THE UNIVERSITY OF KANSAS
School of Social Welfare

February 25, 2019

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 HB2096—to improve how well children do along what can be termed the 'opportunity pipeline', designed to carry them to success. I am Melinda Lewis, an Associate Professor of Practice in the University of Kansas' School of Social Welfare and co-author of a book examining the effects of wealth—and its absence—on children's educational outcomes, *Making Education Work for the Poor: The Potential of Children's Savings Accounts* (Oxford University Press, 2018).

**What is a Children's Savings Account?** CSAs are financial instruments, designed to prompt early planning for college and leverage the power of early educational assets to improve children's outcomes before, during, and following higher education. States often play an integral role in developing, operating, and/or financing of children's asset policy. As outlined in HB2096, states such as Rhode Island and Connecticut have modified their birth certificate forms so that families can authorize information-sharing to facilitate opening and seeding of an account for their child. Pennsylvania invests $100 in public funds for every baby. The Finance Authority of Maine administers $500 in private seed deposits for every child born a Maine resident. While the Promise Indiana CSA is privately funded, the state made key changes to its 529 college savings plan for the CSA. As college costs rise, student debt loads mount, and leaders grapple with the best ways to produce the highly-educated graduates our labor markets demand, policymakers have increasingly turned to CSAs.

**Why create a CSA?** I will outline some of the evidence that makes the case for CSAs—to help families pay for higher education, yes, but also as a tool for improving early preparation and academic achievement and for 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 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

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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, *equipped with a strategy to get to college* (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. 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'.[vii]

☐ **Post-college financial health and return on degree:** 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 do CSAs work?** In our book, we lay out 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 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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