March 19, 2018

Honorable Chair Representative Jim Kelly

Kansas House Committee on Financial Institutions and Insurance

Thank you for the opportunity to share some of the research evidence of the potential of early children's assets—such as those that would be delivered through the Children's Savings Account program outlined in HB2698—to improve how well children do along what can be termed the 'opportunity pipeline', designed to carry them to success. My name is Melinda Lewis. I am an Associate Professor of Practice in the University of Kansas' School of Social Welfare, Assistant Director of the Center on Assets, Education, and Inclusion (AEDI), based at the University of Michigan in Ann Arbor, and co-author of the forthcoming book, *Making Education Work for the Poor: The Potential of Children's Savings Accounts*.

I'll begin with a definition. Children's Savings Accounts, or CSAs, are designed to help families and children begin planning early for college—usually at birth or in kindergarten. In many cases, states play an integral role in the development, operation, and/or financing of children's asset policy. Similarly to the proposal in HB2698, states such as Rhode Island and Connecticut have modified their birth certificate forms so that families can authorize information-sharing in order to facilitate opening and seeding of an account for their child. The Finance Authority of Maine administers $500 in private seed deposits for every child born a Maine resident, without any parental action. While the Promise Indiana CSA is privately funded and administered, the state made key changes to its 529 college savings plan as part of the CSA design. These Children's Savings Account policies and the programs they make possible vary but all have common objectives: to encourage and incentivize families' early investments in their children's futures and to catalyze the asset building necessary to give children a fair chance to succeed in today's landscape. As college costs rise, student debt loads mount, and authorities grapple with the best ways to close achievement gaps and produce the highly-educated graduates our labor markets demand, policymakers have increasingly turned to CSAs. As a result, today, more than 300,000 children in 29 states have a CSA.

Crucially, unlike other forms of financial aid, early children's assets can make a difference throughout a child's life, at many of the points that prove determinant. Today, I will outline some of the evidence that makes the case for CSAs—as a way to help families pay for higher education, yes, but also as a tool for improving early preparation and academic achievement, on the front end, as well as increasing the return on degree that students are seeking when they set their sights on college.

- ☐ Early social/emotional development: Rigorous examination of the SEED for Oklahoma Kids CSA has found that assets improve the social-emotional development students need to succeed. Specifically, infants randomly assigned to receive CSAs demonstrate significantly higher social-emotional skills at age four than their counterparts.[i] Effects were strongest among low-income families. Further, *even*

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without changing families' monthly budgets, CSAs mitigate about 50% of the negative association between material hardship and children's social-emotional development.[ii]

- ☐ Parental educational expectations: Using experimental data from SEED OK, researchers found that parents whose children received the CSA have higher expectations and that their expectations are more likely to remain constant or increase than parents whose children did not receive the CSA.[iii] Other research has confirmed that assets are positively related to educational expectations,[iv] which in turn contribute to children's performance.[v] By influencing what parents believe is possible for their children's future and what children come to expect for themselves, early asset investments can affect school engagement, in ways that pay dividends throughout the educational system.

- ☐ Academic achievement in early schooling: Improvements in educational expectations and social/emotional health contribute to stronger academic achievement. In the Promise Indiana CSA, which opens accounts with relatively small initial deposits and then activates 'champions' to help increase children's asset holdings, having a CSA had a positive, statistically-significant relationship with both reading and math achievement, specifically for children eligible for free/reduced lunch, accounting for nearly 29% of the variance in reading scores and 23% of the variance in math scores.

- ☐ College access and completion: Students who expect to attend college are more likely to actually make it when they have savings designated for college.[vi] Specifically, children who not only see themselves as headed for college but *also equipped with a strategy to get there* (in the form of at least $500 in educational assets) are about 2X more likely to graduate from college than children who have a college-bound identity only. For low-income children, the figure is 3X more likely. Of particular importance to postsecondary institutions, assets help bridge the distance between high school and college for those with the desire and ability to continue their educations who may otherwise 'wilt' in that transition.[vii]

- ☐ Post-college financial health and return on degree: One of our nation's most pressing public problems is eroding confidence in the American Dream, which is supposed to ensure that how far one goes depends primarily on how hard one works and how much innate talent one possesses. Much of the growing pessimism with which Americans contemplate their children's futures hinges on perceptions that college doesn't pay as much as it should, or used to, or does, for others, particularly those who don't need to turn to student loans. Here, promisingly, assets may also help to improve return on degree. Where student debt slows upward mobility[viii] and compromises net worth[ix], youth with education savings are more likely to hold assets[x] and to adopt healthy financial habits, including regular saving, as an adult.[xi]

How is this possible? Much of our research at AEDI has sought to understand the mechanisms by which early educational assets exert these seemingly unbelievable effects. We have articulated the concept of 'college-saver identities' to explain how early educational assets: (1) make higher education appear urgent; (2) frame difficulties associated with preparing for college as signals of importance, rather than impossibility; and (3) present educational attainment as "something that *people like me* do". There are real, powerful, and quantifiable multiplier effects of early educational asset ownership. CSAs can be transformative, reshaping our approaches to financial aid and financial capability, and reimagining

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children's futures. There is arguably no higher purpose to which state government could commit itself. I am happy to answer any questions.

Sincerely,

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