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A Bill to Create the Bright Futures Plan Task Force:
Testimony on H.B. 2389 Before the House Education Committee, Oregon State Legislature

By Michael Sherraden and Margaret M. Clancy

Good afternoon and thank you, members of the House Education Committee, for the opportunity to speak with you today.

My name is Michael Sherraden, and I am director at the Center for Social Development at Washington University in St. Louis. In 1991, I first proposed building assets for all children starting at birth, as a step toward lifelong asset building for the whole population.

I have prepared these remarks with Margaret Clancy, policy director at our research center. Ms. Clancy and I lead a large research study called SEED for Oklahoma Kids, testing Child Development Accounts (CDAs). We have learned a lot from this research.

Based on evidence from SEED OK, we have advised on Child Development Account policies in Pennsylvania, Maine, Nevada, and other U.S. states and cities, as well as in the United Kingdom, Singapore, Korea, Israel, and other countries.

It may come as a surprise to some of you that Oregon has a proud history in passing the first statewide legislation for Child Development Accounts in 1991. It may further surprise you that I was here in 1991, giving speeches on this topic and helping the Corporation for Enterprise Development design a statewide system for CDAs. Unfortunately, CDAs were not implemented at that time due to state taxation changes and budget challenges, and the original statutory language has since been repealed. But today, in this committee, the discussion of Child Development Accounts in Oregon is being rekindled.

CDAs are investments intended for long-term developmental purposes. CDAs for postsecondary education are about more than money. CDAs can lead to financial planning for college, a college-bound identity, academic preparation, and later college and career success.

You may have noticed that I am using the name *Child Development Accounts* while the bill before you says *Child Savings Accounts*. The terms are synonymous, but we prefer the name Child Development Accounts in order to focus on the main purpose of the policy: development of all children and youth into successful and productive adulthood.

The CDA proposal is supported by sound research. SEED OK is a research study of exceptional quality, providing an opportunity for us to assess the long-term potential of CDAs. At the Center for Social Development, we created a rigorous study design, and dozens of our SEED OK research papers have been published in peer-reviewed journals.

SEED OK began in 2007 with interviews of mothers *randomly selected* from state birth records. Next, their babies were *randomly assigned* to treatment or control. Wave 2 interviews were conducted in 2011, and Wave 3 is slated for 2020, when the children will be about 12 years old.

The $1,000 initial deposit, a key part of the SEED OK treatment, increased by more than 70% over about 10 years—even though the value dropped sharply during the Great Recession. Such growth is possible because money is invested in an Oklahoma 529 fund with the potential for market appreciation.

SEED OK models *automatic enrollment* and deposits *for all children at birth*. This is key, because SEED OK research finds that *CDAs have positive impacts for children and their families*. More specifically, CDAs

» improve mothers' outlook and parenting,

» increase mothers' education expectations for their children, and

» boost children's social–emotional development—regardless of whether or not the families have saved.

In SEED OK, positive effects are typically greater for low-income and disadvantaged families. During in-depth interviews, one SEED OK mother said this about the CDA:

> I think it's very important for her future. 'Cause I think that if she continues to see these papers [529 statements] come in, then … people besides me and her dad…—*people out there that she has no idea about*—want to give her money to go to school, *then it must be darn important to go to school.*

The CDA may be especially powerful with non-college-educated parents, who may begin to see their children as "college bound." Another mother said:

> I was thinking this is something that is good. *I'm going to have to get him through school so he can use this and go to college.*

Thus, the most important impacts of CDAs may be in improved outlooks and constructive behaviors of both parents and children.

In the United States, each of the six statewide CDAs—those in Connecticut, Massachusetts, Maine, Nevada, Pennsylvania, and Rhode Island—use their state 529 plan.

Two statewide CDA policies stand out as important examples.

From 2008 to 2012, Maine parents had to enroll their newborns in the state's 529 plan to receive the $500 College Challenge CDA. Despite extensive marketing and outreach, only about 40% of eligible children participated. Our research found that parents with more education, other investments, and a financial advisor were more likely to enroll than those who were less fortunate. Unfortunately, children not participating in the CDA were the ones who would have benefitted the most.

SEED OK research contributed to Maine's decision to *automatically enroll all newborns* and include adopted babies. Today, College Challenge assets in Maine's 529 plan are valued at over *one hundred million dollars*, impacting over 85,000 Maine children.

Prior to the College Challenge, most Maine 529 accounts were owned by people living outside of the state. But today, state-resident individual 529 account ownership has greatly increased. The College Challenge CDA has transformed the Maine 529 plan in this positive direction.

A more recent CDA policy example is in Pennsylvania. Legislation in 2018 launched Keystone Scholars, which provides all newborns with a $100 college savings grant. This statewide policy began in 2019 and will automatically enroll more than *one million Pennsylvania children by 2025*.

In closing, our research and policy experience documents that full inclusion in 529 plans is possible. Automatic account opening with an initial deposit is like putting the plumbing in place. Funding can flow from many sources. Government, families, communities, philanthropies, and businesses can work together to build assets for *all Oregon children*.

Overall, CDAs can set the stage for widespread asset building, more positive development of children and families, increased postsecondary education and training, a more skilled workforce, and ultimately, a stronger economy. *CDAs are a good investment*.

Thank you for this opportunity to share our research evidence and policy experience. I am happy to answer any questions you may have.

Suggested Readings

Beverly, S. G., Clancy, M. M., & Sherraden, M. (2016, March). *Universal accounts at birth: Results from SEED for Oklahoma Kids* (CSD Research Summary No. 16-07). St. Louis, MO: Washington University, Center for Social Development. https://doi.org/10.7936/K7QC030S

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