THE UNIVERSITY OF KANSAS
School of Social Welfare

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Honorable Chairman DeGraaf and Members of the House General Government Budget Committee,

Thank you for the opportunity to speak about HB2371, which would eliminate the Kansas Investment in Developing Scholars (K.I.D.S.) program. K.I.D.S. provides state matching funds for qualifying deposits in Learning Quest, Kansas' 529 college savings plan, as a way to encourage low-income families to prepare for their children's college expenses. K.I.D.S. provides matching deposits (up to $600 annually) for households below 200% of the federal poverty level.

Our research at the Assets and Education Initiative (AEDI) at the University of Kansas School of Social Welfare has established us as leaders in the field of asset approaches to increasing higher education among disadvantaged children. Our research explores educational outcomes realized by children with savings set aside for college, as compared to peers with similar characteristics but no college savings. I hope that you will consider the following findings from our research as you make decisions about the future of Kansas' investment in educational opportunities for low-income students. More information about our research is available at http://aedi.ku.edu/. I would be happy to answer any questions about our findings and their policy implications, as we see them.

- Rising college costs threaten to place higher education out of reach for many lower-income students; combined with low graduation rates, these pressures compromise the U.S.' ability to produce enough college graduates to meet future labor market demands.[1] There are many policies that could increase educational attainment, but encouraging college savings seems, from the evidence, particularly promising—affordable, simple, and effective. Students with designated school savings are twice as likely to be 'on course' for college completion as students without these assets.[2] Students with their own accounts and who expect to attend college are six times more likely to attend college.[3]
- College savings are not just about helping students pay for school, though. Unique among methods of college financing, dedicated savings have been shown to change students' attitudes and expectations about higher education and, in turn, to shape academic preparation, making it more likely that students are academically prepared to succeed in college once they enroll.[4]

[1] Carnevale, A. P., Smith, N., & Strohl, J. (2010). Projections of employment and education demand 2008-2018. Washington, DC: Georgetown Center on Education and the Workforce.
[2] Elliott, W., & Beverly, S. (2011). Staying on course: The effects of savings and assets on the college progress of young adults. *American Journal of Education, 117*(3), 343-374.
[3] Elliott, W. and Beverly, S. (2011). The role of savings and wealth in reducing —wiltll between expectations and college attendance. *Journal of Children & Poverty, 17*(2), 165-185.
[4] Elliott, W. (2012). Why Policymakers Should Care about Children's Savings. Washington, DC: New America Foundation and Center for Social Development, Washington University

ASSETS & EDUCATION INITIATIVE

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- Having savings dedicated for college gives students a stake in their academic future. Having money set aside for college can improve academic performance before college[5] and increase college enrollment and graduation rates. We believe that these outcomes are realized largely by shaping students' thinking about college,[6] turning higher education into an important, not an impossible, goal, and giving students a college-saver identity.[7]
- Assets for education impact the entire family. When parents save for college, the presence of such resources can bolster expectations.[8] These expectations influence parents' interactions and, then, students' behaviors. And families in K.I.D.S. are saving. Just over $1.2 million has been contributed to accounts for 1412 students in the program's first five years and these families have also accumulated $3,300,393 in Learning Quest accounts not eligible for the matching grant,[9] illustrating the effects of the incentive on low-income families' savings.
- Encouraging college savings capitalizes on the aspirations of low-income children and changes their assessment of their futures. Today, 70% of low-income children in tenth grade plan to go to college, but only 54% actually enroll upon high school graduation.[10] Asset holdings can reduce this 'wilt' and increase persistence by cultivating a sense that 'people like me' go to college, and by equipping children with tools that will serve them in college and beyond.
- Initiatives like K.I.D.S. build on compelling evidence that what works for wealthier children—shaping expectations about college in ways that drive academic performance—can also work for those who face greater economic obstacles to higher education.
- Kansas is certainly not alone in using its 529 plan to encourage college saving; as of September 2012, 23 states had similar matching programs. Some offer one-time grants regardless of family income while others target subsidies towards lower-income savers, as in Kansas. In the latter case, part of the rationale is also that the direct match parallels the subsidies provided through the tax code to wealthier savers. Kansas taxpayers receive a deduction on their Kansas tax return for contributions of up to $3,000 for single filers or $6,000 for joint filers for each beneficiary.

Kansas invests considerably in higher education. Building structures that provide support and incentives for low-income families to save their own money for their children's college educations is an important complement to the state's educational system and a sound investment in educational attainment. Indeed, our research at AEDI suggests that several of the features of K.I.D.S. align with best practices in college savings, including allowing unlimited family deposits, which gives households a place to save; allowing third-party contributions to convert social capital into financial capital; and holding assets in a designated education account, which increases the effects on students' attitudes and college-bound identity. We would hope to see the Kansas Legislature not only maintain its support for K.I.D.S. but also

[5] For example Huang, J., Guo, B., Kim, Y., & Sherraden, M. (2010). Parental income, assets, borrowing constraints and children's post-secondary education. Children and Youth Services Review, 32, 585-594

[6] Elliott, W. (2012). *Small dollar accounts and children's outcomes.* Small Dollar Children Accounts (Report I). Assets and Education Initiative University of Kansas, School of Social Welfare, Lawrence, KS.

[7] Elliott, W. (January 2012). We Save, We Go to College. Washington, DC: New America Foundation and the Center for Social Development, Washington University.

[8] For example, Elliott, W., & Beverly, S. (2011). Staying on course: The effects of assets and savings on the college progress of young adults American Journal of Education, 117(3), 343-374.

[9] Kansas State Treasurer. 2011 Annual Report. Topeka, KS: Author. Available from: http://www.kansasstatetreasurer.com/prodweb/files/news/Report2011.pdf

[10] ACSFA. (2006). Mortgaging our future: How financial barriers to college undercut America's global competitiveness. Washington, DC: Advisory Committee on Student Financial Aid.

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build on the successes of the past several years and expand beyond a limited pilot program. Rigorous research from around the country shows that asset accumulation removes barriers to college enrollment and graduation and improves educational outcomes. Kansas has the infrastructure to advance a promising initiative and reap the benefits of a more educated population.

Sincerely,

William Elliott III

Dr. William Elliott III
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University of Kansas School of Social Welfare

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