emerging Markets ND Index	*6.50*	*5.77*	*-4.35*	*0.98*	*-0.33*	*7.22*
Variance	2.24	3.17	9.17	8.66	4.79	4.54
Federated U.S. Government Securities Fund: 1-3 Years Instl.	**0.13**	**0.02**	**-0.79**	**-0.80**	**0.22**	**1.35**
Bank of America Merrill Lynch 1-3 Year Treasury Index	*0.23*	*0.29*	*0.30*	*0.37*	*0.71*	*1.62*
Variance	-0.09	-0.27	-1.09	-1.17	-0.49	-0.27
State Farm Bond Fund Instl.	**0.97**	**0.46**	**-3.20**	**-3.11**	**2.27**	**5.37**
Barclays U.S. Aggregate Bond Index	*0.95*	*0.57*	*-1.89*	*-1.68*	*2.86*	*5.41*
Variance	0.02	-0.11	-1.31	-1.43	-0.59	-0.04
Oppenheimer Global Strategic Income Fund Y	**1.06**	**0.99**	**-1.31**	**1.30**	**4.60**	**7.39**
Barclays U.S. Aggregate Bond Index	*0.95*	*0.57*	*-1.89*	*-1.68*	*2.86*	*5.41*
Variance	0.11	0.42	0.58	2.98	1.73	1.98
Oppenheimer Institutional Money Market Fund L	**0.00**	**0.01**	**0.05**	**0.08**	**0.11**	**0.33**
iMoneyNet First Tier Institutional Money Market Index	*0.00*	*0.01*	*0.03*	*0.04*	*0.06*	*0.21*
Variance	0.00	0.00	0.02	0.04	0.05	0.12

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Disclosure

The performance data quoted represents past performance, which does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's units, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. For performance data current to the most recent month-end, visit us at www.statefarm.com or call us at 1.800.447.4930.

1. Performance is based on net asset value and does not take into account any applicable sales charges. If sales charges were deducted, performance would be lower.
2. Benchmark returns for the period Since Inception began on November 3, 2008 for all Portfolios. Returns shown for Portfolios with less than a full year of operations are cumulative, not annualized returns.

The Custom Benchmarks for The State Farm College Savings Plan are based on a blend of the benchmarks applicable to each Underlying Fund category: for the Oppenheimer Capital Appreciation Fund, the Russell 1000 Growth Index; for the Oppenheimer Value Fund, the Russell 1000 Value Index; for the Oppenheimer Main Street Small- & Mid- Cap Fund, the Russell 2500 Index; for the Oppenheimer International Growth Fund, the Morgan Stanley Capital International All Country World ex-U.S. Index; for the Oppenheimer Developing Markets Fund, the Morgan Stanley Capital International Inc. Emerging Markets (MSCI EM ND) Index Net of Dividends; for State Farm Bond Fund and the Oppenheimer Global Strategic Income Fund, the Barclays Capital US Aggregate Bond Index; for Federated U.S. Government Securities Fund: 1-3 Years, the Merrill Lynch U.S. Treasuries 1-3 Year Index; for Oppenheimer Institutional Money Market Fund, the iMoney Net First Tier Institutional Index. Investors cannot directly invest either in individual benchmark indices or combinations thereof.

The State Farm College Savings Plan (the "Plan") is sponsored by the State of Nebraska and administered by the Nebraska State Treasurer. The Plan is established in cooperation with State Farm VP Management Corp. ("State Farm"), the State of Nebraska, and OFI Private Investments Inc. ("OFIPI"), pursuant to which State Farm offers classes of shares in a series of accounts within the Nebraska Educational Savings Plan Trust (the "Trust" and Issuer) that are distributed by OppenheimerFunds Distributor, Inc. ("OFDI" and together with OFIPI, "Oppenheimer"). The Trust offers other accounts that are not affiliated with the plan.

The Nebraska State Treasurer serves as trustee of the Plan; OFIPI serves as the investment manager, with the oversight of the Nebraska Investment Council, and servicing agent; OFDI serves as the distributor; First National Bank of Omaha serves as the program manager. State Farm does not provide investment management services for the Plan.

The information presented in this document does not constitute investment, legal, or tax advice. Please consult your legal and/or tax advisor for specific information about your situation.

Participation in the Plan does not guarantee that contributions and the investment return on contributions, if any, will be adequate to cover future tuition and other higher education expenses, or that a beneficiary will be admitted to or permitted to continue to attend an eligible educational institution.

Returns on contributors' investments in the Plan are not insured or guaranteed by the State of Nebraska, the State Treasurer, the Council, First National Bank of Omaha, Oppenheimer or State Farm or any of their respective affiliates, directors, officers, or agents. Contributors to the Plan assume all investment risk, including the potential loss of principal and liability for penalties such as those levied for non-educational withdrawals.

None of the State of Nebraska, First National Bank of Omaha, the State Treasurer, the Council, Oppenheimer or State Farm or any of their respective affiliates, directors, officers, or agents shall have any debt or obligation to any contributor, beneficiary, or any other person as a result of the establishment of the Plan, and none of these entities assume any risk or liability for money invested in the Plan.

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Exhibit 3

Nebraska Educational Savings Plan Trust

Annual Audit | Year End 12/31/2012 | | Nebraska State Treasurer Don Stenberg

NEST
Nebraska Educational Savings Trust

Number of Accounts

(Accounts and Assets as of September 30, 2013)

	New Accts in 2013	# of Accts	Assets
NEST Direct	3,199	64,837	$1,489,511,164
NEST Advisor	4,001	59,791	$775,139,645
TD Ameritrade 529 College Savings	3,698	30,977	$630,464,506
The State Farm College Savings Plan	4,971	52,726	$319,177,360
Totals	**15,869**	**208,331**	**$3,214,292,675**

Since January 2011, assets have grown from $2.4 billion to $3.2 billion and 60,250 new accounts have been opened.

NEST Direct Plan – Nebraska Educational Savings Trust

NEST Advisor Plan – Nebraska Educational Savings Trust

TD Ameritrade 529 College Savings Plan

StateFarm™

First National Bank Omaha
Program Manager

Exhibit 4

Nebraska Educational Savings Plan Trust

7/26/13

NEST®
Nebraska Educational Savings Trust

Nebraska State Treasurer, Trustee

(Administration, Operation and Maintenance of the Program)

Nebraska Investment Council

(Investment of Plan Assets)

NEBRASKA STATE TREASURER
PROGRAM TRUSTEE

First National Bank Omaha

Program Manager

- NEST® Direct Plan – Nebraska Educational Savings Trust
- NEST® Advisor Plan – Nebraska Educational Savings Trust
- TD Ameritrade
- StateFarm™

Nebraska Educational Savings Plan Trust

7/26/13

NEST Nebraska Educational Savings Trust

NEST Direct Plan — Nebraska Educational Savings Trust | NEST Advisor Plan — Nebraska Educational Savings Trust | TD Ameritrade | StateFarm

Plan Name	NEST Direct Plan	NEST Advisor Plan	TD Ameritrade 529 College Savings Plan Direct & Institutional	The State Farm College Savings Plan
Program Launch Date	January 2001 [New Program Manager December 2010]	April 2001 [New Program Manager December 2010]	January 2002 [New Program Manager December 2010]	May 2003 [New Distributor & Investment Manager November 2008]
Contract Term Contract Notification Contract Expires	7 years with 3 additional 1-year renewal terms. June 2017 December 2017	7 years with 3 additional 1-year renewal terms. June 2017 December 2017	3 years with 4 additional 1-year renewal terms. June 2014 December 2014	5 years with renewal for successive 1 year terms. July 2014 October 2014
Minimum Contribution	- 0 -	- 0 -	- 0 -	$250 minimum initial contribution Waived with AIP of minimum $50/portfolio Subsequent purchases are $50/portfolio
Maximum Contribution	$360,000			
Age Limitations	None			
Residency Requirements	None			
NE State Income Tax Deduction	$5,000 per tax return ($2,500 if married, filing separately)			
Program Management Fee Bank Savings Individual Investment Option All Other Investment Options	 0.20% 0.27%	 0.20% 0.27%	 n/a 0.27%	 n/a 0.17%
State Administration Fee	0.03%	0.03%	0.03%	0.05%
Total Underlying Investment Expense & Fees...	Range	Range	Range	Range
Age-Based Investment Options	0.36%-0.48%	Class A: 0.42%-0.82% Class C: 0.42%-1.57%	0.55%-0.69%	0.85%-1.22%
Static Investment Options	0.36%-0.47%	Class A: 0.66%-0.81% Class C: 1.41%-1.56%	0.55%-0.67%	0.39%-1.22%
Individual Investment Options	0.20%-1.26%	Class A: 0.20%-1.51% Class C: 0.20%-2.26%	0.51%-1.45%	n/a

