JOHN J. MACCO
STATE REPRESENTATIVE • 88TH ASSEMBLY DISTRICT

To: Assembly Committee on Financial Institutions

From: Representative John Macco

Date: Wednesday, January 31st 2024

In Favor of AB 1012

Chairwoman Duchow & Committee Members,

Thank you for holding a hearing on AB 1012.

Assembly Bill 1012 creates a program called "WisKids" which will utilize existing funds to establish a 529 account and invest $25 for every child born or adopted in Wisconsin, without tapping into General Purpose Revenue.

The genesis of 529 accounts dates back to the late 90s when Congress created Section 529 in the Internal Revenue Code, laying the foundation for 529 accounts as we know them today. Currently, there are nearly 400,000 529 accounts with assets totaling $6.6 billion under management in Wisconsin. 529 account holders enjoy the flexibility to save and invest while reaping tax benefits. Despite, the seemingly impressive number of participants, it's apparent that only a minority of families are leveraging the 529 program for their children's future.

"WisKids" will help Wisconsin families plan for the future and help our kids understand the value of saving. Our goal in the state of Wisconsin should be preparing our kids to be career and community ready. For some, that means college, for others it means entering an apprenticeship or the workforce. Drawing from my two decades of experience in the securities industry, I can confidently say that the 529 program stands out as one of the most powerful tools available for parents to pave the way for their children's success.

As a father and grandfather, I understand that that the early months of a newborn's life can be chaotic. You are worried about a multitude of things, and the last thing on your

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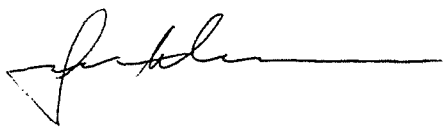
mind is how to prepare them for post-graduation. By initiating a starter 529 through WisKids, families will have financial planning be a part of their conversations from the onset. Initial creation of these kinds of accounts have proven to lead to the creation of mirrored 529 accounts that the family themselves can contribute to. Oklahoma witnessed a nearly sixteenfold increase in mirrored account creation when they implemented a similar program.

Innovation when it comes to 529s is not new to this state. In 2015, I authored legislation granting Wisconsinites access to 529As, or ABLE accounts, to support our disabled communities. This session, this committee also passed a bill to create Wisconsin 529 ABLE accounts to make the program even more accessible. Additionally, recent changes to the Internal Revenue Code at the federal level expanded the allowed uses of 529 funds. 529s can now be used to pay for apprenticeships or roll them over into 401k accounts. All of these changes have also been updated at the state level with 2023 Wisconsin Act 36 which unanimously passed through Ways & Means, solidifying their incorporation into the state's regulatory framework.

Your support for this bill will continue that effort and bring a great program to Wisconsin that will benefit kids for generations beyond our service here in the Legislature.

Thank you for your consideration.



John J. Macco
Representative
88th Assembly District

EVAN
GOYKE
STATE REPRESENTATIVE
18th ASSEMBLY DISTRICT

January 31, 2024
Public Testimony of State Representative Evan Goyke
Re: Assembly Bill 1012 - Creating a WisKids savings account program within the college savings program

Thank you, Chairwoman Duchow and members of the committee, for holding this public hearing on Assembly Bill 1012, which would create the WisKids universal college savings program.

I am here today as both a legislator and a parent who understands and appreciates the challenges and joys of being a new parent. After my son Miguel was born, my wife and I knew and planned to open a 529 Edvest account on his behalf. Unfortunately, during the days, weeks, and months that followed bringing Miguel home, opening his college savings account fell to the bottom of our list. And it wasn't until 20 months later that we finally opened his account and began saving. I know my experience mirrors that of most parents.

Assembly Bill 1012, legislation we call WisKids, will help all families save for their children's future. By creating a state-owned college savings account for every child at birth or adoption, WisKids aims to streamline and prompt the creation of privately owned accounts. The state's commitment of $25.00 to each child at birth or adoption serves as a foundational step, encouraging parents to start saving early and maximizing the benefits of compounding interest.

The value of this program is not in the state's initial seed investment, but the power to inspire families to begin saving early, to see higher education as possible, and to establish a vehicle through which charitable organizations may multiply the State's initial seed funding.

Before describing the legislation, it's important to understand our current education savings landscape. The State, through the Department of Financial Institutions (DFI) and the College Savings Board that they staff, offers two tax beneficial products under 26 US Code §529. The First, Edvest, is a direct-sold savings account. The Second, Tomorrow's Scholars, is available through independent financial advisors or planners. Both are governed by Federal law and provide the same tax benefits, the same allowable uses, etc.

The College Savings Board and the operation and outreach of these 529 plans was funded through a portion of the investment returns. The College Savings Board set a fee (which has been waived since 2005), a small fraction of a percent, which was deposited into a segregated account. That account is used to fund the Board, staff, and to advertise the programs. The current balance of this segregated fund is over $20 million and is used in AB 1012 to create and operate the WisKids program. No GPR is used. The Board is empowered under the bill to ensure the segregated fund is not depleted using their existing authority. We believe this program will be self-supporting as the WisKids accounts grow.

Under the program, when a child is born or adopted, records are sent to DFI. DFI in turn notifies the parent(s) and provides an option for the parent(s) to opt-out of the program. With over 60,000 births and adoptions each year, DFI will manage an omnibus account. Upon birth or adoption, DFI will attribute $25.00 to that child within the omnibus account they manage.

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EVAN
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18th ASSEMBLY DISTRICT

Parents retain the option to opt out of participation, and upon reaching the age of 18, each child may access and use their account balance for an allowable use, including: post-secondary education, vocational/technical education, including room, board, or books, as well as costs associated with apprenticeship costs. Additionally, beginning this year, unused balances may be rolled over into an IRA-like retirement account. Every child, whether they attend college or not, will benefit.

AB 1012 also allows for additional contributions from philanthropic organizations. It's important to note that the WisKids program will not be able to receive contributions from individuals. Families hoping to invest into a 529 will be directed to open a mirrored Edvest or Tomorrow's Scholars account. The reasons for this are both logistical and legal. AB 1012 does provide an avenue for larger gifts made to cohorts, for example an entire school district's first-graders or kindergarteners within a given county. These gifts will require additional local data collection to ensure dollars match the correct child, and while it seems like a daunting process, many philanthropic groups and local governments have explored or opened their own similar programs.

The idea of universal savings accounts is not new. We have incorporated lessons learned in other states. Pennsylvania, for example, played a major role in how we structured our program. Their analogous program, called Keystone Savers, has been operating since 2019, after a bipartisan group of legislators passed the bill. Pennsylvania, like Wisconsin, had divided government.

We have an opportunity to show the next generation of Wisconsinites that we believe in them. Using segregated revenue and no GPR, we will inspire more families to save and more kids to reach their potential.

I hope we earn your support and I'm happy to answer any questions. Thank you!

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Center for Social Development
BROWN SCHOOL AT WASHINGTON UNIVERSITY

| JUNE 2022 | CSD FACT SHEET 22-20 |

Financial Facts:
SEED OK Child Development Accounts at Age 14

Margaret M. Clancy, Sondra G. Beverly, Mark Schreiner, Jin Huang, & Michael Sherraden

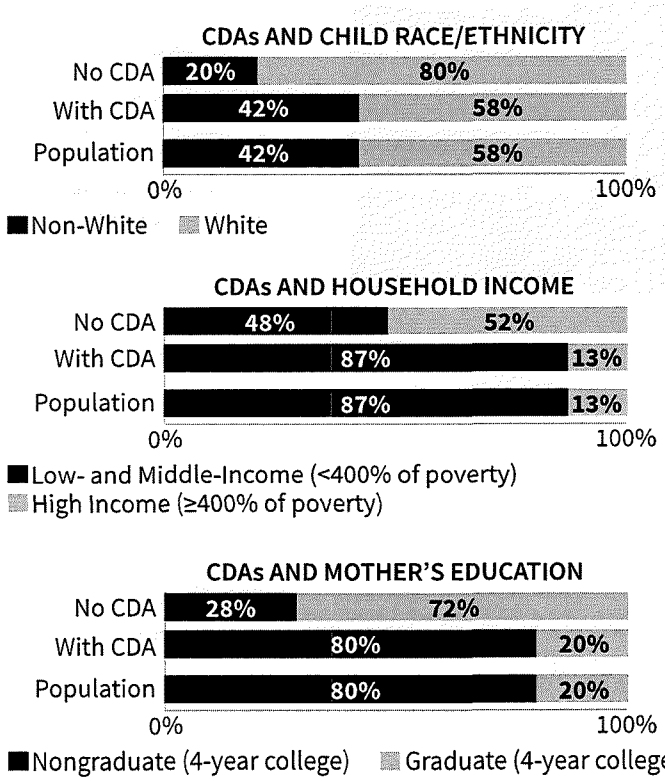
This Fact Sheet presents financial outcomes as of December 31, 2021, when children in the SEED for Oklahoma Kids (SEED OK) experiment were about 14 years old. SEED OK is a large-scale policy test of universal, automatic, and progressive Child Development Accounts (CDAs). The essential feature of the CDA in SEED OK is a state-owned Oklahoma 529 College Savings Plan (OK 529) account, which was automatically opened for newborns in late 2007 with an initial deposit of $1,000 and which has now grown to about $2,300. Babies in the treatment group (1,358) received the CDA; those in the control group (1,346) did not. The CDA also received an automatic, targeted deposit in 2019.

The CDA Promotes Full Inclusion in Building OK 529 Assets

The most important financial outcomes in SEED OK relate to full financial inclusion. After 14 years, just 5% of SEED OK control children—those operating under existing OK 529 policy—had OK 529 assets. Because of the automatic features of the CDA, 100% of treatment children had OK 529 assets.

The automatic CDA greatly increases the likelihood that disadvantaged children have assets for their future education. In the images at right, the "No CDA" bar segments show that, under existing 529 policy (without CDAs), more than three quarters of control children with OK 529 assets are White, more than half are from households with high income, and almost three quarters have mothers with college degrees. The "With CDA" bar segments show that treatment children—all of whom have OK 529 assets because of the automatic CDA—exactly mirror the diversity of the state population because *every newborn is included*. SEED OK research shows that all racial groups build 529 assets when given a CDA structure and support, including an automatic initial deposit.

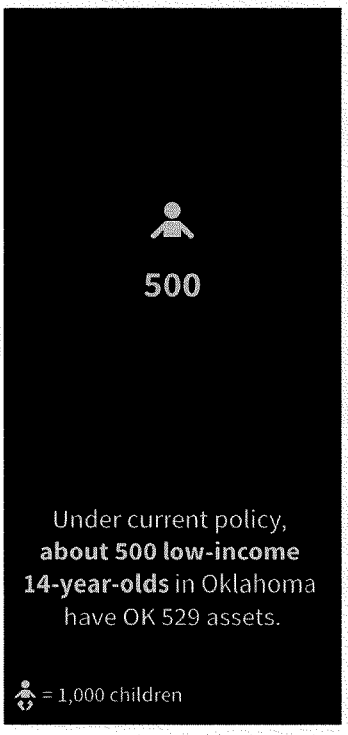
With CDAs, OK 529 Asset Holding Mirrors the State Population and Includes All Children

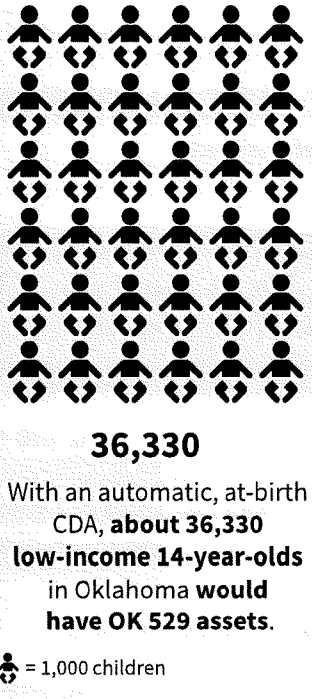


Without CDAs, the distribution of OK 529 ownership is highly skewed in favor of advantaged children.

