Children’s Savings Accounts

Setting Up Children for Successful Futures

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Often the immediate needs of families prevent them from being able to save for their children’s futures. With the increasing cost of higher education, the small and periodic amounts families can save don’t go very far. Fewer families are financially prepared to further their children’s education after high school unless they are willing to accept a significant amount of debt. The reality of the cost of higher education and the debt load disincentivizes young adults from pursuing higher education and makes that education a less potent tool for their upward mobility and success.

Fortunately, many states are taking up a policy that helps children know they are headed for college. Children’s Savings Accounts are the only programs in the financial aid landscape designed to facilitate students’ financial well-being as well as their educational success.

What Is a CSA and How Does It Work?

Children’s Savings Accounts (CSAs) create opportunity for families who otherwise may have little to no college savings. Through a state-sponsored program, families can save for college while also receiving seed funding and periodic state contributions to the account. Using the 529 college savings plan, the difference in CSAs is that every child in Kansas has an option to open an account and have state-funded resources provided to the account. The account can also be used for non-governmental contributions such as from foundations or businesses who want to contribute to the child’s account.

A Kansas program could offer the opening of an account at the time of a child’s birth through the birth certificate process — meaning a child leaves the birthing center or hospital with the CSA process already started. Kansas decision-makers can choose to provide a seed investment to every Kansas child born each year or limit the program to children who are eligible based on family enrollment in other programs such as Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), or Medicaid.

The Data on Why These Accounts Matter

Research shows that children who have even small savings accounts for college are seven times more likely to attend and graduate from college than those who have no savings accounts.

Highlights of CSAs in Other States

- **Pennsylvania** invests $100 in public funds for every baby born in the state
- **Indiana, Illinois, and Maine** provide automatic CSAs – with initial deposits from state and/or philanthropic sources — to all children born state residents
- **Rhode Island** and **Connecticut** have altered birth certificate forms so that families can easily authorize information-sharing to facilitate opening and seeding an account for their child

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Children are also less likely to be dependent on student debt and have a stronger relationship with financial institutions and systems as they enter adulthood. A CSA puts a child on a path to postsecondary success – it gives hope and an expectation that every child has the potential to be successful in college.

According to the State Treasurer’s Office, which administers current college savings programs, its greatest challenge that all families face has been overcoming inertia and getting families into the long-term saving mindset. Seed programs like the one proposed in this bill help overcome this challenge by automatically opening accounts for every Kansas child.

CSAs can help address long-standing racial and ethnic differences in educational attainment — and the resources that are available. Research shows that Black students are more likely to be enrolled part-time, take remedial courses, and begin their college career in community college, all factors that make students less likely to finish their degrees. Although part-time enrollment and community college attendance are associated with lower completion rates, these educational options can be more accessible for low-income or first-generation students, or students working and paying their way through college.

The racial wealth gap, which shows certain communities of color are less likely to have accumulated wealth than their white counterparts, plays a role when considering college options. For example, Black Americans with college degrees have a median wealth of $23,400, while white Americans with college degrees have a median wealth of $180,500. Black children in these households will be less likely to have financial assistance to pay for schooling. As a result, they will be more likely to need to take out loans and work their way through college, making part-time enrollment and community college (again, factors that are associated with lower graduation rates) more appealing.

“At face value, merit aid sounds like a very American idea: effort and talent should determine who gets the fruits of the systems we construct. However, this assumes that those with the best qualifications received them solely as a result of their initiative, rather than due to inequities in the systems that shape them.” (Lewis, Melinda and Elliott, William. 2018. Making Education Work for the Poor. p.xxii)

While the data appear challenging, CSA programs are an opportunity to bolster educational outcomes for Kansas children of color to create successful futures for every Kansas child.

**Policy Options**

- Make modifications to the existing K.I.D.S. program in Kansas to become a CSA with automatic enrollment and seed contributions.
- Review Prosperity Now’s CSA Starter Kit for Kansas program ideas: [https://prosperitynow.org/csa-starter-kit](https://prosperitynow.org/csa-starter-kit)
- Go even further and consider baby bonds or individual development accounts. Connecticut became the first state in the nation to pass legislation to implement them. As of July 1, 2021, the state began to invest $3,200 in an account for every baby whose birth is covered by the state Medicaid program, which will then accrue interest. When they turn 18, the children will be able to use the money — at least $10,635, the state estimates — for educational expenses, buying a home, investing in a business, or saving for retirement.

Kansas Action for Children is a nonprofit advocacy organization working to make Kansas a place where every child has the opportunity to grow up healthy and thrive. We work across the political spectrum to improve the lives of Kansas children through bipartisan advocacy, partnership, and information-sharing on key issues.