Nebraska Educational Savings Plan Trust

7/26/13

NEST Nebraska Educational Savings Trust

NEST Direct Plan Nebraska Educational Savings Trust | NEST Advisor Plan Nebraska Educational Savings Trust | TD Ameritrade | State Farm

Plan Name	NEST Direct Plan	NEST Advisor Plan	TD Ameritrade 529 College Savings Plan Direct & Institutional	The State Farm College Savings Plan
Direct Sold	Yes	No	Yes	No
Advisor Sold	No	Yes	No	Yes
Sales Charge/Ongoing Fee Direct Shares Fee Structure A Fee Structure C	 None n/a n/a	 n/a 4.75% / 0.25% CDSC 1.00% / 1.00%	 0.19% n/a n/a	 n/a 1.00% - 5.50% / 0.25% n/a
Payments to Broker Dealer Direct Shares Fee Structure A Fee Structure C	 0 n/a n/a	 n/a 4.00% / 0.25% 1.00% / 1.00%	 0.19% n/a n/a	 n/a 1.00% - 4.75% / 0.25% n/a
Investment Managers	Vanguard, PIMCO, SPDR, State Street, Goldman Sachs, Tributary, T. Rowe Price, and iShares	Vanguard, PIMCO, SPDR, State Street, Goldman Sachs, American Century, Tributary, T. Rowe Price, Federated, Dreyfus, Dodge & Cox and iShares	Vanguard, PIMCO, Goldman Sachs, American Century, Tributary, T. Rowe Price, SPDR, State Street and iShares	OFI Private Investment, Inc. (Oppenheimer), State Farm and Federated
# of Investment Options	23	26	24	9
# of Age-Based Options	4 (Aggressive, Growth, Index, Conservative)	4 (Aggressive, Growth, Index, Conservative)	4 (Aggressive, Growth, Index, Conservative)	1 (Includes 5 Portfolios)
# of Static Options	3	3	3	4
# of Individual Options	16	19	17	n/a

Nebraska Educational Savings Plan Trust

NEST®
Nebraska Educational Savings Trust

7/26/13

Nebraska College Savings Disclosure

This material is provided for general and educational purposes only, and is not intended to provide legal, tax or investment advice, or for use to avoid penalties that may be imposed under U.S. federal tax laws. Some states, including Nebraska, offer favorable tax treatment to their residents only if they invest in the state's own plan. Investors should consider before investing whether their or their designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program and should consult their tax advisor, attorney and/or other advisor regarding your specific legal, investment or tax situation.

This material is not an offer to sell or a solicitation of an offer to buy any securities. Any offer to sell shares within a plan may only be made by the Program Disclosure Statement and Participation Agreement relating to the plan.

The college savings plans within the Nebraska College Savings Program are sponsored by the State of Nebraska and administered by the Nebraska State Treasurer, who serves as trustee to each of the four plan options. The four plan options offer a series of investment portfolios within the Nebraska Educational Savings Plan Trust (plan issuer). The four plan options are intended to operate as qualified tuition programs, pursuant to section 529 of the U.S. Internal Revenue Code.

An investor in a college savings plan within the Nebraska College Savings Program should consider the investment objectives, risks, and charges and expenses associated with municipal fund securities before investing. More information about municipal fund securities is available in the issuer's official statement. An official statement may be obtained by going to the website for the plan option or by contacting the State Treasurer's office at 402-471-2455. The official statement should be read carefully before investing.

Participation in a plan within the Nebraska College Savings Program does not guarantee that contributions and the investment earnings, if any, will be adequate to cover future tuition and other higher education expenses or that a beneficiary will be admitted to or permitted to continue to attend an eligible educational institution.

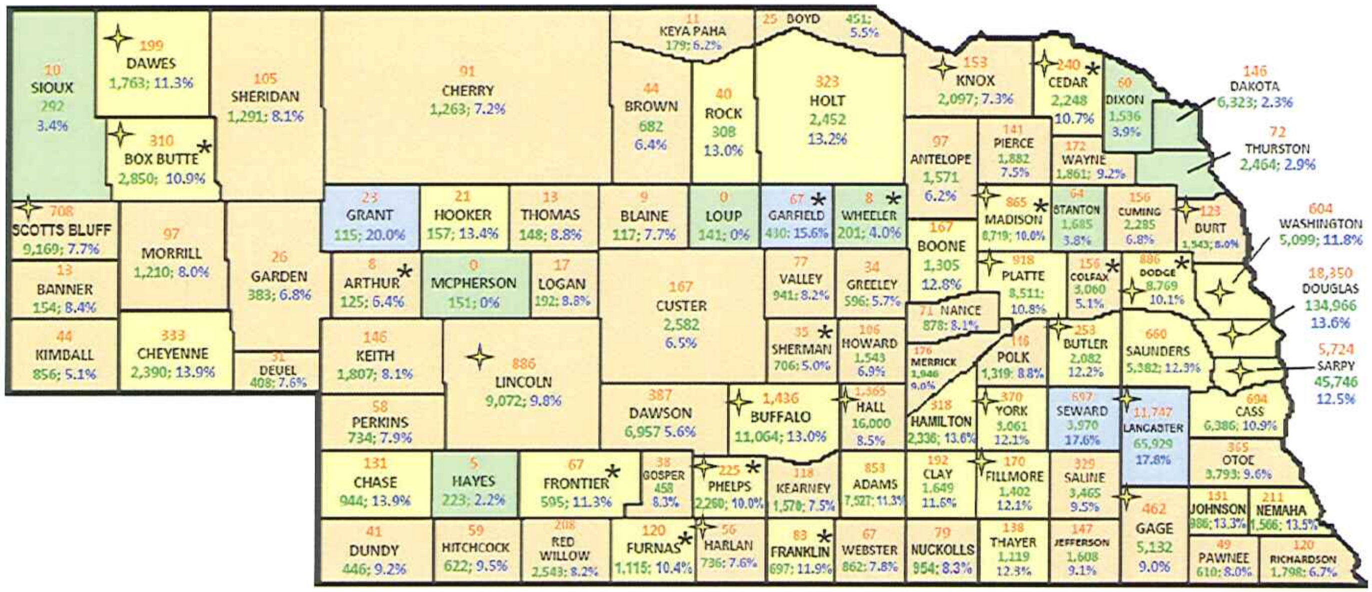
Neither the State of Nebraska, the Nebraska State Treasurer, the Nebraska Investment Council nor the Program Manager shall have any debt or obligation to any contributor, any beneficiary or any other person as a result of the establishment of the plan, nor will these entities assume any risk or liability for mutual funds in which the plan invests.

Except for the Bank Savings Individual Investment Option, investments in the four plans within the Nebraska College Savings Program are not guaranteed or insured by the FDIC, any of the four plan option's investment managers, the State of Nebraska, the Nebraska State Treasurer, the Nebraska Investment Council, the Trust, First National Bank of Omaha, any of their respective affiliates, directors, officers or agents, or any other entity. Contributors to the plans assume all investment risk, including the potential loss of principal and liability for penalties such as those assessed on nonqualified withdrawals. It is possible to lose money by investing in the plans. FDIC Insurance is provided for the Bank Savings Individual Investment Option up to the maximum amount set by federal law, currently $250,000.

Exhibit 5

Number of Accounts and Ratio of Current Accounts to Under 18 Population

(As of September 30, 2013)



Map Key

Total Number of Unique Bene Accounts
Population Under 18 (per 2010 Census)
Ratio of Current Accounts to Under 18 Population
✦ First National Bank or Affiliate Bank Branch
* County Moved Up in Penetration Level from 9/30/12

Prior to the transition, some account owners held more than one account for the same beneficiary.

Penetration of Under 18 Population

Penetrated	Total # of Counties 9/30/12	Total # of Counties 9/30/13	Y/Y Change
15% to 21%	3	4	1
10% to 14.9%	23	31	8
5% to 9.9%	56	49	-7
4.9% and below	11	9	-2

# of Nebraska Unique Bene Accounts by Plan

Direct Plan	34,781	
Advisor Plan	19,796	
TD Ameritrade	846	
State Farm Plan	993	
Total **	55,943	
Children under Age 18:	459,556	3Q 2012
Penetration Rate:	12.17%	11.93%

** As a beneficiary may have an account in more than one Plan, the total of the unique bene accounts in each Plan may be more than the total unique accounts noted on the map.