> **"The automatic CDA greatly increases the likelihood that disadvantaged children have assets for their future education."**

OK 529 Assets: CDA Impacts for Low-Income Children Born in OK in 2007





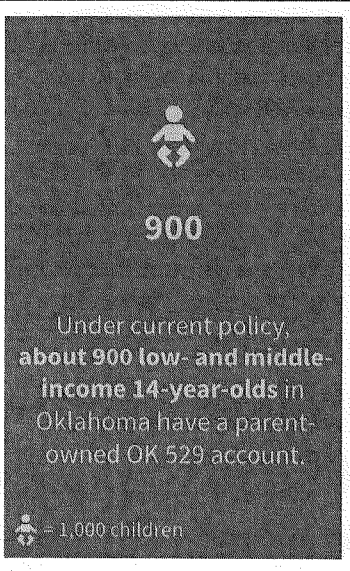
Low-income is defined as income below 200% of the federal poverty level. The extrapolation is valid because SEED OK babies were randomly selected from 2007 birth records.

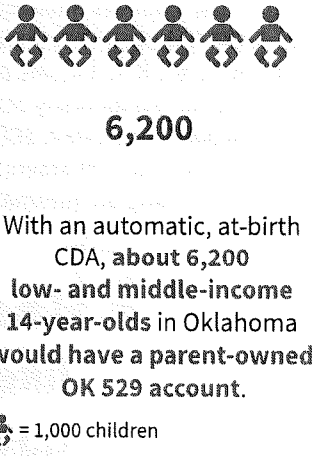
> "The essential feature of the CDA in SEED OK is a state-owned Oklahoma 529 College Savings Plan (OK 529) account, which was automatically opened for newborns in late 2007."

The CDA and Parental Saving in OK 529 Accounts

Though parent saving is not the primary goal of SEED OK, the CDA increased saving by parents for children's postsecondary education and increased the number of parent savers. New 529 savers, as a group, are more racially and socioeconomically diverse than those control parents who saved in the OK 529 without the CDA.

Parent-Owned OK 529 Accounts: CDA Impacts for Low- and Middle-Income Children Born in OK in 2007





Low- and middle-income is defined as income below 400% of the federal poverty level. The extrapolation is valid because SEED OK babies were randomly selected from 2007 birth records.

Table 2. Individual OK 529 Accounts and Savings (December 31, 2014)

	Treatment	Control
Children with an individual OK 529 account	16.8%	1.1%
Children with savings in an individual OK 529 account	8.4%	1.1%
Average individual OK 529 savings	$261	$59

Note: Data from Clancy et al. (2016). These individual OK 529 accounts were opened by the child's mother. (SEED OK accounts opened automatically for treatment children are not included.) Savings in individual OK 529 accounts come from parents and others, *not* from deposits made by SEED OK; investment earnings on individual deposits are included. Savings equal deposits minus withdrawals and are zero for those without mother-opened accounts.

mothers incentives to open and save in individual OK 529 accounts. These SEED OK deposits are *not* included in the measure of individual savings. That measure does include investment earnings in individual accounts, and it represents net savings (i.e., deposits minus withdrawals). Findings from SEED OK show the following about 7 years after the intervention began:

- Treatment children are 15 times more likely than control children to have an OK 529 account opened by their mother (Table 2).
- They are almost eight times more likely to have individual savings in a mother-opened OK 529 account.[27]
- The average amount of individual OK 529 savings for treatment children ($261) is over four times greater than the average amount for control children ($59).[28]
- The average amount of savings *among treatment children with individual savings* is $3,112, and the median is $939.
- The total amount of individual savings accumulated by treatment children in OK 529 accounts ($365,578) is more than six times that of control children ($59,487).[29]
- Only three mothers (1.5%) have withdrawn the $100 SEED OK account-opening deposit.[30]
- Also, in results from multivariate analysis accounting for characteristics of the child, parent, household, and environment, the CDA in SEED OK has a moderate effect on the amount of savings held by children. About 15 months after the CDA was opened, the individual OK 529 savings amount for a treatment child was about 40% higher than that for a control child with similar characteristics.[31]

> The CDA in SEED OK increases the likelihood that mothers open and save in OK 529 accounts for their children. Still, even in the treatment group, most children do not have individual OK 529 accounts or savings.

The automatic components of the CDA strongly favor disadvantaged children.

Financial Outcomes for Advantaged and Disadvantaged Children

Because the CDA in SEED OK explicitly aims to be inclusive and progressive, it is important to assess the effects of the CDA on account holding, asset holding, and savings for disadvantaged children.[32] Findings from SEED OK show the following:

- For two of the most important financial outcomes—having a college savings account and having some assets for college—the CDA in SEED OK eliminates variation by income, race, and other socioeconomic characteristics. Without the CDA, advantaged children are much more likely than disadvantaged children to have OK 529 accounts and assets.
- The CDA has especially strong effects on OK 529 account holding and asset holding among disadvantaged children. Account- and asset-ownership rates in some disadvantaged groups have increased from 0% to 100%.[33] These important positive impacts on account holding and asset holding occur because of the CDA's automatic features.
- The CDA also increases the likelihood that disadvantaged children have OK 529 accounts opened by family or friends and that family or friends deposit savings into the accounts. That is, the CDA has these effects in all families, not just in advantaged families.[34]
- Even in the treatment group, however, advantaged children are more likely than disadvantaged children to have OK 529 accounts opened by family or friends and more likely to have OK 529 savings deposited by family or friends. The average value of these savings is higher for advantaged children.[35]
- Because advantaged children have more OK 529 savings than disadvantaged children have, the value of total OK 529 assets (which includes SEED OK incentives) is also higher for advantaged children. However, variation in asset amounts by socioeconomic characteristics is much smaller among treatment children than among control children. At least in the short term, the automatic initial deposit largely offsets the effects of disadvantage on asset amounts.[36]

December 2020

HIGHER EDUCATION

Children's Savings Account Programs Can Help Families Build Savings and Envision College

GAO Highlights

Highlights of GAO-21-10, a report to congressional committees

Why GAO Did This Study

Rising college costs have outpaced federal grant aid and placed more of the financial burden on students and their families. CSA programs help families, especially lower-income families, save for college—and other postsecondary education—by providing financial contributions and possibly other supports. A Senate Appropriations Committee report included provisions for GAO to examine various aspects of college savings account programs and their effectiveness.

This report examines (1) the number of CSA programs and how they use strategies to help families, especially lower-income families, save and prepare for college; and (2) what is known about the effects of these strategies on families, including lower-income families. GAO reviewed 2016–2019 annual CSA program survey data collected by the nonprofit Prosperity Now. GAO also analyzed CFPB documents and the findings of 33 peer-reviewed studies from 2010 through 2019—and one working paper from 2017—that met GAO's criteria for inclusion, for example, used data from the United States. In addition, GAO interviewed officials from CFPB, the Department of Education, and four organizations that have expertise on these programs.

View GAO-21-10. For more information, contact Melissa Emrey-Arras at (617) 788-0534 or emreyarrasm@gao.gov.

What GAO Found

Eighty-two Children's Savings Account (CSA) programs operated and had collectively enrolled about 700,000 children in 2019, according to survey data from the nonprofit organization Prosperity Now. These programs—operated by states, cities, and other organizations—use a variety of strategies to enroll families, especially those with lower incomes, and help them save and prepare for college. For example, CSA programs enroll families by partnering with trusted organizations (e.g., schools) or through automatic enrollment, according to the Consumer Financial Protection Bureau (CFPB) and CSA experts. In addition, these programs help families build savings once children are enrolled by, for example, providing initial deposits or financial education. While experts GAO interviewed said savings may be modest given lower-income families' and programs' limited resources, CSA programs also aim to help lower-income families prepare for college, such as by increasing financial knowledge.

There is evidence that CSA program strategies have positive short-term effects on families, including those with lower incomes. These effects include increased CSA program enrollment and participation, amounts saved, and educational expectations, based on research GAO reviewed (see figure). For example, strategies such as automatically enrolling families and providing financial contributions (e.g., initial deposits) may help CSA programs reach more families and encourage saving. Several studies of a CSA program that used both these strategies found increases in the number of children enrolled and the amount saved by enrolled families. One study found that families who were enrolled for 7 years saved over four times more of their own money, on average, than families who were not enrolled—$261 compared to $59. When including financial contributions from the CSA program, enrolled families had about six times more total savings ($1,851) compared to other families ($323). Enrollment and participation in CSA programs may also increase families' educational expectations for their children. For example, a study found that parents with children enrolled in one CSA program were nearly twice as likely to expect their children to attend college. However, information on college enrollment and other long-term effects on families participating in CSA programs is limited because most of the children have not yet reached college age.

Effects of CSA Program Strategies in Three Commonly Assessed Areas

Program enrollment or participation	Savings accumulation	Educational expectations
Enrollment assistance, automatic enrollment, or initial deposits may increase enrollment and participation.	Enrollment in a CSA program may increase total savings and motivate families to slightly increase their personal contributions.	Enrollment and participation in a CSA program may increase educational expectations.

Source: GAO analysis of 33 peer-reviewed studies and one working paper of Children's Savings Account (CSA) program strategies, published from 2010 through 2019. | GAO-21-10

Robert M. La Follette
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Policy Brief

Prepared for: UW-Madison Division of Extension

By: Stephanie Mertens, Ian O'Connor-Giles, Adam Riley, Sam Schneider, and Tyler Williams

Key Question

What are the net benefits of a universal child savings accounts program in Wisconsin?

Highlights

- Our findings suggest that CSAs are likely to have substantial positive net benefits for the State and for each Wisconsin county.
- At the statewide level, we find positive net benefits in over 96 percent of our simulations.
- At the county level, we find that on average, all counties have positive mean per-capita present value net benefits - ranging from $110 in Bayfield to $1,640 in Pepin.

The full report is available at https://lafollette.wisc.edu/category/research/cba-reports/

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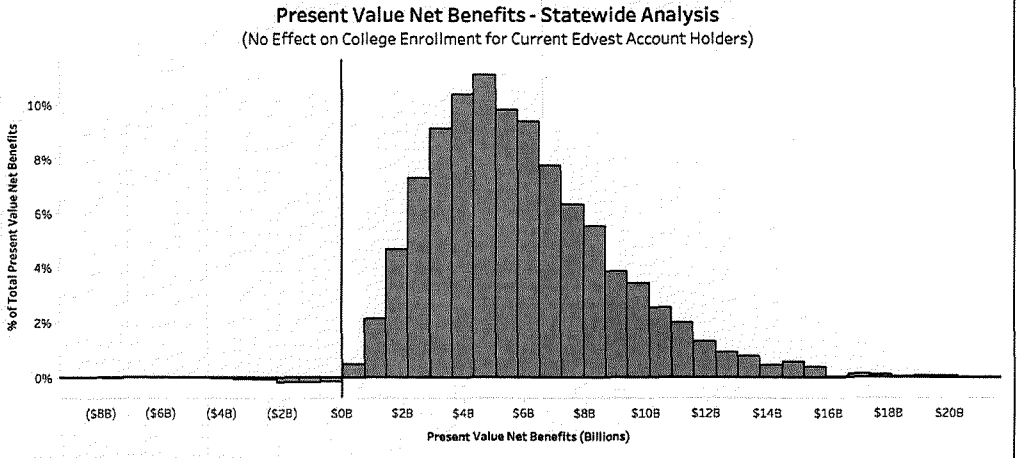
Child Savings Accounts in Wisconsin: A Cost Benefit Analysis

Child Savings Accounts (CSAs) are intended to help children, from birth to age 18 - especially among low-income populations - build savings for postsecondary education. In the past decade, CSA initiatives have gained strong momentum in states and localities across the United States - in fact, more than 4.9 million children had CSAs at the close of 2022 - a 300% increase from 2021. These programs have become particularly attractive to policymakers concerned about the future workforce, wealth disparities, and disparities in access to higher education. While CSAs have initially been implemented at regional or local levels, those programs have begun providing preliminary data that highlights the potential benefits of broader programs. We conducted a cost-benefit analysis (CBA) for the University of Wisconsin-Madison Division of Extension assessing the long-term costs and benefits of investment in universal child savings accounts for Wisconsin residents.

