John Pelletier

Vermont's Universal Children's Savings Account Program

Committee Members:

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open seat, business community

Funding Vermont's CSA Program

A partnership among the state, the philanthropic community, the business community and families.

- State funding for the seed accounts
- Philanthropic & business community funding for the annual matching funds
- Family contributions

Vermont's CSA program is <u>universal</u> & <u>progressive</u>

Every Vermont child will receive an initial 'seed' deposit of $250 at birth or adoption; low-income children will receive $500

<u>Developing a **college-saver-identity**</u>

A 2013 study by William Elliott, University of Kansas found that designating money for college indicates that **the child sees saving as a way to overcome the difficulty of paying for college**. Also, designating money for college indicates that a child perceives that people like them can go to college and that they are ready to act in ways that fit the college-saver identity.

New England states are leading the charge in creating CSAs for children.

Connecticut

Maine

Rhode Island

Massachusetts (pilot programs in designated communities

New Hampshire (pilot program proposed for 2017)

The funds are restricted for educational purposes only

The funds are payable to the postsecondary educational institution and can be used for pursuit for the following degrees/programs:

-Associate's degree

-Bachelor's degree

-Trade, technical or vocational program

The recipient must use the funds by the age of 29 (unless extended by service in the military, AmeriCorps or the Peace Corps) or lose access to the funds.

<u>Unused funds will be returned to the CSA program.</u>

Research shows that the act of owning a small children's savings account can have far reaching & lasting positive effects. These include:

- increasing a child's performance in school;
- increasing a child's expectation of attending college;
- higher academic performance once enrolled in a higher education program;
- and improved college completion.

Vermont's Annual Birth Rate

Approximately 6000 Vermont babies are born each year; 3000 of the babies are born into low-income families.

The CSA Committee recommends using WIC eligibility to identify the low-income babies eligible for the double seeded accounts at birth.

<u>Vermont's Annual Birth Rate</u>

3000 babies x $250 = $750,000

3000 babies x $500 = $1,500,00

Total annual cost = $2,250,000

Encouraging low-income families to begin saving along side their child's CSA

Vermont's program will match a low-income family's contributions up to $250 annually.

How much will it cost to provide matching funds for the families that contribute to CSA accounts for their children?

The committee is using data from Maine's CSA program to estimate the cost of our program. Given Maine's experience we can estimate that about 20 percent of the eligible families will participate and the average participation rate will be $150.

<u>At year one</u>:

3000 eligible families;

20 percent take rate at $150 = $90,000 for the first year

<u>By year 18</u>

54,000 eligible families;

20 percent take rate at $150 = $1,620,000 at year 19

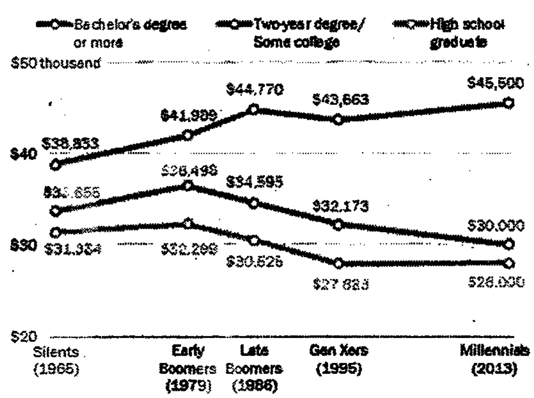
Each year the fundraising effort will increase by about $100,000 until we max out at year 18. Though the 20 percent take rate is likely to increase over time.

The benefits of earning a college degree are well documented: better job opportunities, higher wages and personal growth. But paying for a college education can be a daunting challenge. Only three percent of families have established 529 savings accounts.

The benefits of helping more Vermonters graduate from college are far-reaching and long-lasting. Over the long run funding Children's Savings Accounts will save taxpayer money. We know that individuals with higher levels of education earn more money, pay more taxes, save more for retirement, are healthier, have higher employment rates, re-enter the workforce more quickly if they become unemployed and are less likely to require public assistance. A more educated populace creates a more fiscally stable Vermont.

Rising Earnings Disparity Between Young Adults with And Without a College Degree

Median annual earnings among full-time workers ages 25 to 32, in 2012 dollars



Notes: Median annual earnings are [illegible] on earnings and work status during the calendar year prior to interview and limited to 25- to 32-year-olds who worked full time during the previous calendar [illegible] earnings. "Full time" refers to those who usually [illegible] last year.

Source: Pew [illegible] Center tabulations of the 2013, 1995, 1986, 1979 and 1965 March Current Population [illegible] Survey (CPS) Integrated Public Use Micro Samples

PEW RESEARCH CENTER

According to the U.S. Census, only **45.5 percent** of Vermont adults currently have a post-secondary degree (Lumina Foundation 2015) far short of **Vermont's 70 percent goal by 2025.**

The Vermont Department of Labor projects that by the year 2022, Vermont will have nearly **10,000 new job openings** - due to both growth and replacing retired workers - that **require at least a postsecondary certificate.** The economic growth and fiscal stability of Vermont require a highly educated workforce. National data indicates that **by 2020 two-thirds of all new jobs will require postsecondary education.** (Lumina Foundation 2015)

Saving for college matters

VSAC Senior Survey data shows that planning for college financing is a significant factor in whether or not students with the intention of enrolling actually do so. Seniors who intend to enroll, but did not do so by the Fall, were significantly less likely to report having saved for college at the time the data was collected. They were more than twice as likely to report that they were unaware of the family's plan for financing the cost of attendance and that the family had not yet started to prepare for paying for college.