First National Bank Omaha
Program Manager

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Appendix E

LR 213 Hearing Transcript

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[LR213

The Committee on Nebraska Retirement Systems met at 10:00 a.m. on Tuesday, December 10, 2013, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LR213 and LR344. Senators present: Jeremy Nordquist, Chairperson; Rick Kolowski; and Heath Mello. Senators absent: Al Davis, Vice Chairperson; Danielle Conrad; and Russ Karpisek.

SENATOR NORDQUIST: Good morning, everyone. State Senator Jeremy Nordquist, representing District 7 in downtown, south Omaha, and I chair the Retirement Systems Committee. Today we'll be hearing two legislative resolutions, LR213 and LR344. Just to introduce our staff, to my far right is our committee clerk, Laurie Vollertsen; to my left, Kate Allen, our legal counsel. We have Senator Heath Mello from District 5 on the committee; Senator Kolowski is also a member of the committee. And I believe this is all the members of the committee that will be at our hearing this morning. Just a few notes: If you will be testifying, there are sheets to complete in the back, and please turn those in to Laurie. Please silence your cell phones so it doesn't interrupt with the recording. And with that, we will start with LR213. Senator Kolowski. [LR213]

SENATOR KOLOWSKI: (Exhibits 1 and 2) Good morning, Senator Nordquist and members of the Retirement Committee. My name is Rick Kolowski, R-i-c-k K-o-l-o-w-s-k-i, and I represent District 31. I introduced LR213 to examine college savings in Nebraska and ways that we can increase participation in our state's 529 plans, and to go a step further and look at financial literacy in this state as well. The premise is that if students save for college, no matter how small the amount may be, then they are more likely to go to college; and the earlier they start to save, the earlier they get on that track to go to college. I want to take a moment to turn your attention to a handout I have given you and to thank the Department of Revenue for compiling this information. We asked the Department of Revenue to compile information on demographics of people in this state, who are using 529 plans, by looking at the 529 filings on their personal income tax returns. As you can see from this information, Nebraska families with an adjusted gross income below $50,000, who make up nearly half of the state's population, only account for 6.8 percent of those who made 529 filings in 2011. Meanwhile, Nebraskans reporting an income of over $100,000, who make up less than 18 percent of the population, constitute nearly 45 percent of all 529 plan participants. This underscores the important work we need to do to make sure that college savings is an accessible option for all families, especially our lowest income families who need to start saving early to be able to afford college. Today we have invited experts in the field to paint a detailed picture of college savings and financial literacy in Nebraska and the United States. You will hear from State Treasurer Don Stenberg; Voices for Children; First National Bank, who manages our 529 plans; college students; and university professors. They will highlight the barriers that are keeping our families from saving, and some solutions to those barriers. My goal is the you'll leave today with an understanding of where the future of college savings needs to be and with the desire to help make a future...that future a reality. Thank you again for gathering today and for what I foresee to be a very informative hour. I'm anxious to get on to our expert testifiers, so I ask that you hold all questions, hold your questions until my conclusion, please. [LR213]

SENATOR NORDQUIST: Great. Great. [LR213]

SENATOR KOLOWSKI: Thank you very much. [LR213]

SENATOR NORDQUIST: Thank you, Senator Kolowski. Appreciate that, and thank you for all the work you and your staff have put into this legislative resolution. [LR213]

SENATOR KOLOWSKI: Thank you, sir. [LR213]

SENATOR NORDQUIST: So with that, I have a list here. Our first testifier, we have Treasurer Stenberg. Welcome. [LR213]

DON STENBERG: (Exhibit 3) Thank you. Mr. Chairman, members of the committee, for the record, my name is Don Stenberg, S-t-e-n-b-e-r-g, and I'm the Nebraska State Treasurer. As you know, by law the Nebraska State Treasurer is the trustee of the Nebraska Educational Savings Trust, which we refer to as NEST. First National Bank of Omaha is the program manager, and NEST is made up of four separate college savings plans. I want to begin by thanking the Legislature for increasing the state income tax deduction to $10,000 per year for college savings accounts beginning in 2014 for taxes that are due in April of 2015. I think it's important to point out at the beginning that NEST has been recognized as one of the top college savings plans in the United States. The well-respected Web site, SavingforCollege.com, awarded the highest possible rating--five caps--to the NEST Direct and NEST Advisor Plans in 2012, the latest year which results are available. Kiplinger's Personal Finance magazine recognized NEST with the best award for fund selection in 2011 and 2013. They did not make awards in 2012. And more recently, Morningstar, an independent rating firm, awarded a bronze rating to the two NEST Plans, NEST Direct and NEST Advisor, up from neutral last year. Morningstar said, and I'll quote very briefly: All of the bronze-rated plans have well-executed strategies at a fair price. Often what separates a bronze plan from a neutral plan is the state's tax benefits, and they go on to make specific reference to the legislation that was passed last year. Because we have one of the top plans in the country, we currently have more than 208,000 accounts nationwide; more than 59,000 of those are in Nebraska. We currently have $3.2 billion in assets in our Nebraska College Savings Plan. Now each year, by law, we provide a annual report to the members of the Legislature. We did that on October 30, so it's a report of over 200 pages, including the audit reports of the four plans. So that should be in your in-box or your aide's in-box. And the exhibits I have here today, with a couple of exceptions, were all taken from that report but have been reorganized to facilitate my presentation. NEST, of course, was created by the Nebraska Legislature in 2001 to take advantage of Section 529 of the Internal Revenue Code, which provides what earnings on a college savings 529 plan that is sponsored by a state is exempt from federal taxation so long as the money is ultimately used for qualified educational expenses. It's important to understand, and we get a lot of questions on this, that these, the Nebraska plan, money from the Nebraska plan can be used anywhere in the United States. It does not have to be a four-year college. It can be a technical school. It can be a community college. It can be used for postgraduate work. It can be used by an adult to go back to college themselves. We had a good...the stock market did pretty well this year, so if you want to look at exhibit 2, you can see that a number of the plans had very, very fine results, and that depends on the stock market and your investment choice. The first page is the NEST Direct College Savings Plan. You can see that some various age-based options had results, year to date as of the end of September: 16.68 percent, 14-plus percent, almost 10 percent, and so on. The individual options on the second page of that exhibit, depending on what the individual chose as their investment: 19.48 percent, 21 percent, 28 percent, 19 percent, 27 percent. So folks that chose particular options did very, very well this year with the Nebraska College Savings Plan. If you want to look at exhibit 3, it shows the growth that we've had on new accounts, and this would really be for the first nine months of this calendar year, was almost 16,000 new accounts. Since I became State Treasurer and First National became program manager, we have had more than 60,000 new accounts in the system and have grown to $3.2 billion from $2.4 billion just three years ago. The resolution talks about management fees. They are found at exhibit 4 and you can study over those. The fees, of course, depend on the investment choice you make. The basic fees, generally speaking, First National Bank is paid 0.27 percent for a management fee, and the State Treasurer's Office receives three-one hundredths of 1 percent for our management expenses. And of that, over $200,000 we pay to the Investment Council for their investment oversight, and the rest pays for staff and operating expenses in my office. Participation rates statewide were up to 12.17 percent. Participation rate in this case is defined as the ratio of population under 18 is the dividend and the numerator is the population in...that has college savings plans. So statewide it's 12.17 percent. Exhibit 5 will show you county by county what our penetration rates have been, and we use this to help focus on the counties where we think we should be having higher participation rates and target them, although our program to bring people's attention to the plan is statewide in every county. Raising awareness, exhibit 6 will show you the various advertisements. I won't go through all of those. These show up in various places. I would point out that the first two, with the picture of the child and a parent, were done through my office. We used a student group at the University of Nebraska in the Journalism Department to help us put the ads together, and they were then later used in the Husker sports guide. So this was work that was done by students at the University of Nebraska, these first, actually first three items. And the others were done by a professional agency hired by First National Bank of Omaha. One of the ways that we promote interest and knowledge about the Educational Savings Trust are scholarships and drawings, and exhibit 7 lists those for the last two years. And I'd like to highlight just three of those and they're toward the bottom. The 2013 NEST on the Farm Scholarships, this is targeted to young people who live on farms and ranches in Nebraska. And they write an essay on why...how their agricultural background relates to their desire to go to college. Another one is the Personal Finance Challenge Scholarships. We just started that this year. For about a decade, the Nebraska Council on Economic Education has had a personal finance challenge competition statewide, and what we did is NEST offered scholarships of $2,000, $1,000, and $500 to the top three winning teams. Each member of the team would get that scholarship. It very substantially increased participation in that personal finance challenge. I awarded the scholarships. They were all won by small towns, interestingly enough: Johnson-Brock was first, West Point was second, and Burwell out in the Sandhills was the third-place team. And then we also have the now 11th Annual Why I Want to Go to College Essay Contest, and this is 7th and 8th graders statewide. There's three regions, the Congressional...divided by Congressional district, plus one outside of Nebraska, and they're awarded scholarships. And I wanted to share with you just a couple of the letters and that is exhibit 8. This young lady was third place in 2012 competition, and I'm going to read a little bit of this because I think it really speaks to the motivation of some of our young people: Why do I want to go to college? Well, if I'm totally honest about my answer, I would say that I never thought that it was an option. I know there are a lot of people in my family and in my own community who don't think I will do it. The only people who actually graduated from college in my family are my mother and my aunt Tina. Let's face it, I'm a black student in Omaha, Nebraska, where I am told only half of the black students actually graduate from high school and even less actually go to college. I am not sure if it's true, but if it is, it's very sad. I see it as a personal challenge and I want to prove my family and my community wrong. My brother always tells me, I'm going to be just like him. He's a smart kid who struggled in high school, failed classes, messed around, and didn't care much about his grades or school. Well, I have decided I'm not going to be anything like him. I am going to work hard and get scholarships. I believe that if I keep up this attitude, eventually I'll be accepted at Howard on a full-ride scholarship. You know what people say--hard work will eventually pay off. And it goes on from there. I'll let you read the rest of that. And the other one that I'll just mention briefly and read part of is the 10 and 11. This girl is a ten-year-old girl. This is exhibit 9--ten-year-old girl from Indianola, Nebraska, and was the first-place winner in 2013, and I'll just read the first two paragraphs here: My name is Allison Rippe. I am ten years old. I live in southwest Nebraska with my mom, dad, and younger brother, Nathan. We have cows, horses, chickens, dogs, and cats on our farm. I am actively involved in school, sports, church youth groups, and 4-H. I've shown horses, chickens, and breeding heifers for three years, and I also take other projects, like woodworking, forestry, photography, sewing, and baking. Some responsibilities I have on the farm are feeding and watering animals, heat checking during breeding season, helping work cattle, and keeping records. This is a ten-year-old girl, by the way. Doing chores teaches responsibility because if you don't feed an animal or give it the correct amount, it might get sick or even die. It makes me feel good to know that I am responsible for them. It's a lot of hard work, but we have a good time too. And it goes on from there and talks about how she's noticed if you have a good attitude, it rubs off on others. And you can read that at your leisure. And so those are the quality of some of the writings that we're awarding scholarships for. First National also sponsors NEST Fest. There's not an exhibit on that. That's a community activity. It's been in a number of communities around the state, open to all residents. We attempt to get a broad base of people to come to that. There's face...depending on the event, there's face painting, things for families, kind of targeted somewhat at younger children so we can get their parents there and educate them about NEST and provide materials about the College Savings Plan. Since the Senator specifically mentioned financial literacy, I want to spend just a minute on what...an agreement we entered into earlier this year with EverFi, and under that agreement between NEST and EverFi, it's a five-year agreement. An on-line financial literacy program is available to every school district in the state of Nebraska and every student in the state of Nebraska, every high school student, and no charge to the school district or to the students. And currently we have 41 schools that are participating under this, under the Treasurer's sponsorship, under NEST sponsorship, and 988 students. We expect that to increase substantially in the years ahead. We've done a lot. We try and get a lot of free media. Exhibit 10 lists the news articles, TV and radio appearances that we've had. As you see, some months we have...we're in the news somewhere in Nebraska almost every day of the month, so we think we're really getting the word out through the news media. Exhibit 11 lists our news releases. And there is definitely a relationship between college savings and the likelihood of attending college. The College Board reported that students with any amount saved for higher education are six or seven times more likely to attend a four-year institution than those without any savings. So it's important to encourage parents and grandparents, aunts and uncles to get an account started to encourage their child to go to work. Right now we have a contest--and this will be the close of my testimony; I'll take questions--Dear Grandchild, and it's a contest where we invite grandparents to write a letter to their grandchild explaining why they think it's important for them to go to college. They send a copy of that letter to NEST and we'll draw four winners and they'll get a $2,000 scholarship each for the use of their grandchild. It can be divided as many as five different ways if they have several grandchildren. So we're trying to get to the grandparents because we think grandparents, in some cases, have more money to put aside for college than parents do, who are raising a young family. So that's a new contest. We hope to continue that in the future. With that, be happy to take questions. [LR213]