Statewide Analysis

We find positive net benefits in over 96 percent of our simulations, with a mean present value of net benefits of $4.04 billion - or $224 million per cohort - for the first 18 cohorts, with a range of -$7.76 billion to $19.9 billion.



County-Level Analysis

We find that every county had positive mean per-capita present value net benefits. Counties with the highest mean per-capita net benefits are Pepin at $1,640; Lafayette at $1,550; Trempealeau at $1,540; Clark at $1,410; and Marathon at $1,370. Features of counties with higher net benefits (comparatively) include having more births (younger counties), a larger share of the population that does not currently have an Edvest account, and high baseline college enrollment levels.

Recommendations

- Track data from existing local programs like Fund My Future Milwaukee to evaluate and communicate impact.
- Include child savings accounts as a potential policy intervention in conversations around wealth inequality and access to higher education.
- Look into opportunities for public-private partnerships – could be attractive to those concerned about how to fund CSA programs.
- Must be willing to accept upfront costs and delayed benefits (i.e. account given at birth but benefits manifest at age 18).

Dear Fellow Pennsylvanians:

I am pleased to report that every child born to or adopted by a Pennsylvania family in 2019 and after—more than 350,000 children and counting—now has at least $100 invested for postsecondary education in their name.

By establishing these Keystone Scholars accounts at birth, the $100 starter deposit has the longest possible time horizon to grow. And together with partners who raise awareness of the accounts and how families can link and add their own savings, we are promoting financial literacy and financial security for all Pennsylvanians.

But I always say: Keystone Scholars is more than just a savings account.

Research shows that children with education savings, even a modest sum, are three times more likely to enroll in postsecondary education and are four times more likely to graduate. That's what makes the Keystone Scholars program , which is funded without taxpayer dollars, so important.

By knowing the account is there, logging in to view the funds, and talking about it at home, Child Development Accounts (CDAs) like Keystone Scholars influence parental expectations for their children's future. This leads to improved social & emotional development for children and the development of a "future-focused identity"—the child's own belief that there is a bright future out there for them.

The $100 starter deposit grows alongside the child through investments managed by Treasury, and can be used after the child's 18th birthday to help with tuition, fees, and other expenses at a qualifying postsecondary education institution—including four-year universities, community colleges, technical schools, and apprenticeship programs.

The universal nature of the Keystone Scholars program ensures that all children—including the most financially vulnerable—get a fair start for the future, with the knowledge that their state believes in them and expects them to go on to do great things.

Last year, the Keystone Scholars program took an important step towards fulfilling the original vision for CDAs by piloting additional automatic, targeted deposits for low-income children. In doing so, Keystone Scholars has once again set itself apart as a national model in CDA programs. In the following pages you will read about the success of this pilot.

You will also read about how we've worked with two close partners, the Henry L. Hillman Foundation and Adagio Health, to add targeted deposits in a similar way for children in their service area.

As you read, I encourage you to consider how you or your organization might also partner with us in the years ahead to add on to the existing Keystone Scholars account infrastructure. By celebrating positive behaviors—be it reading at home, completing the annual well-child visit, or something else—we can get more assets into children's accounts, and build hope for the future.

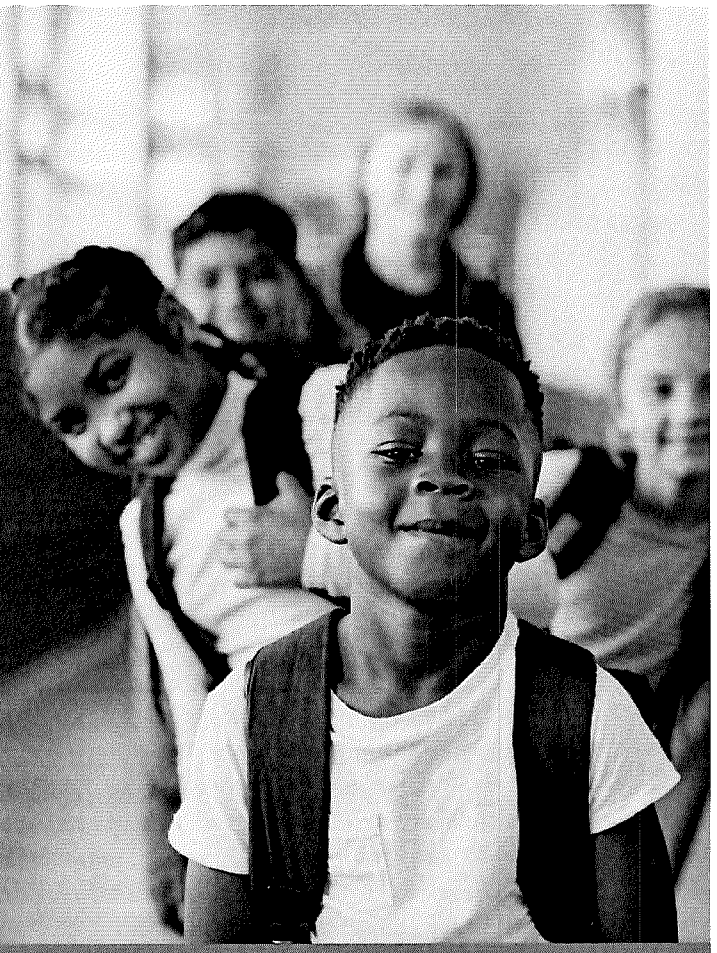
Thank you for your interest and support in the Keystone Scholars program. Together we are ensuring the best possible start for the next generation of Pennsylvanians.

Sincerely,

Stacy Garrity

Stacy Garrity
Pennsylvania State Treasurer

The Multiplying Movement



THE STATE OF THE CHILDREN'S SAVINGS FIELD 2022

The history of the **Children's Savings Account** (CSA) field has been one of steady, sustained growth. That remained true for over a decade as new programs launched in communities across the country. However, in 2022, the number of children with assets for their future tripled in one year with the launch of a statewide program in California. The CSA field now reaches almost five million children. While CSA programs differ, they all provide long-term savings or investment accounts and make contributions into the accounts to help children build savings for the future, typically for postsecondary education. Investing in the next generation so young adults can thrive drives all child wealth-building programs. Based on Prosperity Now's annual CSA Program Survey, this brief offers a snapshot of the field in 2022 and illustrates trends in the ever-evolving CSA field.[1]

CSAs BY THE NUMBERS

As of the end of 2022

- **128** ACTIVE PROGRAMS IN
- **38** STATES AND DC
- **4,910,000+** CHILDREN & YOUTH WITH CSAs

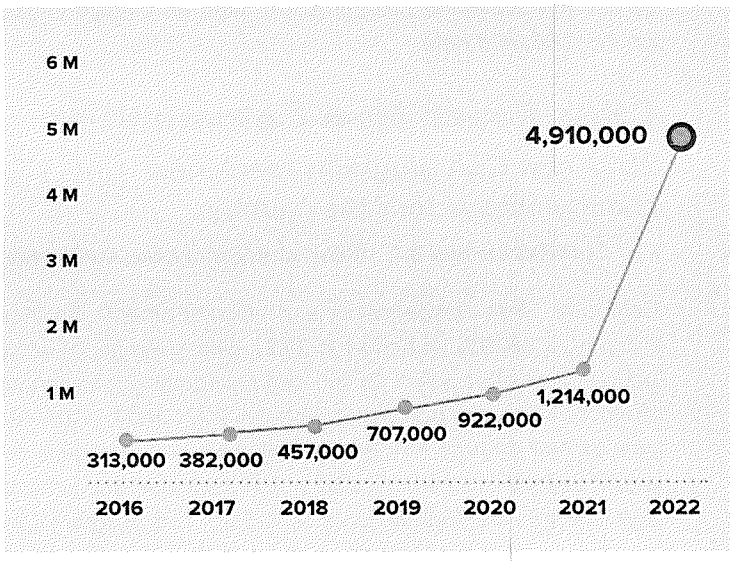
This report, as in previous years, includes a dual analysis for some program features, showing the breakdown by the number of participants and by the number of programs. This side-by-side analysis gives a more accurate representation of the field, since the largest programs account for the majority of CSA participants. With the continued enrollment of large statewide programs, understanding this distinction is even more pertinent.

Participating Children and Youth

More than 4.9 million children had CSAs at the close of 2022—a 300% increase from 2021.

In 2022, the most significant expansion in CSA programs occurred since Prosperity Now began tracking the data in 2016. The total number of children with CSAs soared 300% (from 1,214,000 to 4,910,000) between 2021 and 2022. The field has significantly grown year over year—as shown in Figure 1. Automatic enrollment in large programs at the state level (e.g., CalKIDS in California) and citywide programs (e.g., Boston Saves) continued to drive growth in the total number of children and youth with CSAs in 2022 – as shown in Figure 2. As the field reached this new threshold of children and youth served, the largest handful of programs will drive the field forward.

FIGURE 1
TOTAL NUMBER OF CHILDREN & YOUTH WITH CSAs, 2016-2022



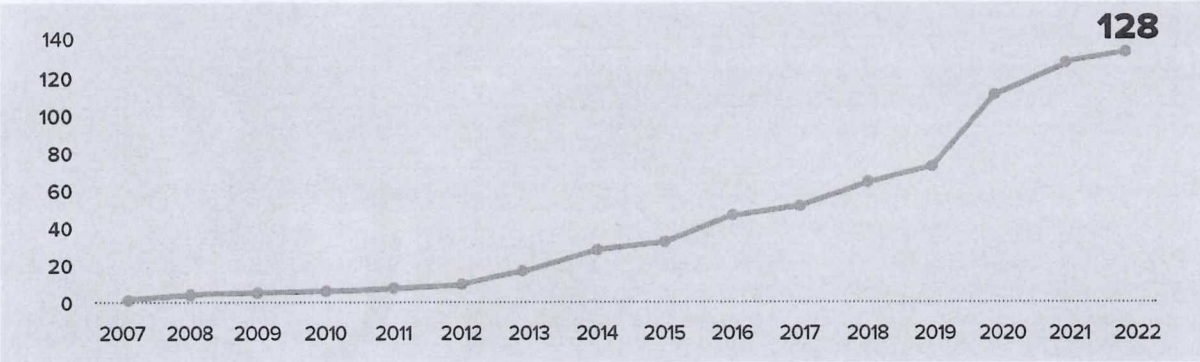
campaign for every kid's future

PROSPERITY NOW

Programs

Five new CSA programs launched in 2022.

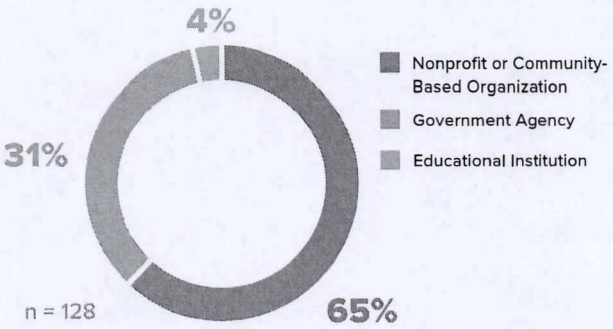
FIGURE 2 | TOTAL NUMBER OF CSA PROGRAMS IN OPERATION, 2007-2022

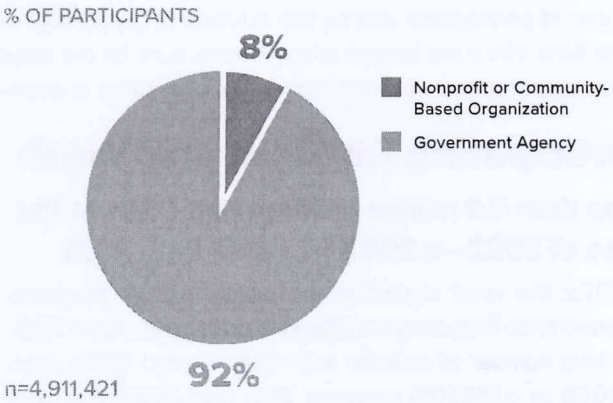


With the addition of five programs, 128 programs were in operation by the end of 2022.[2] The largest program – CalKIDS – underscores how critical state funding is to ensure enrollment at scale. Though California and Michigan continue to launch new programs (including in Modoc County, CA), we have seen new programs in the South and East with HOPE Child Savings Account Program in Atlanta, GA, and Our Future Fund in Greenbrier Valley, WV. This demonstrates a continued appetite for child wealth-building programs across geographic regions.

