

Testimony offered to the House Education Committee, Vermont Legislature
By Colleen J. Quint, President & CEO, Alford Scholarship Foundation, Portland, ME
April 9, 2015

Chairman Sharpe, Vice Chair Juskiewicz and Ladies and Gentlement of the House Education Committee,

Good morning. My name is Colleen Quint and I am the President & CEO of the Alford Scholarship Foundation in Portland, Maine.

Thank you for the opportunity to be with you this morning. I am here to offer my testimony in support of H.448, and to share a bit of Maine's experience with a similar effort.

Just yesterday I met with and presented to the Vermont Student Assistance Corporation (VSAC) and the Vermont Funders Network, groups that I understand are key partners in the effort here in Vermont to establish a Universal Children's Savings Account Program. I have brought copies of the powerpoint presentation that was offered yesterday by way of background and information.

Rather than review all of the slides in the powerpoint, however, I thought I would instead offer a very brief overview of Maine's program, its rationale and structure, and also leave time for any questions you may have.

As I understand H.448, the Vermont Legislature is currently considering the creation of a Universal Children's Savings Account Program. I applaud that effort. Maine, like many states – including, I believe, Vermont – is experiencing a significant change in the requirements of its current and future workforce. The need for a more educated population is paramount for meeting workforce demands and therefore economic stability and growth in the 21st century.

We believe that establishing Children's Savings Accounts is an effective strategy in boosting college-going and college attainment. National research shows that children with a college savings account – even accounts with less than \$500 in them – are three times more likely to go on to college and four times more likely to graduate.

In our experience in Maine, Children's Savings Accounts offer both practical and aspirational benefits. The practical part comes from the money that is invested on behalf of the child. That money is there for their future education and, if the market does what the market is supposed to do over the long term, the money will grow. The aspirational part comes from the knowledge that child and his or her parents now have that there is money available to help them go to college – which research shows has a positive impact on their expectations regarding future education.

Maine's Harold Alford College Challenge – the program I administer at the Alford Scholarship Foundation – was offered on a pilot basis in 2008 and then statewide in 2009. The initial model for the program was an "opt-in model" meaning that parents were required to open an account (for us, a NextGen 529 College Investing Account) before the child's first birthday in order to receive the \$500 Alford Grant. During the first five years of the program we awarded nearly \$11.5 million to 23,000 Maine children. This represents a "take-rate" of approximately 40%. In other words, about 40% of eligible Maine children had accounts opened on their behalf. While this number is a good outcome in a lot of ways – it is 10x the national average – it fell short of our expectations and desires for 100% enrollment. We also realized that we were spending more than 80% of our resources on enrolling

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families, which meant that we did not have much time, energy or money to spend on education messaging and encouraging family savings.

And so, just last March on what would have been Mr. Alfond's 100th birthday, we announced the move to "automatic enrollment" in which all babies born as Maine residents would now automatically be awarded the \$500 Alfond Grant. We made this universal program retroactive to include any children born after January 1, 2013.

Now, just a year after the announcement of the move to automatic enrollment, we have more than doubled what the program achieved in the first five years. Our most recent figures show that more than \$23 million has now been invested on behalf of over 46,000 Maine children. (By way of reference, about 12,500 babies are born in Maine each year).

How did we do this? Well, the generosity of the Harold Alfond Foundation is what makes all of this possible, of course. It is their commitment to Mr. Alfond's dream and his legacy that brings all of this to life through the financial support they provide.

From a more technical standpoint, we implemented automatic enrollment by having ASF open a 529 NextGen account on behalf of all eligible Maine babies. Under the enabling statute that created 529s in Maine, there is a provision for a government or non-profit entity to open an account "on behalf of beneficiaries to be named later." ASF is a non-profit organization, and we opened the account for the benefit of eligible Maine children. Those children who are funded have until age 28 to utilize the funds (and any earnings) for qualified postsecondary education expenses. If the funds are not used, then they roll back into the account to be used for future students.

Our partners at FAME (the Finance Authority of Maine, which administers NextGen) have an agreement with Maine's Bureau of Vital Records through which they receive information each month on the total number of babies born as Maine residents. That number is reported to ASF, and we fund \$500 for each child. We actually do this on a trailing three-month basis to capture as many births as possible (e.g. for babies born in January, we fund in April at the rate of \$500 x # babies for the final January cohort). And, we build in a small number (30/month) for any children who might be eligible but were not identified in the BVR reports (eg military families, children born in Boston following high-risk pregnancies, etc).

Ongoing communication with families is an important part of our strategy. Each quarter we provide families with a summary of the current value of the dollars invested on their behalf. If a family has opened its own account and made contributions, then the Quarterly Summary shows those contributions and current values as well. If the family has not opened an account and the only investment is the \$500 Alfond Grant, then that is all that is shown on what we call the Alfond Grant Update. Importantly, we "marry the message with the money" in both the Quarterly Summary and the Alfond Grant Update. This simply means that we provide a handful of "tips" (or education messages) to families that are age-appropriate for their child and based on one of four content areas (literacy, science & math, health & wellness, and financial literacy). These tips change each quarter, and grow with the child.

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This platform provides us with a vehicle for regular communications with families not only about the amount invested and available for future higher education, but also about things that kids and parents can do to be ready for a successful transition to postsecondary education.

And, finally, we are developing partnerships across the state to both broaden and deepen the impact of our program with a special focus on encouraging and facilitating family savings. And so, for example, we have more than a dozen leading Maine businesses that have signed on to partner with us by offering payroll deduction for college savings to their employees. And, we are working with several other Maine foundations to provide initial “seed” grants when parents open their own accounts. These efforts are focused on rural and low income families across the state (e.g. Head Start programs in four Maine counties and Kindergarten students in rural Washington County).

Over time, we see tremendous opportunities for growth of both the Education Messaging efforts as well as the partnerships that support Family Savings.

Again, I applaud the effort in Vermont to establish Universal Children’s Savings Accounts and urge you to support H.448.

I hope that it has been helpful to you to share a bit of Maine’s experience, and would welcome any questions you might have. Thank you.