SENATOR NORDQUIST: Great. Thank you. Thank you, Mr. Treasurer. I remember, I think it was my first year in the Legislature, I introduced an interim study because we had just received a poor rating from a national organization on our 529 plan, and largely I think it was due to the high fees at the time. And I think at the time Treasurer Osborn said that his hands were tied and that that contract had been entered into like ten years prior. So with the move to the current system, that has been remedied. And how often does the new agreement with First National and the other...and the providers of the plans come up? [LR213]

DON STENBERG: Right. And, of course, that was before my time, but... [LR213]

SENATOR NORDQUIST: Yeah. Yeah. [LR213]

DON STENBERG: ...your recollection I think is correct. And my predecessor, Treasurer Osborn, did an RFP. Union Bank had had the contract for, well, really from the inception in 2001-2002 up until 2010. Treasurer Osborn did an RFP and wound up selecting First National. [LR213]

SENATOR NORDQUIST: Uh-huh. [LR213]

DON STENBERG: It's my understand that, because of the RFP process, the fees were substantially reduced... [LR213]

SENATOR NORDQUIST: Uh-huh. [LR213]

DON STENBERG: ...in that competitive... [LR213]

SENATOR NORDQUIST: Yeah. [LR213]

DON STENBERG: ...situation. I believe it's a seven-year contract. There will be a First

National representative that probably... [LR213]

SENATOR NORDQUIST: Okay. [LR213]

DON STENBERG: ...is more... [LR213]

SENATOR NORDQUIST: Sure. [LR213]

DON STENBERG: ...into the details. But my recollection, it's seven years from the time they started, which was December, late December, of 2010. [LR213]

SENATOR NORDQUIST: Okay. Are the outreach efforts, any staff you spend on outreach efforts, that you have devoted to outreach efforts, is that cash funded or is that... [LR213]

DON STENBERG: No, all the...well, yes. I mean all the funds for promotion, for the staff in my office, for the $200,000-plus we pay to the Nebraska Investment Council for investment oversight, all of that comes from the management fees,... [LR213]

SENATOR NORDQUIST: Okay. [LR213]

DON STENBERG: ...from the 3...or .03 percent for my office and the .27 percent that Omaha National gets for the management of the plan. [LR213]

SENATOR NORDQUIST: Okay. [LR213]

DON STENBERG: And that includes all the recordkeeping and bookkeeping and on over 208,000 accounts. [LR213]

SENATOR NORDQUIST: Uh-huh. Right. Sure. And then the last question I have, as far as Senator Kolowski mentioned the low participation rate by low-income families, those below $50,000 in AGI, is that...do you think that's a matter of outreaching to those families, or is it just a matter of financial literacy in general or a combination? [LR213]

DON STENBERG: Well, I think our outreach tries to reach all. [LR213]

SENATOR NORDQUIST: Okay. Uh-huh. [LR213]

DON STENBERG: The NEST Fest is a community activity open to all. [LR213]

SENATOR NORDQUIST: Uh-huh. [LR213]

DON STENBERG: These scholarship contests are again open to all students where, you know, we count...to some degree, we need the school counselors, the school English teachers and so forth, junior high teachers,... [LR213]

SENATOR NORDQUIST: Uh-huh. [LR213]

DON STENBERG: ...to make their students aware of the contest. We do as much outreach as we can, contacting the schools and so on about these various activities. [LR213]

SENATOR NORDQUIST: Great. [LR213]

DON STENBERG: So I think we're doing what we can with outreach. [LR213]

SENATOR NORDQUIST: Okay. [LR213]

DON STENBERG: And as the one sample showed, some of these scholarships are won by low-income students. [LR213]

SENATOR NORDQUIST: Uh-huh. [LR213]

DON STENBERG: They're based on the quality of the writing, not their...because we don't know... [LR213]

SENATOR NORDQUIST: Sure. Yeah. Sure. Sure. [LR213]

DON STENBERG: ...their financial situation--but it's open to all--and clearly in this one case, that specific case, and I'm sure there's others. [LR213]

SENATOR NORDQUIST: Yeah. [LR213]

DON STENBERG: I think the reality, Senator, I mean...and having been a young father myself at one time, you know, especially if you're a younger family, your income maybe isn't what it will be in the future, so you've got a tight income. [LR213]