Nonprofit organizations administer the majority (65%) of programs, though those programs tend to be smaller and only account for eight percent (8%) of children and youth with a CSA. Government agencies at the state, county and municipal levels manage about 31% of programs, and the remainder are managed by educational institutions (4%). Due to the enrollment of CalKIDS and other statewide programs, 92% of CSA participants are now enrolled in a program run by a government agency. As you will see throughout this report, the statewide programs will have an outsize impact on the CSA field data.

FIGURE 3
TYPE OF ORGANIZATION MANAGING PROGRAMS





CSAs Reach New Communities

2022 saw CSA programs reach new communities across the country.

- **CalKIDS enrolls 3.4 million children across California.**

California Kids Investment and Development Savings Program (CalKIDS) launched in 2022 with a mega-cohort of babies born after July 1, 2022, and California public school students who were enrolled during the 2021-2022 academic year as first through 12th graders. Newborns are eligible for a $25 deposit in California's 529, ScholarShare, and school-age students are eligible for up to $1,500. This program can credit dedicated advocacy efforts from key child wealth-building champions, including Gov. Gavin Newsom, who was mayor during the launch of San Francisco's Kindergarten to College program, the California Treasury, and the California CSA Coalition, which is comprised of more than a dozen CSA programs serving California residents. With ongoing, automatic enrollment in the most populous state, CalKIDS is poised to be the biggest CSA program for quite some time.

- **CSAs bring child wealth-building to one urban and two rural communities – Atlanta, GA; Modoc, CA; and Greenbrier, WV.**

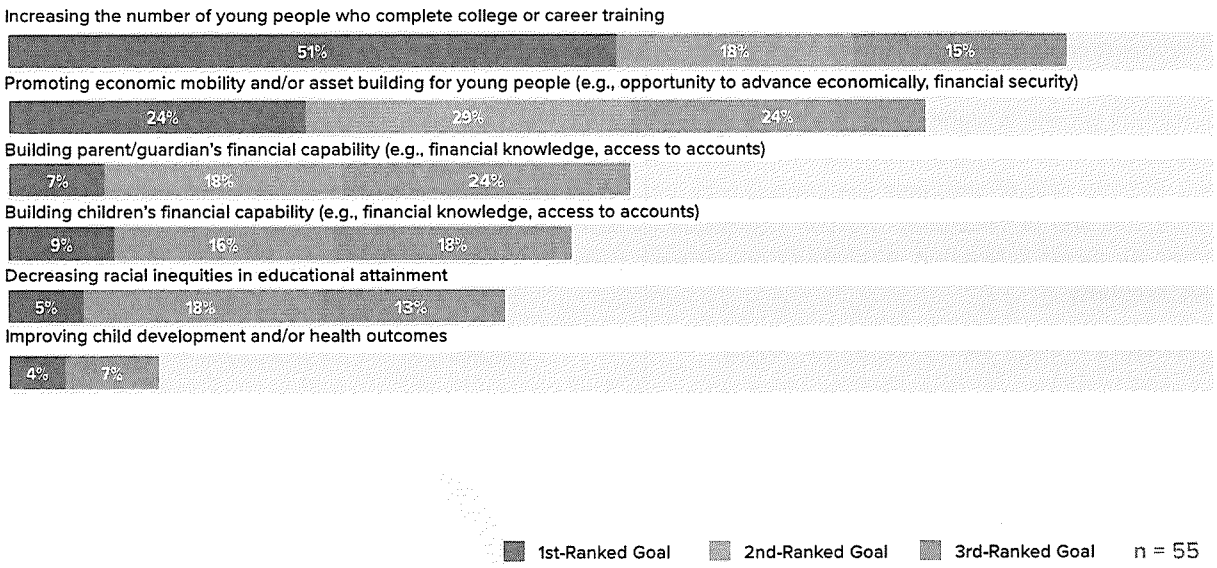
Operation HOPE launched its CSA program in 2022, bringing CSAs to all Title I Schools – schools in which children from low-income families make up at least 40% of student enrollment – in Atlanta Public Schools. The majority of the school district is comprised of Black students (72%). Atlanta joins other majority communities of color with a city-wide CSA, including St. Louis, MO, and Oakland, CA. The program represents a targeted approach to child savings based on its eligibility criteria. Advancing Modoc Youth launched Modoc Child Savings Account Program in 2022 using funding from the Child Savings Account Grant Program enacted in the 2019-2020 California State Budget to support the development of local CSA programs. The program partners with local education-focused partners, including Modoc County First 5 and Pacific Crest Credit Union. Finally, Our Future Fund, a CSA program run by the Greenbrier Valley Community Foundation, brings CSAs to West Virginia. Though small (with just 24 participants to date), the CSA program represents a sustainable funding model for a CSA program – transforming traditional scholarship provision in community foundations to "early award scholarships" in the form of child savings accounts. We expect community foundations to continue to play a strong role in both the funding and management of local CSA programs.

Program Goals

CSA programs are united in aiming to increase the number of young people who complete college or career training as one of their top goals.

As in previous years, survey participants were asked to rank their top three long-term program goals. The most common goal remains increasing the number of young people who complete college or career training, with 51% of programs choosing it as their top goal, and 84% as one of their top three. This marks a three-percent (3%) increase as a top goal compared to 2021. Decreasing racial inequities in educational attainment dropped to 36% as one of their top three goals, which is a drop from 45% in 2021 and even below 2020 levels (39%). Only five percent (5%) of programs selected it as their top goal, down from 13% in 2021. This is a significant drop in interest in racial equity, and mirrors a drop in attention around racial equity in the years following the murder of George Floyd. CSA programs who are interested in advancing racial equity, which Prosperity Now recommends, can check out our resources to **design a CSA program with a racial equity lens**. Promoting economic mobility and/or asset-building for young people (e.g., opportunity to advance economically, financial security) climbed in the rankings as a top three goal with an eight percent (8%) increase from 2021 to 76% of programs selecting that as a top three goal. However, only about one in four programs chose it as the primary goal. This likely reflects that most CSA programs currently offer small dollar contributions, though there are notable exceptions.

FIGURE 4 | TOP THREE GOALS OF CSA PROGRAMS



Enrollment

Nearly all children and youth with a CSA are automatically enrolled.

CSA programs enroll participants in one of two ways – automatic enrollment (also known as "opt-out") or self-enrollment (also known as "opt-in"). Automatic enrollment, which does not require an action on the part of parents/caregivers or participants themselves to sign up for the program, reduces barriers to participation and leads to greater inclusivity. There has been an decrease from 30% in 2021 to 25% of programs that use automatic enrollment, as shown in Figure 5. Programs utilizing automatic enrollment enroll far more participants (96%) than opt-in programs (4%), as shown in Figure 6. The largest CSA programs, often citywide, county-wide and statewide programs, are able to scale quickly through automatic enrollment.

FIGURE 5 | ENROLLMENT TYPE BY PROGRAM

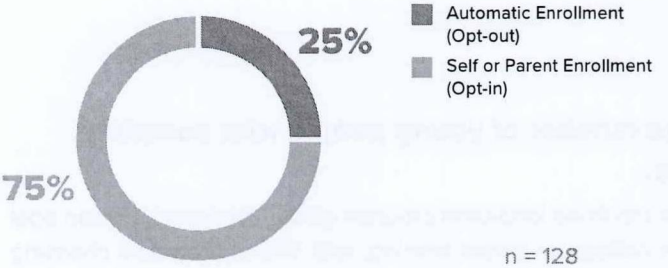
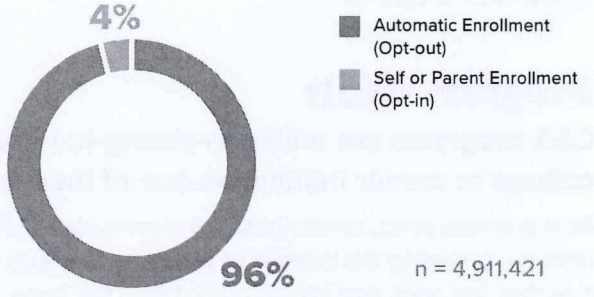


FIGURE 6 | ENROLLMENT TYPE BY PARTICIPANT



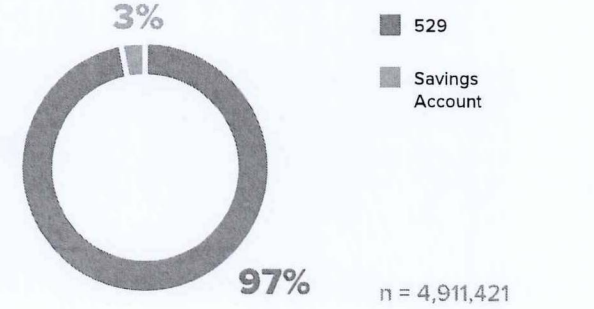
Self-enrollment usually involves completing an enrollment form and/or opening a savings or investment account. Fifty-six percent of programs use opt-in enrollment, but they represent only four percent (4%) of the total participants with CSAs, down from 18% the year before. Opt-in programs—even those with large service areas or broad enrollment criteria—scale up more slowly, because it is more difficult for families to sign up and more resources are required for recruiting families and supporting them in taking the actions needed to enroll in the program. We expect to see continued decline of opt-in programs as more and more programs adopt the best practice of automatic enrollment.

Account Type

The type of account programs use has remained relatively consistent over the last six years, and we expect the pattern to continue. Programs must choose between two significant tradeoffs when selecting a financial institution type: a 529 or a traditional savings account. While 529s offer the opportunity for higher account growth through investments over time (though all investments carry risk), it is harder to make contributions to them for unbanked and under-banked families. The reverse is true for traditional savings accounts – in-person deposits at a bank or credit union (especially with cash) are easier, but the account growth is significantly smaller. More than half of CSA programs (57% in 2022 and 2021) use 529 college savings accounts to hold program-provided funds (such as initial deposits and match), including all the large statewide CSA programs. Another 43% of programs use savings accounts, which include using custodial savings accounts, pooled money market accounts and certificates of deposit. The difference between account types is more pronounced when looking at participants. As shown in Figure 8, 97% of participants have their funds held in 529s compared with only three percent (3%) in savings accounts.

FIGURE 7 | TYPE OF ACCOUNT BY PROGRAM

FIGURE 8 | TYPE OF ACCOUNT BY PARTICIPANT



Program Contributions

More than 850,000 children and youth have started their savings journeys with an initial deposit of $100 or greater.

To qualify as a CSA program, a program must provide some type of contribution (sometimes called incentives) to help participants boost account balances. The most common type of program contribution is an initial deposit (also called seed deposit). All but 10 of our respondents offer a seed deposit of at least $20. Among the 89% of programs that offer a seed deposit, a $50 seed was the most common in 2022 (30%). This seed deposit amount has remained the most popular across six years of data collection. For the second year in a row, a $100 seed (26%) is the second most common amount and a $25 seed (19%) is the third most common amount; three programs offer an initial deposit of $500.

Benchmark incentives, in which participants receive program contributions when they reach milestones (e.g., a child's first birthday) or complete activities (e.g., completing a financial education workshop), continue to increase in popularity year over year with an increase from 35% in 2021 to 41% in 2022. This reflects an increased interest in ways to grow account balances without relying on families, particularly low-income families, to make deposits.

