One Hundred Fourth Legislature - First Session - 2015

Introducer's Statement of Intent

LB281

Chairperson: Senator Les Seiler

Committee: Judiciary

Date of Hearing: March 12, 2015

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB281, with AM706, creates a Child Support for College Savings Program modeled after the Child Support Savings Initiative in Kansas.

The Child Support for College Savings Program allows a noncustodial parent owing arrears to the State of Nebraska to open a college savings account with the Department of Health and Human Services for any of his or her children, **as long as the noncustodial parent is current on his or her child support obligation to the custodial parent**. For every dollar contributed by the noncustodial parent to each college savings account, the department shall forgive a portion of the arrears not less than the equivalent of the amount contributed.

To implement this program, the Nebraska Department of Health and Human Services shall enter into a memorandum of understanding with the Nebraska State Treasurer's Office.

Research has shown the many benefits of college savings accounts for children.

- Having an account designated for college helps children build positive expectations about college.[1]
- Educational savings accounts promote the importance of higher education and make the future feel more proximate for children.[2]
- Children aged 12-18 with a savings account for college had higher math scores and were twice as likely to expect to go to college than their counterparts without a college savings account.[3]
- Low college enrollment by youth from low-income families is partly due to uncertainty about college affordability.[4]
- Even small college savings can have a big effect on college enrollment and graduation. Low- and moderate-income children with $500 or less in savings were three times more likely to enroll in college than children with no savings, and four times more likely to graduate.[5]
- Young adults who had their own account designated for college were two times more likely to be “on course” to complete college (i.e., progressing toward graduation) than those who did not.[6]
- Children whose parents had saved for their college expenses were less likely to take out high-dollar loans for their college education, putting the children at a lower risk of dropping out of college or accumulating burdensome debt.[7]

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[1] Sherraden et al., Financial Capability in Children: Effects of Participation in a School-Based Financial Education and Savings Program, 2009 and Elliott, We Save, We Go to College, 2012

[2] Oyserman, Not Just Any Path: Implications of Identity-Based Motivation for School Outcome Disparities, 2012

[3] Elliott, At-Risk Children's college aspirations and expectations: The potential role of children's savings accounts, 2008

[4] Goldrick-Rab et al., Why Financial Aid Matters (or Does Not) for College Success: Toward a New Interdisciplinary Perspective, 2009

[5] Assets and Education Initiative, Building Expectations, Delivering Results: Asset-Based Financial Aid and the Future of Higher Education, 2013

[6] Elliott & Beverly, Staying on Course: The Effects of Savings and Assets on the College Progress of Young Adults, 2010 and Elliott et al., Improving College Progress among Low- to Moderate-Income (LMI) Young Adults: The Role of Assets, 2013

[7] Elliott & Nam, Reducing student loan debt through parents' college savings, 2013 and Elliott et al., Protecting Students from Student Loan Debt: Can Parent's College Savings Help (forthcoming), 2014

Principal Introducer: ________________________________

Senator Rick Kolowski