SENATOR NORDQUIST: Uh-huh. Yeah. [LR213]

DON STENBERG: Maybe you've already got college debt yourself... [LR213]

SENATOR NORDQUIST: That's right. [LR213]

DON STENBERG: ...or maybe you've got debt on a car, you got a couple of young kids. And by the time you pay the rent, the automobile insurance, the food and the electricity, there's just...there's no money left, not because you're not a good financial steward but just because money only goes so far. [LR213]

SENATOR NORDQUIST: Uh-huh. Absolutely. Yeah. Yeah. [LR213]

DON STENBERG: And so I think that's part of the challenge. And not...I think it's important, though, not every low-income family is low-income throughout their entire lifetime. [LR213]

SENATOR NORDQUIST: That's right. Yeah. [LR213]

DON STENBERG: A of folks getting right out of college are, you know, using used furniture, as we did,... [LR213]

SENATOR NORDQUIST: Sure. Yeah. [LR213]

DON STENBERG: ...for the first few years of their working experience after college. [LR213]

SENATOR NORDQUIST: Uh-huh. [LR213]

DON STENBERG: So I think you got to take into account that some of these folks, that may not be able to put money into a college savings account now, five years from now may be able to. [LR213]

SENATOR NORDQUIST: Will in the future. [LR213]

DON STENBERG: And that's why we try and get to everybody,... [LR213]

SENATOR NORDQUIST: Uh-huh. [LR213]

DON STENBERG: ...so that they're aware of it, so that if at some point in the future they have the ability to make a contribution, hopefully they'll start a college savings account. And of course, these scholarship contests hopefully will encourage parents and grandparents to add on to those scholarship accounts. [LR213]

SENATOR NORDQUIST: Uh-huh. Sure. Great. Thank you. Any questions? Senator Mello. [LR213]

SENATOR MELLO: Thank you, Chairman Nordquist. And thank you, Treasurer Stenberg. Kind of a couple questions that dovetail a little bit off what Senator Nordquist just asked, and I know part of, I think, what Senator Kolowski was looking for were policy options that the Legislature could consider moving forward. I was asking the legal counsel. It was my recollection there was a bill introduced two years ago that would allow state taxpayers to divert their income tax return to the 529 program if they wanted to divert that to... [LR213]

DON STENBERG: Uh-huh. [LR213]

SENATOR MELLO: ...a 529 account. Outside of that one specific policy, and I believe that bill did not pass,... [LR213]

KATE ALLEN: Right. [LR213]

DON STENBERG: Correct. [LR213]

SENATOR MELLO: Have you focused or targeted any specific outreach policywise toward some of the more vulnerable population that Senator Nordquist mentioned? I'm thinking, more than anything else, families that are currently in the child welfare system. It's an issue that the Legislature has gone through the last couple of years where children are coming into the system, age out of a system, and are left to fend for themselves, essentially, when they turn 18. And so if you could share, I guess, any feedback or just your general thoughts if that's an option that would require us legislatively to do something to require more targeted outreach to those populations or is that something you could do administratively. [LR213]

DON STENBERG: Well, we're...I guess we're trying to do what we can. I kind of outlined some of those, the NEST Fest activities, the scholarship activities that are available to, depending on the contest, any student of a certain age, age group; a Draw Your Dreams contest, again available to various age group students. So I guess our effort hasn't been so much to target a particular area as it is to try and reach everyone with the existence of the program and the importance of saving for college. And you know, some, as I mentioned earlier, some folks at a particular point in their life just don't have any money to put aside for that purpose but hopefully in the future, you know, their economic situation will improve and they'll be able to do it. [LR213]

SENATOR MELLO: Do you think...and I would agree with the kind of...I would agree partially with that general premise, but do you think if it's somewhere along the lines that the Legislature should consider some kind of maybe mandatory participation, families? I mean the reality is other states and city governments are creating, I think they're called, baby bonds and baby savings bonds were every child that's born gets a certain dollar amount set up into an account so that they can utilize that moving forward for college or healthcare, whatever that child needs as they grow older. I'm not saying that the state appropriates money into the account mandatory but mandatorily requiring families, moving forward, to establish an account. [LR213]

DON STENBERG: I don't...I wouldn't support making it mandatory, Senator. You know, some folks aren't going to want to go to college and, you know, Bill Gates didn't finish college and did pretty well. So I don't think it makes sense to mandate something like that. In terms of...I guess if you're looking for additional support for economically disadvantaged persons to go to college, in addition to Pell Grants and other things of that sort, it would probably make more sense to focus on scholarship programs based on financial need and financially supporting it in that. [LR213]

SENATOR MELLO: So like targeting maybe to free and reduced lunch students and families... [LR213]

DON STENBERG Well, I don't... [LR213]

SENATOR MELLO ...at an earlier age or...? [LR213]

DON STENBERG: Again, I think you probably want to wait. I think you'd want to focus on folks when they are the age they wanted to start college and help them with their college education if you want to do something more, their income, to advocate that. But I think the nature of the College Savings Program does mean that you have to be well enough off economically to have some ability to put aside some money for college, and for some folks that's just not possible at a particular point in their life. If what you want to do is help more economically disadvantaged people go to college, you might want to look at some kind of financial aid, a need-based type scholarship program through the Nebraska colleges and university. That would be my... [LR213]

SENATOR MELLO: Your general...okay. [LR213]

DON STENBERG: ...general thought on how to approach that. [LR213]

SENATOR MELLO: How do you think the relationship to the tax changes we made this year...I mean I know it's a little too early since it just took effect. But is that something that is going to need to be continually, I guess, reevaluated on annual basis or a biennial basis of whether or not that $10,000 tax...income tax deduction threshold is adequate to encourage middle-class families to be able to save more money? [LR213]

DON STENBERG: Yeah, I think that was a big plus. It moved us up in the ratings with Morningstar. And I think for the time being we're pretty competitive now... [LR213]

SENATOR MELLO: Okay. [LR213]

DON STENBERG: ...at that amount. And another thing, not everybody...well, a lot of people can't put in $10,000 a year, but sometimes you will have a year when you sell your house, buy a different one, maybe have a little bit of stock and it goes up and you sell and you've got a capital gain, so you may only be able to take advantage of that as a taxpayer once or twice in your lifetime. But it is there and it's an encouragement. The other thing is that, and I don't disagree with the statistics about...that the senator presented here, but the other thing is, is the more people you have in the program, the more you spread the management cost, because management costs don't go up very much when you add another person. There's a certain amount you need at a certain level. And so your middle-income folks, who may not be able to take a $10,000 deduction, benefit indirectly by having more people in the program and spreading the administrative costs of that, of that program. And as I see the College Savings Plan, it's one of the few things out there for the middle-class families... [LR213]

SENATOR MELLO: Uh-huh. [LR213]

DON STENBERG: ...to help get their kids to college. You know, the very wealthy, they don't need any program. They write a check and that's that. And not everyone, but for those who are in poor financial situations, you've got Pell Grants and need-based financial aid of various kinds. Can talk about whether what we've got is adequate or not, but there's some there. There's really nothing there for the middle-class family. They don't qualify for financial aid. They make too much money for that. But there's no way they can afford $12,000, $15,000, $17,000 a year for college tuition, room and board and so on. So I really see this program as being especially helpful to middle-class taxpayers and middle-class Nebraskans. [LR213]

SENATOR MELLO: My last question is kind of an open-ended one to some extent, and it's maybe just sharing your office's experience. How has higher education been to work with in regards to promoting this program to existing maybe nontraditional students who have children or those who are currently in school and may find a way to be able to take advantage of it at some other point in time, alumni? Is the higher education system in the state being proactive in trying to encourage participation in the savings program or...? [LR213]

DON STENBERG: You know, I don't know the answer to that, Senator. We haven't had a lot of direct contact with the higher institutions or the...you know, when a college savings account is being used, basically, the payment is made to the university or whatever, to the college. So I don't know what they might be doing to promote that. We haven't done a lot with the university. Perhaps Deborah Goodkin, who will testify, with First National, might have a little more information on that. They may be doing something; they may not. I'm not aware of it. [LR213]

SENATOR MELLO: Okay. Thank you. [LR213]

SENATOR NORDQUIST: Thank you. Rick. [LR213]

SENATOR KOLOWSKI: Thank you, Mr. Chairman. Treasurer Stenberg, thank you for your testimony this morning. Appreciate it very much. [LR213]

DON STENBERG: You bet. [LR213]