In addition to starting participants with an initial deposit or offering benchmark incentives, many programs still offer additional contributions based on deposit activity. Programs continue to incentivize participants and their families to make deposits of their own money, though these offering these incentives have dropped significantly, in one or more of the following ways:

- 36% offer a savings match, i.e., dollar-for-dollar match on participant deposits up to a certain amount. This marks a 13% decrease from 49% in 2021. Savings matches used to be very popular in CSA programs, but there has been a steady decline as more data show that savings matches have a regressive effect and benefit middle- and higher-income families.
- 21% offer a deposit bonus, i.e., an extra program contribution given if families deposit a certain amount or a certain number of times. This offering grew four percent (4%) in 2022, up from 17% the previous year. Deposit bonuses are less regressive in that they offer a flat bonus for any deposit activity, regardless of the size of the deposit.
- 9% offer prize-linked savings, i.e., participants are entered into a drawing or raffle based on making a deposit. This type of incentive continues to decline in popularity, down from 16% the previous year.

FIGURE 9
TYPES OF CONTRIBUTIONS BY PROGRAM

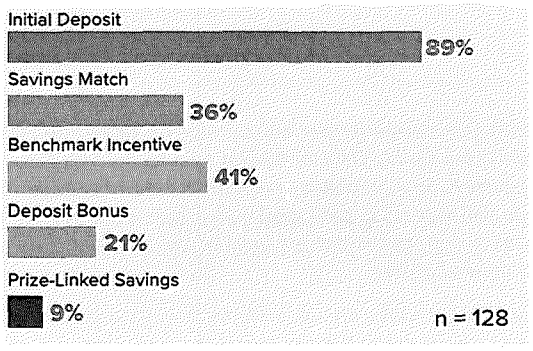
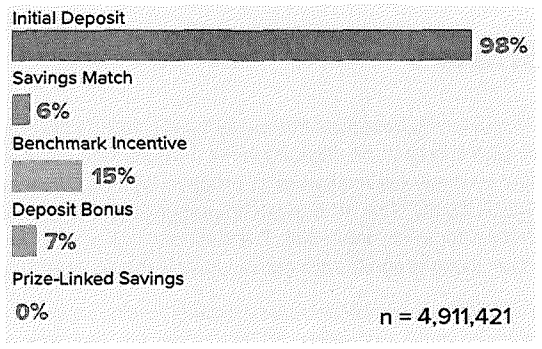


FIGURE 10
TYPES OF CONTRIBUTIONS BY PARTICIPANTS



Targeted Program Contributions

41% of CSA programs offer targeted benefits to participants from low-income families.

In 2020, we introduced additional survey questions to measure how many programs provide targeted contributions to participants from low-income families. The number of programs providing program contributions targeted toward children from low-income families remains stable at 41%. This number includes programs that:

- Only serve participants from low-income households (42%).[3]
- Offer a savings match restricted to participants from low-income households (4%).
- Provide additional deposit(s) for participants who are from low-income households or attend a school with predominately low-income students (33%).

Participant Demographics

CSA programs are reaching more than 3.6 million children from low- to moderate income families.

Over the past three years, we have seen an increase in programs' ability to collect and share demographic information. We have used this data to measure how the field is reaching low- to moderate-income (LMI) households. Sixty-seven programs reported family income for participants or provided a proxy data source, such as information from a partner school district. Overall, more than 3.6 million children served by CSA programs are from low- to moderate-income families, or three out of every four participants. Fifty-five programs indicated that at least 50% of their participants are from LMI households, 15 of which indicated that they exclusively serve LMI households. This marks an increase from 12 programs with 100% LMI participants in 2021. As of this year, we do not have a representative sample to share any findings by race and ethnicity, but we have seen an increased response rate from CSA programs on demographic data.

Acknowledgments

Prosperity Now would like to thank all respondents to our annual CSA program survey. We would also like to thank the **Institute for Economic and Racial Equity** at Brandeis University (formerly IASP) for advising on the development of the survey questions and for sharing additional program data. In addition, we would like to thank Ming Hung-Hung for his support of the data analysis.

About Prosperity Now

Since 1979, Prosperity Now (formerly CFED) has been a persistent voice championing economic opportunity, innovating outside of and beyond existing systems to build power for all communities. We advance racial and ethnic economic justice by investing in bold new ideas, and we work deeply at both the grassroots and national level to impact the entire ecosystem. By setting goals for our economy and following through with targeted approaches based on need, we are equipped to drive forward and cement big structural solutions. Join **Prosperity Now** in creating a new, transformed economy that works for all of us. Gary Cunningham is our President and CEO. Visit us at **www.prosperitynow.org**

Endnotes

1 This document is based on Prosperity Now's 2022 CSA Program Survey, fielded October-December 2022. Programs had to meet Prosperity Now's CSA criteria to be included in the analysis. Fifty-eight programs responded to the survey. Data for other programs were incorporated from publicly available information (e.g., program websites), responses to previous surveys and information provided by the Institute for Economic and Racial Equity. The "n" in each chart indicates the number of programs (and corresponding participants) for which we were able to obtain information for each data point. The total number of children with CSAs includes two programs that are inactive but still have open accounts. However, these programs are not included in the analysis for any of the other program features.

2 Prior to 2020, we counted Promise Indiana as one program. This year, as in the past two years, we are reporting it as 28 separate county-level programs to more accurately represent how the programs operate. However, since we did not obtain county-level responses to the survey, Promise Indiana is only represented once in the analysis for other program features.

3 Survey respondents were asked to define "low- to moderate-income" in their responses. The open responses included: at or below area median income (8), at or below federal poverty level (6), and free-or-reduced price lunch eligible (29). Several programs set household income thresholds (e.g., below $70,000 per year), or used eligibility for benefits, such as Special Supplemental Nutrition Program for Women and Infant Children (WIC), Medicaid, or Pell Grants.

4 Responses to this question from 2021 were incorporated for programs that did not provide a response in 2022, where applicable.

STATE SENATOR
Eric Wimberger
DISTRICT 30

State Senator Eric Wimberger
Testimony before the Assembly Committee on Financial Institutions
Re: creating a WisKids savings account program within the college savings program

Thank you Representative Duchow and committee members for holding a hearing today on Assembly Bill 1012 which requires the state to open and manage an educational savings account with a $25 initial investment for every child born or adopted in Wisconsin.

Wisconsin currently operates a 529 college savings program called Edvest that allows families to save and invest in their child's educational future while receiving a tax deduction and favorable tax treatment when the funds are used.

This legislation directs the Department of Financial Institutions (DFI) to establish a master college savings account and deposit $25 per child to be used on qualified higher education expenses. These deposits, which parents can opt out of, will come from DFI's segregated fund and will not need GPR funding.

Upon reaching the age of 18, each child may access and use their account balance for an allowable use under federal law, which includes: post-secondary education, vocational or technical college, and costs associated with an apprenticeship; or upon age 26 the individual may elect to roll their account into an IRA-like retirement account.

This legislation builds on the original promise of Wisconsin's current Edvest program and shows that the state is truly invested in the higher education or vocational aspirations of every Wisconsin child. In Wisconsin, there are nearly 400,000 educational savings accounts, and we hope that this bill encourages more parents to take advantage of this important resource. I hope you will join me in support of Assembly Bill 1012, and help all Wisconsin kids reach their full potential.

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Madison, WI 53707-7882
(608) 266-5670 • (800) 385-3385
Sen.Wimberger@legis.wi.gov

State of Wisconsin

Department of Financial Institutions

Tony Evers, **Governor** Cheryll Olson-Collins, **Secretary-designee**

Testimony in support of: AB1012 **(-5121)**: *creating a WisKids savings account program within the college savings program and making an appropriation.*

Assembly Committee on Financial Institutions
Wednesday, January 31, 2024, at 10:30 a.m.
Wisconsin State Capitol, Room 300 Northeast

Catherine Haberland, Assistant Deputy Secretary, Wisconsin Department of Financial Institutions
Jessica Wetzel, Financial Capability Director, Wisconsin Department of Financial Institutions
Chelsea Wunnicke, College Investment Program Finance Officer

Good morning, Chairwoman Duchow and Committee Members:

On behalf of the Department of Financial Institutions, we appreciate the opportunity to testify today in support of Assembly Bill 1012. My name is Jessica Wetzel; I serve as the Department's director of the Office of Financial Capability which oversees the Wisconsin 529 College Savings Program. With me is Chelsea Wunnicke, who serves as a College Savings Program Finance Officer, and the Department's Assistant Deputy Secretary, Catherine Haberland.

We would like to thank Chairwoman Duchow for hearing AB1012 today, and the authors of this legislation, Representative Macco and Representative Goyke, for consulting with our department on the administration of the WisKids legislation for the benefit of children in the state of Wisconsin.

The creation of a WisKids program would add another line of business accountable to the Wisconsin College Savings Program and College Savings Board. With the additional spending authority outlined in the bill and pending fiscal estimate, we believe it is within the mission and capacity of the Department of Financial Institutions Office of Financial Capability to add this program.

As the state's 529 administrator, the Department of Financial Institutions and the College Savings Program are position well to administer the WisKids program, following a model that is currently succeeding in other states including Nebraska, Nevada, California, Pennsylvania, and Illinois. Current DFI staff have subject matter expertise in statewide universal Children's Savings Account programs and are networked to implement best practices in Wisconsin. Additionally, the state's contracted Program Manager for the Edvest 529 plan, TIAA-CREF Tuition Financing, Inc., has also been consulted on this legislation and has registered in favor of AB1012, and provided testimony in writing showing their support.

The ability to connect all new parents in the state with a college savings account at the birth of a child provides us the opportunity to better serve the people of Wisconsin, encouraging saving for future education as early as possible in a child's life.

On behalf of the DFI, we thank the committee and the many sponsors, cosponsors, and supporters of Assembly Bill 1012 for their time and energy on this important legislation. We look forward to seeing this legislation enacted, and to bringing these important benefits to more Wisconsin residents. We are happy to answer any questions you have for the Department.

Office of the Secretary
Mail: PO Box 8861 Madison, WI 53708-8861
Courier: 4822 Madison Yards Way, Madison, WI 53705
Voice: (608) 264-7800 Fax: (608) 261-4334 Web: www.wdfi.org

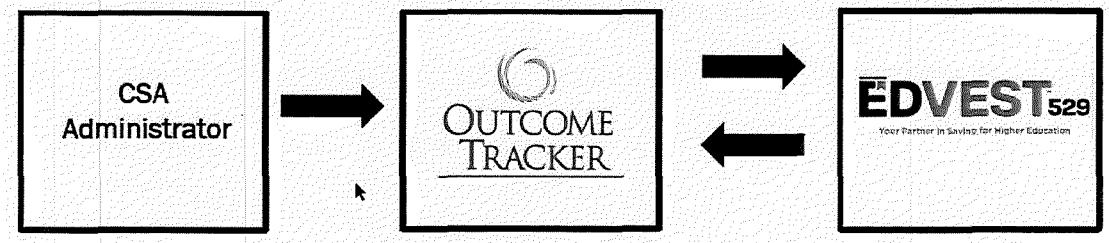
Edvest 529 CSA Program Operational Platform

Edvest 529, through a data sharing arrangement with VistaShare, utilizes Outcome Tracker software to offer an investment and recordkeeping solution to CSA organizations. This arrangement supports organizations wishing to create an opt-out CSA program which will hold its seed and incentive funds in a master account within one of Edvest 529's investment options.

The following outline provides information on the onboarding process organizations will follow to implement an opt-out CSA with Edvest 529:

1. **Outcome Tracker offered by VistaShare**
   Outcome Tracker is both an administrative recordkeeping tool and participant portal. CSA organizations can use Outcome Tracker to administer a CSA including data management, transferring funds between Edvest 529 accounts, communication with participants, and program reporting. Parents can access the online portal where they can update their personal information and view their CSA account balance. In addition, parents can open and link a personal Edvest 529 account to the CSA account and see both balances together on the Outcome Tracker portal. CSA Administrators will also be able to see and track activity in a participant's personal Edvest 529 plan account via the Administrator tools on Outcome Tracker.

