

# CHILD SAVINGS ACCOUNTS:

Putting more kids on track for success in education

**House Bill 1592** and **Senate Bill 5704** smartly propose a statewide Child Savings Account (CSA) program in Washington state to help foster a college-bound culture in our state. It will **support kids who are furthest from opportunity** by establishing a college savings account for kindergarteners in public schools whose families have lower incomes.

CSAs are long-term savings or investment accounts that provide incentives to help children – especially low-income children – build dedicated savings for postsecondary education.<sup>1</sup> **CSA programs structured to advance equity can set kids up for lifelong success, particularly many kids of color in families who may face additional barriers to economic opportunity.** Research on the outcomes of CSAs has shown that kids who have CSAs experience greater social and emotional health, do better in school, are more likely to attend and graduate from college. **The legislature has the opportunity to make a transformative investment in a statewide CSA program to give young Washingtonians a strong start in life.**

## *CSAs can have life-changing impacts*

The broad-ranging benefits of CSAs for kids and families include:

- » **Raising the educational expectations of kids and their families:** Parents of children with a CSA account are more likely to see their

## *HB 1592/SB 5704 AT A GLANCE*

<b>What is the CSA program?</b>	The CSA program would create a collective (omnibus) 529 college savings account <sup>2</sup> that contains the state-funded grants for each eligible student. The account funds would be managed by the Washington State Treasurer's Office.
<b>How would it work?</b>	Eligible students would be automatically enrolled in the program and an initial seed grant of \$100 would be deposited on their behalf. Families can make additional contributions by opening their own separate 529 account and there would be additional one-time incentive opportunities to encourage families to grow their savings.
<b>Who is eligible?</b>	Washington state kindergartners enrolled in a public school who qualify for the Free or Reduced-Price Lunch Program. <sup>3</sup>
<b>Who would administer the program?</b>	The Washington State Achievement Council (WSAC)

child as college bound, which in turn has a positive influence on children's expectations of themselves and on their academic performance in school.<sup>4</sup>

- » **Improving educational attainment and outcomes:** Low- and moderate-income children with college savings (even with modest amounts) are three times more likely

<sup>1</sup> Campaign for Every Kids Future.

<sup>2</sup> A 529 account (named for section 529 of the Internal Revenue Service code that authorizes it) is a tax-advantaged investment account designed for saving towards postsecondary education for a specific beneficiary. Earnings in 529 accounts are not subject to federal income taxes when they are used to cover eligible postsecondary education expenses, such as tuition, fees and books at eligible universities, colleges or vocational programs.

<sup>3</sup> According to the Office of the Superintendent of Public Instruction, there were approximately 36,400 kindergarteners throughout the state eligible for Free and Reduced-Price Lunch in the 2017-18 school year.

<sup>4</sup> Kim et al. (2015); Meni (2016); Rauscher et al. (2016); Elliot et al (2010).

to go to college and four times more likely to graduate than those with no college savings.<sup>5</sup> Black kids with CSAs are six times more likely to go to college and four times more likely to graduate.<sup>6</sup>

- » **Health benefits:** CSAs have been tied to lower rates of maternal depression for mothers as well as better social-emotional development for kids.<sup>7</sup>

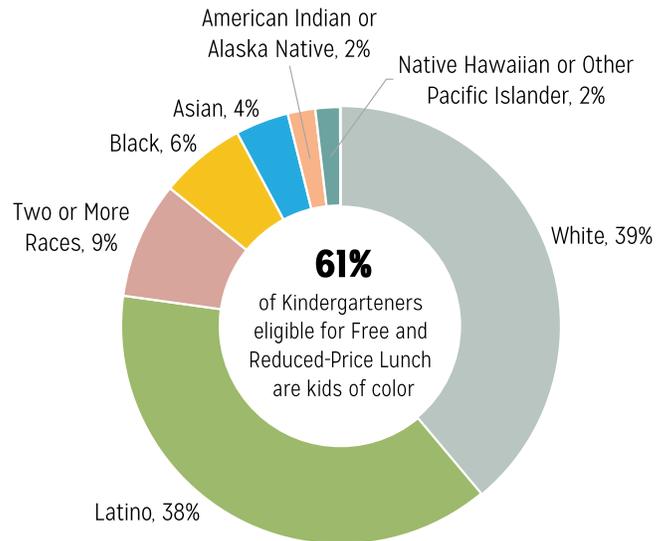
### The CSA program would advance equity

CSAs can be especially beneficial for children from low- and middle-income families and for kids of color. Due to persistent historically racist policies, institutions, and structures, many families of color and their kids are starting off on uneven footing – facing multiple and intersecting barriers to meaningful opportunities that prevent them from thriving throughout their lifetimes. A CSA program in Washington state would advance equity by removing the barriers to participation for families and make our 529 program (a state-sponsored education savings plan that offers tax and financial aid benefits) more accessible to families of color and families with lower incomes. In the 2017-18 school year, 61 percent of kindergarteners eligible for the Free and Reduced-Price Lunch program<sup>8</sup> in Washington state were kids of color (Figure 1).

By making this critical investment in kids early in life, there is potential to impact their lifelong trajectory and generate positive benefits for kids furthest from opportunity.

Figure 1. Due to old structures that have disproportionately channeled opportunity, education, and prosperity along lines of race, economic security remains out of reach for many families of color

Race and ethnicity of kindergarteners eligible for Free and Reduced-Priced Lunch, Washington state, 2017-18 school year<sup>9</sup>



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<sup>5</sup> Elliot et al (2013).

<sup>6</sup> Friedline et al (2013).

<sup>7</sup> Huang et al. (2014); Huang et al. (2014)

<sup>8</sup> In 2017, a family of three is eligible for the Free and Reduce Price Lunch program if their income was below \$37,777 ([USDA Child Nutrition Programs: Income Eligibility Guidelines](#)).

<sup>9</sup> Office of the Superintendent of Public Instruction, Student Information.