SENATOR KOLOWSKI: And I just wanted to back up one of your statements. As a high school principal for many years, I saw the difficulty of the middle-class kids trying to find the scholarship assistance at colleges, universities, community colleges, whatever else. That's a reality check. And the more people could do to start early on some of that savings, it really...it is a reality. And I think that's one of those issues in our state, and I think we need to keep coming back to on what kind of assistance might we have for the full range of students that... [LR213]

DON STENBERG: Uh-huh. [LR213]

SENATOR KOLOWSKI: ...would help get them through the difficult years of paying for those colleges. I also saw the adjustment by the parents of thinking about their student in high school and where they might go to school. A lot of parents sort have settled into the local area for their undergraduate work because it was less expensive, and then thinking in terms of graduate work at a specialty university that would have an excellent program if their child was capable of moving on to that area, and keeping that expenditure for that later time rather than up-front for the four years of undergrad, including an expansion of our community college system. So that's really had a tremendous effect as they've adjusted to the college credit, transferring and all the things that have happened there. Lastly, I think the...one of the great points of wisdom you had was the grandparents and how we need to tap into more of the grandparents--... [LR213]

DON STENBERG: Uh-huh. [LR213]

SENATOR KOLOWSKI: ...where the money is in our country. (Laugh) And I think that's an issue that the more we could push that and do something with that aspect, I think we'd be in much better shape as well. So thank you again for coming, sir. [LR213]

DON STENBERG: Yeah. Thank you, Senator. Yeah, we're going to do more and more to target grandparents. We've gotten some. This contest kind of helps highlight that. But we do think in a number of cases grandparents may be in a better position to help with a college savings plan than young parents are. And just to follow up on what you said, I think with the costs of college getting more and more, I think we're going to see more and more students live at home, go to a community college their first couple of years at least, just from a financial standpoint. Then they don't have housing expense. You're feeding them but that doesn't cost what it would at a college or university. And frankly, I think universities are going to have to become more competitive with a lot more on-line programs that can be done at less expense. That's all kind of out of my bailiwick, but that's the way I see things developing. I think colleges are going to recognize that people just can't afford it. They're going to have to find ways to provide higher education at a lower expense, and I think we're starting to see a little bit of that. [LR213]

SENATOR KOLOWSKI: Yes, we are. Thank you. [LR213]

SENATOR NORDQUIST: I don't think there's a better Christmas present for your grandkid than a 529 contribution. So thank you,... [LR213]

DON STENBERG: You bet. [LR213]

SENATOR NORDQUIST: ...Mr. Treasurer. [LR213]

DON STENBERG: Thank you very much. [LR213]

SENATOR NORDQUIST: Next up we have Aubrey Mancuso from Voices for Children. Welcome. [LR213]

AUBREY MANCUSO: (Exhibit 4) Good morning, Senator Nordquist, members of the committee. My name is Aubrey Mancuso, A-u-b-r-e-y M-a-n-c-u-s-o, and I work with Voices for Children in Nebraska. I want to first thank Senator Kolowski for bring attention to this issue. I think it's something that nationally a lot of states and cities are really starting to pay attention to, and there's a couple of things that have been happening in Nebraska and around the country that are really starting to have states taking a look at savings for education. One is that the cost of higher education is increasing much faster than family incomes. The average tuition and fees at a public four-year institution in Nebraska increased by 16 percent just over the last five years, and over that same time period median income in the state only increased 2.2 percent, and that's not adjusted for inflation. It actually decreased if you adjust it for inflation.

State budgets have also remained tight, so the public portion of the funds that is able to be covered has been limited as well. Over that same five-year time period, per-student state spending on higher education decreased by 17 percent, and this has sort of created a couple challenges. One is that our economy needs educated workers. Some current projections indicate that by 2020 a full 71 percent of all jobs in Nebraska will require some form of higher education, whether that's an associate's degree or a training program. If our current trends continue, only 47 percent of the population would have some form of higher education by that time, and that would leave a significant gap between our work force needs and what's available. In some of my...you should be receiving a copy of the testimony that has some of this research outlined in more detail. So what has happened really is that there's been a cost shift in higher education, not only from the state to the individual family but, because family budgets are tight, from the family to the individual student. And one of the things that that's resulted in is really an increasing amount of debt. In 2012, 63 percent of students in Nebraska graduated with some form of debt, and the average debt burden was about $24,000. And that's a challenge not only for the individual student but as these students graduate and start out as young workers. That's typically a period in life where they're often significant drivers of the economy because it's before they have children, before they're maybe saving for retirement, and they tend to have more disposable income to spend. And that's not necessarily happening if they have a huge debt burden. It's also a time when a lot of people are able to make those financial investments that lead to longer term financial security, like buying a home, and student debt can be a significant barrier to that. A recent survey from the National Association of Realtors found that 49 percent of people describe student debt as a huge obstacle in buying a home. So I think what's happening is college is becoming more expensive so it's harder for people to get through the door, and those that are getting through the door are increasingly paying for it with loans, which has longer term consequences. So a lot of the research and promising practice in this area has centered on educational savings. And one thing that's become clear on this is that interventions that start at the high school level are starting too late, not only from a savings perspective, but they're finding that there are a variety of things that happen long before the high school level that can increase or decrease college aspirations. And savings is actually one of those things that has been found to increase college aspirations, even a small amount. And so research has shown that not only does a savings account have that small amount to put towards education but it impacts individual aspirations, which has been mentioned before. There's also been research finding that once a student is in college, it helps them to complete college if they helped...if their family helped invest in them and their education through some form of savings. And I'll give you just a couple of examples of things that other states are doing to address sort of the gap that Senator Kolowski mentioned in his data for lower-income families. The K.I.D.S. Program in Kansas, they provide matching deposits of up to $600 per child each year for households below 200 percent of the federal poverty level that are enrolled in a 529 plan. And this actually has just happened, but for at least the next three years the state of Nevada will seed a $50 college savings account for every child entering public kindergarten in Nevada. So those are just a couple things that are happening. And I think, you know, when we look at the state does have an incentive in place for families to save for college, but it's not necessarily accessible to all families. And so those are some things that states have done to sort of adjust things and make incentives that are available for those whom a higher tax deduction may not benefit. So the two recommendations that we have as a first step: ensuring that 529 plans don't count as a resource when determining eligibility for public benefit programs. Under current law a 529 plan could be a barrier to public assistance in the Aid to Dependent Children Program and the Child Care Assistance Program. And really, when families have temporary hardship, you know, we should encourage them to leave some of those longer term resources alone. And then the second thing is to look at our current incentive in the form of a tax deduction and consider providing additional savings incentives or restructuring our current incentive to work better for lower- and middle-income families. And that's all I have today, so I'd be happy to take any questions. [LR213]

SENATOR NORDQUIST: Great. Thank you. Thank you. Any questions from the committee? That was great info. Thank you, Aubrey. [LR213]

AUBREY MANCUSO: All right. Thank you. [LR213]

SENATOR NORDQUIST: Next up we have Deborah Goodkin. Welcome. [LR213]