   CSA Program Roles and Responsibilities:



- Gathers, uploads and maintains participant data in Outcome Tracker
- Communicates with families
- Creates administrative reports

- Stores CSA participant information
- Provides portal for families to view CSA and, if applicable, 529 account balances on one screen
- Calculates each child's share of the 529 investment account

- Provides investment account(s) consisting of seed and incentive funds
- Reports total account position of the master, cohort, and personal accounts through nightly feed to Outcome Tracker

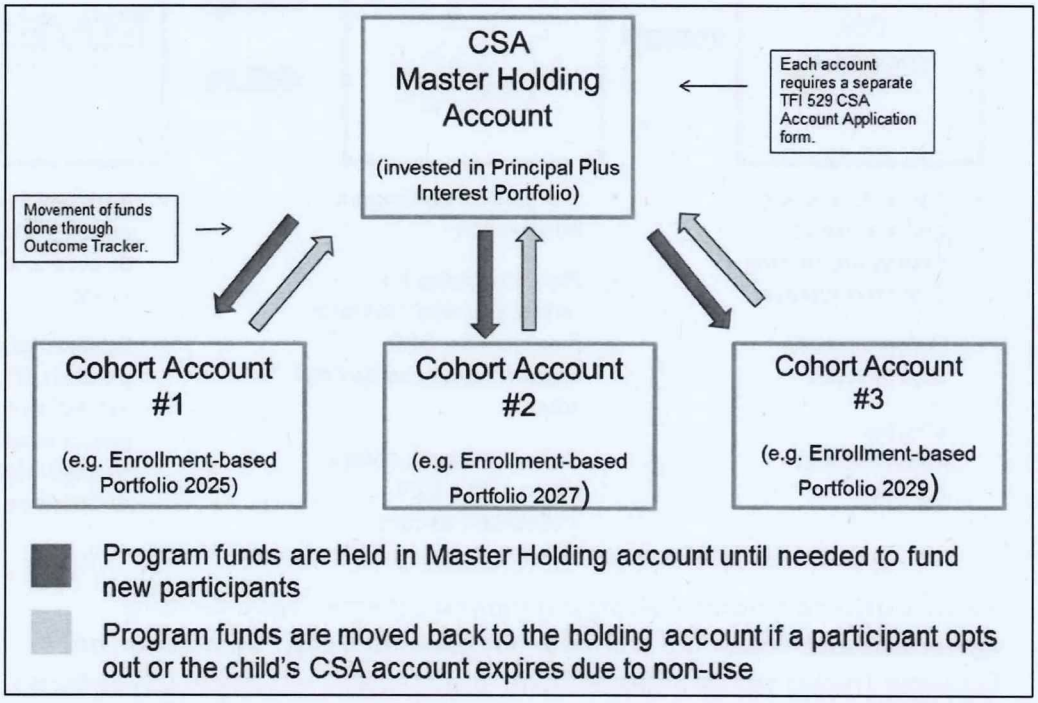
To use Outcome Tracker, CSA organizations must enter into a licensing agreement with VistaShare and cover any associated cost. Information on Outcome Tracker can be accessed here: https://www1.vistashare.com/who-we-serve/asset-building/childrens-savings-accounts/ . To get more information, please contact sales@vistashare.com.

2. **Edvest 529 Investment Account**
Organizations must open and fund at least one Edvest 529 account to hold their CSA program funding. A separate CSA Account Application is required for each CSA program account. In a typical CSA, there are at least two Edvest 529 accounts opened:

   a. CSA Master Holding Account. This account holds all program funds which have not been allocated to a specific participant (e.g. the program has $100,000 in funding and only needs $50,000 to fund a cohort of participants in the first year. The program would contribute $100,000 to the CSA Master Holding Account and then move $50,000 to a CSA Cohort Account as needed and described below). The CSA Master Holding Account is usually held in a conservative portfolio such as the Principal Plus Interest Portfolio to help protect it from market loss. There is only one holding account.

   b. CSA Cohort Account. This account holds all program funds that have been allocated to a specific cohort of participants. There may be multiple Cohort Accounts (e.g. in a CSA that awards seed funding annually there may be one CSA Cohort Account for each cohort based on year of award).

CSA Account Structure Example:



My name is Jonathon Ferguson. I serve as a Financial Capability Specialist at the University of Wisconsin-Madison's Division of Extension and UW-Madison's Retirement and Disability Research Center. In this role, I work with Extension financial educators located in counties throughout the state as well as with academics who complete research on a variety of topics related to financial wellness. My comments are meant to accentuate some main points covered earlier.

First, I'd like to share information about the impact that even small amounts of money saved for postsecondary education can have for students. It's clear that costs for postsecondary education have increased significantly over the last 25+ years and that a few hundred dollars set aside for education only covers a small portion of the costs. Yet, if those savings were made in a way that encourages a young person to form postsecondary education as part of their identity, then it can influence their behavior and goal setting such that they complete their high school education with greater fervor and pursue further education in ways they may not have without those savings.

Early research (Huntington et. Al, 2021) suggests that child savings accounts have a positive effect on:

- Parent's educational expectations for their child
- Family preparation for the child's future education, including savings
- Parent monitoring of child's schoolwork
- Child's academic self-concept
- Child's math skills

Furthermore, the positive impacts are large for disadvantaged families but benefit all demographics. Lastly, research suggests that the potential to increase children's college expectations, also called their "college bound identity," could be one of the most positive effects of CSAs.

Secondly, I'd like to touch on the cost benefit analysis information that was completed by members of the Lafollette School of Public Affairs at UW-Madison. To explore the potential economic impact of child savings account, the research group considered if the added value of the CSA program would outweigh the costs. To do this, the research group considered the following data to project the CSA program's total value:

- amount earned on the seed investment of $25,
- the projected increase in enrollment in postsecondary programs at 2 year and 4 year institutions,
- and the related average increase in lifetime learnings per degree

In their projections, the research group looked at thousands of scenarios with regard to cost of postsecondary education, attendance distribution between 2 year and 4 year schools, the difference in lifetime earnings for attendees of postsecondary education, etc. They then subtracted the program cost (ex: administrative cost) from the projected total value.

In over 96% of the scenarios tested (i.e., simulations), there was a positive net benefit for the state with an average of $224 million per year. Furthermore, the research group found that the program would add economic value for each county as well even though Wisconsin's counties are varied by demographics, wealth, etc. It is important to note that the economic value added is influenced by the counties number of births, percentage of Edvest accounts, etc.

In summary, the early research on the behavioral impact and economic value of child savings accounts is positive and shows that CSA savings can benefit individuals, communities, and the state of Wisconsin.

Jonathon Ferguson

Child Savings Accounts in Wisconsin: A Cost-Benefit Analysis

Prepared for

Chelsea Wunnicke
Extension Educator, Human Development & Relationships
UW-Madison Division of Extension Richland County

Prepared by

Stephanie Mertens
Ian O'Connor-Giles
Adam Riley
Sam Schneider
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December 2022
Robert M. La Follette School of Public Affairs
University of Wisconsin, Madison

Robert M. La Follette
School of Public Affairs
UNIVERSITY OF WISCONSIN-MADISON

Table of Contents

Executive Summary

Child Savings Accounts (CSAs) are intended to help children, from birth to age 18—especially among low-income populations—build savings for postsecondary education. In the past decade, CSA initiatives have gained strong momentum in states and localities across the United States. These programs have become particularly attractive to policymakers concerned about the future workforce, wealth disparities, and disparities in access to higher education. While CSAs have initially been implemented at regional or local levels, those programs have begun providing preliminary data that highlights the potential benefits of broader programs. Universal CSAs offer a significant paradigm shift: that is, viewing savings for college as a fundamental right as opposed to a function of ability to save. In fact, just last year, the CSA field reached a major milestone: more than 1 million children in the U.S. now have a savings account established by a government entity to support higher education expenses (Anguiano, 2022). At the request of the University of Wisconsin-Madison Division of Extension, we have conducted a cost-benefit analysis (CBA) assessing the long-term costs and benefits of investing in universal child savings accounts for Wisconsin residents. To our knowledge, this is the first CBA of universal CSAs for Wisconsin, meaning our analysis is a timely addition to the CSA field. To do this, we projected the increased number of students who would attend two- and four-year colleges due to these savings accounts along with the costs associated with running the program statewide. We conducted Monte Carlo simulations to analyze the effects that an initial investment of $25 per child born in the state would have over the lifetime of each child and ran sensitivity analyses to measure the variability of our projected outcomes. Our findings suggest that CSAs are likely to have substantial positive net benefits for the state and for each Wisconsin county. In our base model, we find positive net benefits in over 96 percent of simulations, with a mean present value of net benefits of $4.04 billion–or $224 million per cohort–for the first 18 cohorts, with a range of - $7.76 billion to $19.9 billion. At the county level, we find that all counties have positive net benefits on average, with the per cohort mean present value of net benefits ranging from $9 per capita in Bayfield to $83 in Lafayette. We hope that policymakers and CSA practitioners can use this analysis to make more informed decisions regarding interventions designed to address serious equity issues facing Wisconsin.

Acknowledgements

The authors would like to thank the individuals who contributed to and supported this cost benefit analysis. First, we would like to thank our client, the University of Wisconsin-Madison Division of Extension, and specifically Chelsea Wunnicke, for her assistance throughout the project. We would also like to thank Jessica Wetzel from the Wisconsin Department of Financial Institutions for supplying data and additional information. Finally, we would like to express appreciation to our professor, Dr. Morgan Edwards, for her continuous support, encouragement, and constructive feedback throughout the course of this project.

List of Acronyms

CBA	Cost-benefit analysis
CSA	Child Savings Account
DFI	Department of Financial Institutions
DHS	Wisconsin Department of Health Services
DOA	Wisconsin Department of Administration
DOR	Wisconsin Department of Revenue
Edvest	Edvest College Savings Plan Board
ETF	Department of Employee Trust Funds
FPL	Federal poverty level
FMFM	Fund My Future Milwaukee
HI	High income
IRA	Individual retirement account
LMI	Low moderate-income
METB	Marginal Excess Tax Burden
PVNB	Present value of net benefits
SEED OK	SEED for Oklahoma Kids
SWIB	State of Wisconsin Investment Board
WSIPP	Washington State Institute for Public Policy

Introduction

Child Savings Accounts (CSAs) have become a critical tool for policy makers interested in addressing wealth inequality and access to postsecondary education in the United States. As higher education continues to be a key predictor of one's earnings (U.S. Bureau of Labor Statistics, 2020), increasing the number of college graduates is widely thought of as one of the best approaches to closing wealth gaps. While many parents and guardians recognize the importance of saving for their child's future education, families' economic circumstances have prevented many from achieving this reality. Parents cite lack of resources and using existing funds to cover basic living expenses as challenges that have prevented them from saving for longer term needs (Gray et al., 2012). Governments are increasingly becoming aware that absent intervention, socioeconomic status will continue to perpetuate disparities in college savings, enrollment, and graduation. For example, one study from The Urban Institute found that among children who grew up persistently poor, only 22.8 percent enrolled in postsecondary schooling by age 25 and only 3.2 percent completed their degree by age 25 (Ratcliffe, 2015). These notions suggest that public policy has an important role to play in ensuring equitable access to asset building tools and higher education. A major critique of CSAs is that they don't address the immediate needs of low-income people. Professor William Elliott, a leading researcher in the fields of college savings accounts, college debt, and wealth inequality counters this narrative, saying, "what assets give you is tangible hope. It says you have money stuck away that you'll one day be able to use to go to college. That's a different kind of hope," he said. "Nobody wants to toil every day just to be able to find a way to eat–they want to have a stake in their future" (Anguiano, 2022).

While CSAs could theoretically employ various savings vehicles, most CSAs–especially statewide programs–use tax advantaged 529 plans for education savings authorized at the federal level under section 529 of the Universal Revenue Code (SEC, 2018). At present, 39 states and municipal governments operate a total of 115 CSA programs, with 1,214,056 youth holding accounts in their name (Thiemann and Markoff, 2021). These numbers have risen exponentially over the past decade

(see Appendix A & B). Most CSA programs (62 percent) are administered by nonprofit organizations, but government agencies operate a majority of the larger scale programs. Survey results from current programs indicate that the top three goals of CSAs are: (1) promoting young people's economic mobility and asset building, (2) increasing the number of young people who complete postsecondary education, and (3) building families' financial capability. Funding sources vary across localities and early evidence suggests the private sector may have a large role to play. A majority of survey respondents (54 percent) selected either individual donors or foundations as their top source of funding. The percentage of programs receiving some funding from individual donors has increased significantly from 46 percent in 2018 to 69 percent in 2020. Only 42 percent of programs claimed to have received at least one source (federal, state, city/county) of government funding (Thiemann and Markoff, 2021).

Given that CSAs are a relatively new intervention, there is a lack of impact evaluation. The SEED for Oklahoma Kids (SEED OK) experiment is the largest scale study on CSAs to date, offering initial evidence on short- and long-term impacts for children and parents. Findings from SEED OK document positive effects on:

- Parent's educational expectations for their child;
- Family preparation for the child's future education, including savings;
- Parenting practices;
- Parent monitoring of child's schoolwork;
- Parent's depressive symptoms;
- Child's hope;
- Child's behavior;
- Child's academic self-concept; and
- Child's math skills.

The positive impacts are larger for disadvantaged families and benefit all racial and ethnic groups (Huang et al., 2021). Additional evidence shows that even small initial deposits can make a big

difference. Low-income children may be more likely to enroll in and graduate from college with a savings account dedicated for higher education. A child who grows up in a family with low to moderate income and has school savings of $1 to $499 prior to reaching college age is over three times more likely to enroll in college and four times more likely to graduate from college than a child with no savings account (Elliott at al., 2013).

Conversations surrounding CSAs gained traction in Wisconsin when the Assembly and Senate proposed the 401(K)ids Savings Program in February 2022. The proposed program would be a state-facilitated, early and long-term savings program aimed to improve retirement and help every child in Wisconsin build wealth regardless of family income (Wisconsin Office of State Treasurer, 2021). Similar to the set-up of a 529 plan, a tax-advantaged account specific to education, this proposed 401(K)ids program would allow Wisconsin residents to expand on college savings and child savings programs by investing accounts in an index fund and allowing potential withdrawals to be used for education, retirement, home ownership, or other needs (Wisconsin Office of State Treasurer, 2021). If established, Wisconsin would be the first in the nation to create a statewide long-term savings program for retirement and other wealth-building activities utilizing a 401k savings plan structure. Currently, there are city- and state-wide universal savings programs that have been implemented for education purposes using the 529 structure allowing for analysis of similar implementation (Wisconsin Office of State Treasurer, 2021).

The University of Wisconsin-Madison Division of Extension requested a cost-benefit analysis (CBA) assessing the long-term costs and benefits of investment in universal savings accounts for Wisconsin residents. This program will be compared to the proposed 401(K)ids program in Wisconsin. Recognizing that the 401(K)ids bill ultimately did not pass in either the Wisconsin Assembly nor Senate in the spring of 2022, largely due to feasibility concerns about using a modified 401k savings structure that would require federal approval, we focus on assessing the costs and benefits of implementing a universal 529 savings account for every newborn born in Wisconsin. Under a universal 529 plan, every baby born in Wisconsin would automatically be enrolled in an Edvest 529

plan with a set initial deposit, also known as a seed amount, and the option to opt-out, if desired. Establishing a universal 529 plan does not directly address long-term saving specific for retirement or other larger investments such as home ownership, however, it does address building wealth at an earlier age. In turn, this will better equip Wisconsinites in the future with the option of attending college which impacts wealth over a lifetime. Since implementing this program would affect Wisconsin residents, we use Wisconsin standing for the purpose of deriving costs, benefits, and total net benefits.

Current Savings Plans

At present, saving for retirement or higher education in Wisconsin is dependent on the proactive actions of an individual. An individual can opt-into their employer's retirement plan, if offered, or they can begin saving separately by opening an individual retirement account (IRA) through an independent financial services company. One of Wisconsin's state-sponsored college savings plans, Edvest, is a tax-advantaged 529 college savings plan that allows families and individuals to save for the cost of higher education. It is administered by the State of Wisconsin, acting by and through the Edvest College Savings Plan Board (Edvest). An Edvest account can be opened with as little as $25 and can be contributed to regularly or simply grow based off of interest accrued. Currently, there are 106,450 Edvest accounts set up to support Wisconsin students. Another state-sponsored college savings plan is Tomorrow's Scholars. Similar to Edvest, Tomorrow's Scholars is a 529 college savings plan with a $250 minimum deposit for opening an account. As of June of 2022, there are 114,933 accounts in total supporting Wisconsin students.

Similar Policy Proposals

Efforts have been made at the local and state level in Wisconsin regarding the possible adoption of CSAs or other wealth-building programs. Below, we outline three possible policy proposals based on existing efforts by the Wisconsin Senate and Assembly, including the Universal 401(K)ids Program and a Baby Bond program, as well as Milwaukee's universal 529 program. The success of these programs is dependent on the political environment, community actors, and public

support. The results of positive net-benefits from this cost benefit analysis have the potential to inform and shape future policy implementation of the proposed policies described below based on the beneficial impacts of early childhood saving efforts.

401(K)ids Program

In February of 2022, the Assembly Bill 974 and Senate Bill 974 were introduced to the floor spearheaded by Representatives Macco (R - Ledgeview) and Goyke (D - Milwaukee) in the Assembly and Senators Ringhand (D - Evansville), Agard (D - Madison), Johnson (D - Milwaukee), Larson (D - Milwaukee), Pfaff (D - Onalaska) and Roys (D - Madison) in the Senate. The bills would have created the 401(K)ids Savings Program which required the Department of Employee Trust Funds (ETF) to establish and administer the program or to select the vendor to administer the program (A.B. 974). Within the bill, several ways of establishing the 401(K)ids savings accounts were provided:

> *First, the bill requires the state registrar to submit to ETF a copy of the record of birth for each child born in Wisconsin on or after the effective date of the bill and requires ETF to establish a 401(K)ids savings account for the child, with the child designated as the account beneficiary and each parent identified in the record of birth designated as an account owner. Second, the bill requires each court order granting an adoption of a minor in Wisconsin on or after the effective date of the bill to be submitted to ETF and requires ETF to establish a 401(K)ids savings account for the child, with the child designated as the account beneficiary and each parent identified in the court order designated as an account owner. Third, any other person may establish a 401(K)ids savings account by making an application for the account, designating an individual who is a minor as the account beneficiary, and making an initial contribution to the account. If ETF establishes a 401(K)ids savings account based on the receipt of a birth record or adoption order for the account beneficiary, ETF must deposit $25 into the account. When an account beneficiary reaches 18 years of age, the account beneficiary becomes the only account owner. (A.B. 974)*

Under this bill, the beneficiary distributions from an account may be used only to pay for a "qualified expense," which is defined as any of the following: 1) any cost incurred by an account beneficiary in connection with the account beneficiary attending an institution of higher education or receiving any postsecondary training; 2) any cost incurred by an account beneficiary in connection with the account beneficiary purchasing the account beneficiary's first home; 3) a medical emergency of the account beneficiary; or 4) any cost incurred by an account beneficiary during the account beneficiary's retirement relating to housing, food, clothing, health care, transportation, or other household needs (A.B. 974).

As previously mentioned, if adopted the 401(K)ids program would expand on college savings and child savings programs by investing accounts in an index fund and allowing potential withdrawals not only for post-secondary education and training, but also first-time home purchases, and more importantly retirement (Wisconsin Office of State Treasurer, 2021). This program evokes self-funded 401k retirement accounts offered by many employers, however, there is no stand-alone financial product that enables early, market-based retirement savings for children. Recognizing that this would be the first of its kind to utilize a 401k account structure for more than retirement savings purposes, there are two options for implementation. The first would be to use an omnibus structure that would pool all the funds for Wisconsin 401(K)ids savers into a trust attributing funds for individual children as they are born (Wisconsin Office of State Treasurer, 2021). The second would be for the state to explore the use of IRAs as the financial product (Wisconsin Office of State Treasurer, 2021).

Both bills received fiscal estimates from Wisconsin's Department of Administration (DOA), Department of Revenue (DOR), ETF, and the State of Wisconsin Investment Board (SWIB). According to the fiscal estimates provided by DOR, the bill creates appropriations under 20.515 and provides $1 million GPR annually for initial program funding (Hunter, 2022). The bill also provides that the state would be reimbursed for administrative costs related to the program, and over time, the program is intended to become cost neutral to the state (Hunter, 2022). In March of 2022, both bills failed to pass and, therefore, we do not consider the 401(K)ids program as a viable option at this time.

Targeted "Baby Bonds" Program

In August of 2021, the Senate and State Assembly introduced Bills 497 and 513, respectively, which proposed the establishment and administration of a Baby Bond program that creates a Baby Bond fund managed by the State of Wisconsin Investment Board (S.B. 497). Under these bills, the Department of Financial Institutions (DFI) in consultation with the Department of Health Services (DHS) and the DOR would determine whether, on the day before the child was born, the child's mother met the income requirements for the Medical Assistance program (S.B. 497). If satisfied, DFI would establish a Baby Bond account for a child, who is designated as the beneficiary, and $3,000 would be deposited into the Baby Bond trust fund (S.B. 497). When the beneficiary turns 18 years old, and if certain conditions were met, then the individual could receive distribution of the full account balance to pay expenses associated with postsecondary education; childcare or education of a minor dependent of the account holder; the purchase of a home; starting a business by the account beneficiary; or contributing to a retirement savings account (S.B. 497). The Baby Bond program, while structured financially different from the 401(K)ids program, shares the same goal of building wealth and economic security at an early age with the option to use the funds that will acquire assets that appreciate over time and generate wealth (Markoff et al., 2022).

According to the fiscal estimates provided by DFI, the annual costs to fund the accounts would be between $78 million and $87 million assuming that the number of births remained stable in future years at approximately 26,000 to 29,000 newborns per year (Anderson, 2021). Additional costs would incur with the development and administering of the required financial literacy course required within the bill, as well as recordkeeping, account and website maintenance, and other administrative activities. The SWIB fiscal estimates expected that the assets of a Baby Bond trust fund would be managed in a manner similar to other separately managed trust funds, and would likely invest the assets in passive, externally managed, low-cost index funds (Risch, 2021). The assumptions and cost estimates provided assume the assets of a Baby Bond trust fund would be invested in a single pool with a long-term investment horizon with the fund's assets being roughly similar to the assets of SWIB's other separately managed funds (Risch, 2021). However, similar to the 401(K)ids program, both Baby

Bond bills failed to pass pursuant to Senate Joint Resolution 1.

Milwaukee's Fund My Future CSA Program

In 2018, Milwaukee launched a citywide initiative, "FundMyFuture", to provide all five-year-old Milwaukee kindergarten students with a CSA. Fund My Future Milwaukee (FMFM) is a public-private effort driven by individuals and organizations committed to ensuring that all children have the chance for a future that includes higher education (Fund My Future Milwaukee, 2019). This initiative opens CSAs to help students save, plan, and pay for education costs beyond high school (Fund My Future Milwaukee, 2019). It builds upon the existing 529 financial structure by auto enrolling and investing a seed amount of $25 per five-year-old kindergartner in a community savings account managed by Edvest. The seed money comes from the United Way of Greater Milwaukee and Waukesha Counties, which has contributed more than $521,000 since 2018 (Luthern, 2021). Once the student graduates from high school, the seed deposit plus any accrued amount can be used for qualified educational expenses like attending a higher education institution, such as a college, trade school, or technical school, or the cost of books, supplies, and certain room and board expenses. Families are unable to contribute to the FMFM Edvest accounts, however, they are encouraged to open up a separate 529 account to begin saving for educational expenses.

Utilizing the financial infrastructure of Edvest and the community support and involvement for FMFM, Wisconsin should look into implementing a universal 529 plan for all Wisconsin children beginning at birth to expand access to universal CSAs on a statewide level. In the meantime, Wisconsin communities could implement their own universal 529 programs, like Milwaukee, to begin early saving for children. The overall goal of a universal 529 plan is to increase educational attainment rates and improve the financial capability of participating children and their families. This in turn ensures that Wisconsin is positioned for economic mobility. Research shows that having even small educational savings raises children's expectations for their future and can increase the level of education that they attain (Elliott, 2013). Students from low-income families who have between $1-$499 saved for college are three times more likely to attend college, and four times more likely to

graduate than those whose families do not have college savings (Elliott, 2013).