DEBORAH GOODKIN: Thank you. I am Deborah Goodkin, spelled G-o-o-d-k-i-n, on behalf of First National Bank of Omaha, program manager for the Nebraska College Savings Program, or NEST. I have prepared talks and then I have some notes that were not prepared, but I can answer some of the previous questions as well. So I've been asked to talk about college savings plans. I've been in the college savings business for 15 or 16 years, and am very proud to be program manager for the Nebraska College Savings Plan. Treasurer Stenberg did a great job of discussing our plans, and I'm proud to work with the Treasurer's Office in both spreading the word about the importance of saving for college and helping Nebraskans meet their savings goals through NEST. And more than 15 years ago, when college savings plans were first established, they were specifically to ensure youth could afford to go to college and into the work force and contribute to the state's economy. The very first incentives were to give federal tax advantages for qualified higher education expenses--you know, the earnings are not taxed--as well as estate planning benefits, mostly for the wealthy. States followed suit and provided state tax benefits, as did Nebraska. And as Treasurer Stenberg said, thank you very much for the increase. I think it's going to do wonders for the state. Times have changed since the late 1990s when the first college savings plans were initiated. There has been a financial crisis and many families are struggling still financially. The price of college has increased, and as a result, students and parents are finding it difficult to pay for college the old-fashioned way, which is out of your savings and out of your pocketbook. Loans have increased, and the gap in pay between high school and college graduates is increasing. It's very important for families to understand, however, that there are many different ways to pay for college and they need hope in their lives to help them dream about their child's future. Young children, just as they did when I was a little girl, dress up and pretend that they're firemen, doctors, and teachers, and almost every family you ask says that they want their child to go to college. Yet, according to a study by Sallie Mae, "How America Pays for College 2013," only 38 percent of those that believe they will have money to pay for college have a savings plan. Shane Lopez, who is the Gallup senior scientist, and I were recently on a TD Ameritrade webinar discussing hope, the importance of dreaming for the future, and going to college. His research reveals the benefits in encouraging children to dream and indicates that dreaming and knowing that a parent wants their child to go to college has an impact on the here and now in the form of better grades and, in the future, by attending college. In other words, thinking about the future affects how you behave today. Mentioned many times before, a study out of Washington University in St. Louis to address merely by having a savings account a family sees hope for their child, encourages them to study more and to go to school more. In another study they indicate that across all socioeconomic sectors, including low-income, as we discussed here, children are six or seven times more likely to go to college if there's a savings account in their name. It could be a college savings account or it could be the child opening up an account. I don't know if it's because the expectations are clearly defined in everyday life of the child or because the household has hope. Regardless of the driver, it's powerful to have funding. While there's plenty of talk about increased costs and of the amount of loans, I'm confident that our young children will be able to afford and attend college just as previous generations have done due to the availability of more affordable college savings options, access to financial literacy programs at early ages and in high school, and more discussions in the press and the media about the importance for savings. Financial planning, discussions about choices of saving or spending, and the costs of college is now discussed around the dinner table rather than just a hushed topic I know when I was growing up. Last year, we personally taught 1,200 4th grade students the importance about developing a savings plan and we constantly message to adults the importance of planning for and starting to save early. Most of those 1,200 students were targeted to be in low- and moderate-income areas of Omaha and Lincoln, and it was intentionally done that way. The awareness starts discussions about the future, which is really the important discussion to have. College savings plays an extremely important role in helping families pay for college, and it raises expectations. By encouraging young families to set aside funds, there may be future discussions...fewer discussions about picking a college based on low cost or how to pay back loans. Stress is often reduced within a family because they have a plan and they're doing something about savings. Nebraska's College Savings Plan team is constantly thinking about the college saver and how to make it easier for families to save to ensure their experience, where their operations team is excellent, and how to provide a choice of high quality investment options. We put our money where our mouth is, as the Treasurer mentioned. We give out about approximately $100,000 a year into college savings accounts. We recently had an event at the Boys and Girls Club of the Midlands. Every year for the past three years we have given away scholarships to the four kids on a team as part of the stock market challenge. They teach children the importance of finance. There's a gentleman called Jorge who, when I gave him his check last year, he said, now I can go to culinary school. And we recently saw him again at this year's stock market challenge and Jorge is in culinary school. So we're very proud of the scholarships and the money that we give out. We market Nebraska's plans by sending messages of hope, dreaming, and the need to save for those dreams, and through these efforts we support the children of Nebraska and their educational promotion...future. I'm sorry. Thank you for the time and I'm happy to answer any questions. [LR213]

SENATOR NORDQUIST: Uh-huh. Thank you, Deborah. Are there questions from the committee? Senator Mello. [LR213]

SENATOR MELLO: Thank you, Chairman Nordquist. And thank you, Ms. Goodkin--Goodkin?--... [LR213]

DEBORAH GOODKIN: Yes. [LR213]

SENATOR MELLO: ...for your testimony. As a question I asked Treasurer Stenberg, and maybe you can shed a little light on, is the relationship that your program and your...and kind of what First National does in relationship to directly with both the K-12 school districts as well as higher education in regards to helping with the promotion of the program. You just heard from a previous testifier that other states are looking at whether it's mandatory, mandatory account creation for students beginning kindergarten or matching accounts for children under the age of ten. Can you just shed a little light in regards to how has your relationship been with the school districts and with higher ed, and is this something that we should be considering moving forward to try to reach out? And I don't want to put you in the hot seat because...but whether or not... [LR213]

DEBORAH GOODKIN: You see me squirming. [LR213]

SENATOR MELLO: ...whether or not this is a policy the state should consider of legislatively looking to direct children at a much earlier age to get enrolled in the program and requiring families to do that in certain instances? [LR213]

DEBORAH GOODKIN: I think there are two separate questions. One is how are we doing with the higher education... [LR213]

SENATOR MELLO: Uh-huh. [LR213]

DEBORAH GOODKIN: ...in the K to 12, and the other is about what else could the state do. I think it starts very young. I think the...I've talked to a lot of people in the 529 business that have these programs in their states, and I think everyone believes, as well as some researchers, that you need to start early on with the expectation that the child is going to go to college; that that helps them create incentives for the child to do well in the elementary school ages and in the middle school. So by the time they get to high school, you have the kids who want to move on, as well as the kids who really have no desire and no encouragement at home. So we have tried to work with K to 12, mostly in the younger, very young ages, preschool as well as elementary school. So the bank has a lot of efforts of going into the schools in a limited sense in Omaha and Lincoln, and we do discuss then with the PTOs and we're constantly at PTO meetings. [LR213]

SENATOR MELLO: Uh-huh. [LR213]

DEBORAH GOODKIN: We also teamed up with the Children's Museum in Omaha, too, on a "Fantastic Future Me" in which the child can dream about the future. And then they get an e-mail going home about the importance of savings, and we give cash incentives for people to do that. And that exhibit has gone to Kearney and North Platte and Lincoln and Omaha, and it will go into Norfolk as well. So we are constantly trying to find other partners to help us spread the message to their constituents. As I mentioned before, we work with the Boys and Girls Clubs. I think this year will be a different year. We're going to try to work with alumni associations to send the message down to their constituents and also have more notice of the scholarships that we do have. But we, you know, this state doesn't have a lot of money to give out. There have been some successes and some not-so-great successes of giving money to every newborn. I sort of like the idea of working with foundations to give money to maybe when you enter kindergarten because there are...or pre-K, because there's a support backup for that family. Just giving money doesn't necessarily provide the support. So you need some support to encourage these families to talk about budgeting and planning for their kids. It's a very difficult process for all of us in the industry to find a way for low-income, a lot of misconceptions out there about if they save money then they're not going to get financial aid. So it's really very difficult. It would be really good, in my mind, if the state encouraged the young kids to have financial literacy programs across the entire state. [LR213]

SENATOR MELLO: Uh-huh. [LR213]

DEBORAH GOODKIN: We've had difficulty getting into school districts. You can't do it on the state level. Some superintendents want you; don't want you. Some principals want you; don't want you. Banks try to come in. There's "Teach Children to Save Day" in which we all try to get into the schools. But it should be more...I think it should be a more focused effort coming down as curriculum in the younger ages. Of course, as the kids learn about savings, we gave out 1,200 savings banks that said "Save Spend Share" on them in different slots. And we taught them and other banks teach that, but it would, from my estimation, it would be good if it was part of the curriculum. [LR213]

SENATOR MELLO: Thank you for your feedback. And a quick follow-up: Have you worked with any schools, and whether it's anywhere in the state, that give...that sends out NEST material to, like, all their entire student body? I mean the Legislature does have the ability, there's always the dynamic of, regards to local control, in regards to what the state shifts a lot of the authority, the decision-making authority, to local... [LR213]

DEBORAH GOODKIN: Right. [LR213]

SENATOR MELLO: ...school districts. But we've experimented in the past of requiring, for an example, all higher education institutions have to mail a voter registration card... [LR213]

DEBORAH GOODKIN: Uh-huh. [LR213]

SENATOR MELLO: ...to all incoming students who register at universities and colleges. Would that be something, you think, that in regards to promoting the program at that, primarily, that early age, that we would require school districts to send material about the program to all students and families who enroll in their schools? [LR213]

DEBORAH GOODKIN: From my perspective, I think there are two times where the state could help us. One is we're launching a newborn campaign and other states have given us or found a way to send materials home. When the child is registered, the birth is registered, they've worked with the bureau of records and that is definitely one way. And the other way is at kindergarten registration. I think those are two key points in a child's life where knowing about savings would really be a good idea. [LR213]

SENATOR MELLO: Okay. Great. Thank you so much. [LR213]

DEBORAH GOODKIN: Thank you. [LR213]

SENATOR NORDQUIST: Thank you. Senator Kolowski. [LR213]

SENATOR KOLOWSKI: Deborah, thank you very much for your testimony today. We appreciate your being here and for what you said. I also greatly appreciate your mention of Dr. Shane Lopez, and I've known Shane and worked with him for over a decade in other circles. And when he talks about hope and engagement and well-being, ties all three of those together, and I think part of our language in our discussions with the Education Committee is to talk not only about the whole child but the whole family. The connections that you describe so well as far as getting the attitudes and the directions of the family into the right...in the right way I think is really important. I couldn't agree more with your comments on financial literacy. I think one of the most dangerous things in anyone's family could be their credit card. And when you see what happens across the board with misuse of funds and difficulties many families get into, it's just because it's a lack of understanding of that whole financial picture. And I hope that we'll be able to turn some corners on that. So I really appreciate your being here today and thank you for... [LR213]

DEBORAH GOODKIN: Thank you. [LR213]

SENATOR KOLOWSKI: ...your multiple comments on the directions we're heading. And I hope we'll be able to continue our partnership in the future. Thank you so much. [LR213]

DEBORAH GOODKIN: Thank you. [LR213]

SENATOR NORDQUIST: All right. Thank you. Next up we have Rich. Is Rich here? Come on up. Welcome. And did you get a testifier sheet? [LR213]

RICH MAZIKANI: Yes. [LR213]

SENATOR NORDQUIST: Okay, you did. Great. He put it back. Okay, great. We'll make sure we get it to the clerk when you're done. All right, thank you. Go ahead. [LR213]

RICH MAZIKANI: My name is Rich Mazikani. I'm 20 years old and I'm a junior, majoring in advertising and public relations at UNL. And kind of about...I'll just speak about my college savings plans that I had in the past and where I am now and where I'm going in the future. I didn't start saving up until I got my first job at Dailyman (phonetic) Property Management. That was two summers ago, 2011, and I started saving roughly $200 a month. And so I would accumulate about $600 every summer. The reason why I was able to pay for school and still am paying for school, for the most part, is because of my situation where I was a former ward of the state, and that way I was able to receive several benefits and get into several programs that other kids my age, who couldn't pay for financial...who couldn't pay for school, weren't able to get into. The program that had the largest savings impact was an Opportunity Passport Program. That's over in Omaha. They have a two-to-one matching program where you save $1,000 every six months and they match that with $2,000, and they make sure that you...they open up a savings account for you at Wells Fargo, which you can't, you know, withdraw any money out of until you have, you know, got up to your $1,000 mark, and then they match the $2,000 for, you know, any educational purposes that may be needed. Other than that, other help was programs, such as the FAFSA, FAFSA and education and training voucher. That way that's how I was able to, like I said, pay through school. Otherwise, I would have definitely accumulated a large amount of debt through student loans or may not even have gone to college. And I would say it definitely helps, whether it's programs like the ones I've been in that kind of are very adamant about getting to the youth about different programs you can be eligible for and how do, you know, just go ahead and set up a savings plan for yourself. And another thing is I've noticed that I definitely put more effort into my school work, knowing that without the programs that I have here listed, I wouldn't, you know, be in the situation I'm in. And I feel like definitely having more savings programs would help, especially for younger children. I can speak from a personal point of view. I know that if my little brothers definitely would start learning about savings programs right now in grade school that it would have a mass, you know, impact by the time they get to high school. And definitely, that's all I have for you this morning. [LR213]

SENATOR NORDQUIST: All right. Thank you, Rich. Any questions from the committee? Seeing none, thank you for joining us today. [LR213]

RICH MAZIKANI: Thank you. [LR213]

SENATOR NORDQUIST: And next on my list I have Dean Obenauer. Great. Welcome, Dean. [LR213]

DEAN OBENAUER: Good morning, Chairman and committee members. My name is Dean Obenauer, that's O-b-e-n-a-u-e-r, and I'm the assistant director of financial aid at Creighton University in Omaha. Enrollment this fall was around 8,000 students, between undergraduate, graduate, and professional programs. My role on campus is primarily financial literacy, counseling and education. And my goal is to help students build money management skills and behaviors to manage their money now so that they're better prepared to handle their money once they graduate. The financial crisis of several years ago was a real wake-up call to many Americans as to how we handle our money. Between the mortgage crisis; unemployment; rising prices; buy now, pay later spending habits, many people had to step back and reevaluate how they spend their money and, more importantly, how they save their money. During that time, the White House established the President's Advisory Council on Financial Literacy. The council cited financial illiteracy as one of the root causes of the economic crisis and that we as a nation need to do more to provide financial education. And Creighton University decided to do more by offering financial literacy services to our students, and I'll talk more about that in a moment. I realize that today's hearing is about how to educate and encourage families to save early for college costs. No one denies that it's critical that families start planning for college when their children are very young. At the point I see families, they have either saved or they have not saved, and the conversation goes very differently for each group. For those families who have saved, the conversation generally centers around how to take care of the balance due after their scholarships or financial aid have been applied to the bill. This involves using part of the 529 savings plan, withdrawal of other savings or investments, getting set up on a monthly payment plan to the business office, or a combination of all of the above. For the families who have not saved, for whatever reason, we talk about monthly payment options, additional private student loan options, or federal parent loans. I ask parents if they are prepared to make large monthly payments to the business office or, if they or their student take out additional student loans not only for this year but for the next four years, are they prepared to make monthly student loan payments for the next ten years or longer? In some cases, families will say: This is absolutely where our child needs to be; we will find a way. Other families will say: With the difference we need to come up with, we're not sure our child can attend Creighton; we have to think about this. So saving for college is ongoing. There are ways to save for college while enrolled in college. Since most of my time is spent conducting group seminars and one-on-one counseling sessions with students, I promote saving by starting with a sound financial plan, saving through responsible spending, saving through responsible borrowing, and being accountable. A sound financial plan starts with creating a budget. I refer to it as a spending plan, because some students hear the word "budget" and they think that's a dirty word. We all know that living within our means is essential, and living with less than our means results in more options to save. And the easiest way to save is to spend less. It's important to understand the difference between wants and needs. I tell students to ask themselves every time they make a purchase: Do I really need that right now? I talk about responsible credit card use and stress that plastic is not money. That $1,000 credit is not $1,000 in additional income. It's a $1,000 loan with expensive finance fees if not paid in full by the due date. While it's good to have a credit card for emergencies, emergencies don't happen at the mall. When it comes to student loans, I cannot stress enough that students borrow only what they need. I've had students tell me that they didn't really need to borrow as much as they did, but it was available, and they didn't live as frugally as they could have. So how do students know how much they need? It starts with creating and sticking to that budget. If you follow Dave Ramsey, he states that personal finance is 20 percent knowledge, 80 percent behavior. And what that means is that it is not rocket science. It's more about connecting the dots, taking time to do the math, and making responsible choices. To make financial literacy sound a little more positive, I refer to it on campus as financial fitness. When I conducted a survey last year for our undergraduate students, one of the questions I asked was: How would you describe your financial health? And the choices were: I'm in good shape; I'm a little flabby; I'm seriously out of shape. Forty-six percent of our undergraduates responded, I'm a little flabby. Nine percent responded, I am seriously out of shape. And that told me that students know they need to tone up to get ready for that financial marathon. So financial education is so important. A good understanding of basic money management is essential and will help set that stage to make saving a priority now and in the future. Thank you very much for this opportunity to talk about the importance of financial planning. [LR213]

SENATOR NORDQUIST: Great. Thank you, Dean. Thank you for your work. Any questions? Seeing none, thank you. [LR213]

DEAN OBENAUER: Thank you. [LR213]

SENATOR NORDQUIST: Yes. That's all I have on my list. Are there any other testifiers that would like to testify on this LR? Seeing none, Senator Kolowski, would you like to...just a few closing comments? [LR213]

SENATOR KOLOWSKI: Thank you again, Senator Nordquist and members of the Retirement Committee. My name is Rick Kolowski, R-i-c-k K-o-l-o-w-s-k-i, and I represent District 31. Thank you again to the committee and to the testifiers for a great hour of discussion. As you have heard, we have a great team of Nebraskans promoting college savings and financial literacy, and we have several solid recommendations for how we can support and improve the work they are doing in the state. One barrier to college savings that I plan to address this session is the removal of 529 savings plan, student scholarships, and work-study income from asset limit tests for the following public programs: the Aid to Dependent Children, Child Care Subsidy Program, and the Low-Income Home Emergency Assistance Program. This would help low-income families from having to choose between long-term and immediate well-being when considering college savings. I've included a copy of that legislation in your packet. This is just one immediate step we can take to help Nebraska's youth and their families. I look forward to working with you in the future to take even bigger steps to help support college saving and financial literacy in Nebraska. Thank you. [LR213]

SENATOR NORDQUIST: Great. Thank you, Senator Kolowski. Thank you for your work on this. [LR213]

SENATOR KOLOWSKI: Thank you very much. [LR213]

SENATOR NORDQUIST: That will conclude the hearing on LR213. All right. It will just be a minute and we'll be setting up some equipment for our next hearing. [LR213]

BREAK