Program Costs & Benefits

In this section, we explain the metrics, costs, and benefits we have chosen for analysis. We also provide detail around our projections for future values based on current trends and similar studies. For program costs and benefits, we are concerned with estimating the total marginal social costs and benefits of a statewide universal CSA program compared to the status quo, or business-as usual scenario, of no statewide CSA program.

General Metrics

Annual Births in Wisconsin

From 1990-2020, Wisconsin averaged 68,370 births per year, with a standard deviation of just under 2,829 births. Total births per year in Wisconsin and nationwide has been slowly ticking downward overall over the last 10 years. However, birth rates post-pandemic have dropped more dramatically, closer to 60,000 per year in Wisconsin (Wisconsin Department of Health Services, 2021). Given such, we decided to exclude the pandemic related drop from our long-term trend projection. For projecting the next 36 years of births in Wisconsin, we have run a linear regression of the aforementioned 30-year period and randomly assigned a value from a normal distribution around each year's average projected births.

Social Discount Rate

The social discount rate is an interest rate used in cost-benefit analysis to convert future dollar amounts into current values, reflecting society's overall preference for current, compared to future, consumption. This conversion is done to compare values across times and to measure the value of future costs and benefits by their equivalent value in present dollars. We follow the United States Office of Management and Budget, and other government agencies, in using a real social discount rate of 3 percent and performing a sensitivity analysis with a real social discount rate of 7 percent

(Boardman et al., 2018, p.259). The base 3 percent rate is also consistent with the research on the present value of lifetime benefits from higher education that we use to estimate the benefits of the program (Belfield & Bailey, 2017).

Benefits

Increasing Access to Higher Education

The primary benefit we are measuring is the increased number of students who enroll in higher education. There are an increasing number of recent studies attempting to quantify the benefits of attending four-year college (Avery and Turner, 2012; Webber, 2016). However, there are relatively few studies that attempt to quantify the benefits of attending two-year colleges and fewer still that compare the values of two- and four-year degrees. Therefore, to estimate these benefits for both two- and four-year degrees in a consistent manner, we use distributions derived from Belfield and Bailey's (2017) review of research on the lifetime pecuniary benefits of higher education. Belfield and Bailey use findings from multiple studies to conduct a Monte Carlo simulation providing a distribution of the present value at date of first enrollment of the lifetime earnings gain from an associate degree, using a 3.5 percent discount rate. They also review nine studies on the present value of increased lifetime earnings resulting from a bachelor's degree, discounted at a 3 percent discount rate, from which we derive a distribution for our Monte Carlo analysis. Adjusting for inflation, we estimate the mean present value of an associate and bachelor's degree to be a little over $117,000 and $509,000, respectively, in 2022 dollars.

For the purposes of our analysis, we do not attempt to adjust the value of the returns to higher education for the types of students who would be the incremental additions that would otherwise not attend without the programs. While there are certainly those who would benefit more or less from going to college, and there are plenty of factors that affect the return an individual would receive for attending, we believe that using an average is acceptable given that a Universal CSA program would reach all students. Moreover, Oreopoulos and Petronijevic's (2013) review of the relevant research

suggests that the marginal student's returns to higher education are similar to those of the average student and may even be higher.

Whether or not small value college savings accounts increase college enrollment is a question still under debate. Universal CSA programs that provide benefits from birth have not been studied thoroughly with experimental trials, so the majority of data on the relationship between having college savings and enrolling in college comes from survey and correlational studies. These observational studies (see Elliott et al., 2013) have found correlations between having college savings, even small-dollar savings, and college enrollment, but these studies have trouble completely controlling for various other factors and self-selection into savings. We discuss these studies in more detail in the results section in relation to our sensitivity analyses on the predicted effect size of the program on college enrollment.

In the past couple of decades there have been attempts at experimental research for CSAs, such as the SEED OK program in Oklahoma and the Early College Planning Initiative in Boston. The SEED OK program provided an investment amount of $1,000 at birth—a much higher initial seed deposit than may be feasible for a statewide program in Wisconsin; moreover, the study has not yet matured to the point where participants are enrolling in college.

Initial results from the Early College Planning Initiative, a randomized controlled trial involving a control group and two treatment groups, with the second treatment group receiving a reasonably comparable treatment to the policy we are analyzing, suggest that a CSA program with small seed deposits may only have a marginal (0.81 percent) impact on overall college enrollment, but a more substantial impact on the type of program students enroll in. Long and Bettinger (2017) find that participants who enrolled in college were 11 percent less likely to attend a two-year college and 8 percent more likely to enroll in a four-year college, suggesting that students were willing to make a more expensive college investment after creating a 529 savings account. These percentages work out to an increase in overall enrollment due to the base rates of two- and four-year enrollment, as roughly two out of three college students are enrolled in four-year programs, nationally (National Center for Education Statistics, 2021). A similar shift in enrollment from two- to four-year programs has been

found in meta-analyses of the effects of grant aid on college enrollment (Deming & Dynarski, 2009). To the extent that four-year degrees have higher net benefits than two-year degrees, such an effect means a universal CSA program could have net benefits even if it does not substantially increase overall college enrollment. However, this may prove politically unpopular with certain communities and stakeholders within Wisconsin. It will be important for policymakers to continue to monitor studies on CSAs as more data emerges, which may show a larger increase in overall enrollment that could offset this shift.

Interest Accumulation

Investing from birth allows for the accumulation of interest while the child grows up. This time horizon allows for the portfolio of investments to take on riskier positions that have historically produced higher returns over time. Wisconsin's Edvest program, which would manage the funds for each cohort, offers a variety of investment portfolio options that range in projected risk and return. The ultra-safe Principal-Plus Interest fund is insured to provide no less than a 1 percent rate of return per year, while to-date the more aggressive equity portfolios have averaged over 10 percent since inception (Edvest, 2022). A modern approach to investment portfolios with a known withdrawal date is to start with a relatively aggressive approach early on, allowing year to year fluctuations to stabilize over time, to then transition to a more stable portfolio near graduation to secure the returns from the initial years. Edvest has this option, known as "enrollment year investment portfolios", which is a good fit for Universal 529 accounts and their 18-year maturity horizon. Given that this option represents a blended middle ground in terms of risk and reward, we project that our universal 529 portfolio will have a real rate of return (net of inflation) of about 5 percent per year. In our Monte Carlo simulation, we estimate the real rate of return using a bounded normal-like distribution with a minimum value of 3 percent and a maximum value of 7 percent.

Costs

Administrative Costs

For the purposes of this analysis, we assume that the Wisconsin DFI, which runs the current 529 program, would expand to run the universal 529 program. Based on fiscal estimates prepared for the Baby Bond proposal discussed above and for the Illinois Higher Education Savings Program, a recently implemented statewide universal CSA program, we estimate the program would have first-year administrative costs ranging from about $390,000 to $1.5 million and ongoing annual costs between about $253,000 and $487,000. For first-year costs, the low-end estimate is based on the minimum fiscal estimates prepared for the Baby Bond program by the DFI, DHS, and SWIB (Anderson, 2021; Risch, 2021; Young, 2021). This includes $100,000 in one-time software development and $220,900 for two full-time employees to administer the program at DFI; one-time costs totaling $18,503 for DHS to develop procedures to report births to DFI; and $50,000 for SWIB for an initial review with an asset allocation consultant. The high-end estimate is based on the fiscal note from the Office of the Treasurer, estimating that the Illinois universal CSA program would incur $1.5 million in start-up costs, including communication and outreach (Illinois General Assembly, 2019). Annual administrative costs are based on the above fiscal estimates for the Baby Bond program and range between about $253,000 and $487,000. The low-end estimate includes $20,000 in software maintenance costs; $220,900 in salary and benefits for two full-time employees at DFI; and an average of $12,500 for SWIB to conduct $25,000 investment reviews every two years. The high-end estimate assumes annual reviews and an additional two full-time employees between DFI and vendors contracted by DFI.

Marginal Excess Tax Burden

There are additional costs associated with raising the funds to initially invest into the program. The administrative toll of gathering the funds, the opportunity cost of taking the money away from taxpayers, and deadweight loss associated with raising government funds are gathered under a metric referred to as the Marginal Excess Tax Burden (METB). There are many studies researching the

percentage of each tax dollar raised that should be included as METB. We estimate the marginal excess tax burden (METB) using an asymmetric triangle distribution (Boardman et al., 2018, p.301) with minimum 0.115, maximum 0.285, and mode 0.17, the recommended METB for non-federal projects (Boardman et al., 2018, p.71).

Cost of Two-Year and Four-Year College

In order to calculate the total social cost of attending college for each student, we calculated the average present values for attaining a two-year and four-year degree over an expected 2.5 and 5 years for degree completion as in Mills and Harris's (2021) comparative cost-benefit analysis of financial aid programs. These expected times to completion are slightly less than the averages of 3.3 and 5.1 academic years of full-time or full-time equivalent enrollment found in a review of national data (Shapiro et al., 2016). Although these averages may be skewed upwards, according to this study, only 7.4 percent of associate degree earners from two-year public institutions and 10 percent of bachelor's degree earners from four-year programs completed their degrees in two and four years, respectively.

There are many studies that estimate the cost of higher education to the state or to students, but few estimate the total social cost of an additional year of higher education. We estimate the direct cost of two and four-year schooling using the distribution provided by the Washington State Institute for Public Policy (WSIPP, 2019), with mean annual costs of $11,996 and $25,646 in 2022 dollars, respectively. Although the WSIPP estimates are for Washington, specifically, they are in line with the national point estimates of $11,146 and $24,597 in 2022 dollars used by Mills and Harris (2021) and provide standard deviations that we use to estimate a range of plausible values. We estimate the opportunity cost of lost wages and work experience to a student attending college using a mean value of $7,830 found by Johnson (2009) and a range of roughly $3,630 to $12,540, which captures the lower estimates from Belfield and Bailey (2017) and higher estimates from Mills and Harris (2021). Overall, we estimate the mean present value of total social costs of two- and four-year degrees to be about $47,760 and $155,400, respectively.

Results

To transparently convey the uncertainty regarding key parameters and projections, we report the results of our cost-benefit analysis using Monte Carlo simulations, in which we let each uncertain parameter vary randomly over a specified distribution, rather than report the results using point estimates, which would imply an inappropriate level of certainty. We ran each simulation 10,000 times, providing a good estimate of the plausible distribution of net benefits resulting from a statewide, universal Child Savings Account program in Wisconsin. We estimate both the per-cohort present value of net benefits (PVNB) for the program's first 18 cohorts and the program's overall PVNB over the first 36 years of operation, including the discounted lifetime benefits from higher education of cohorts that will have enrolled in college, at both state and county levels. In addition to the Monte Carlo simulation, we performed sensitivity analyses on several key variables to clearly display their effect on our estimation of costs and benefits. We find a positive PVNB in the vast majority of simulations under every specification, with over 96 percent of simulations in our base statewide model having positive net benefits and every county having positive mean net benefits.

Statewide Analysis

Overall, we find that a universal Child Savings Account program, with seed deposits of $25, would have a mean PVNB of $4.04 billion over its first 36 years.[1] Of our 10,000 simulations, 96.65 percent resulted in a positive PVNB. The median PVNB was $3.66 billion; the maximum, $19.9 billion; the minimum, - $7.76 billion. Figure 1 provides a histogram of the simulated net benefits.

[1] This includes the (discounted) lifetime benefits of increased higher education as a result of the program for the members of the first 18 cohorts. The costs related to the next 18 cohorts are included in the calculation, while the eventual benefits from their accumulated savings and increased educational attainment are excluded. Therefore, if we extended our cost-benefit analysis further into the future, we would expect the present value of net benefits to increase as the ratio of cohorts older than 18 to cohorts younger than 18 increases. This is supported by the fact that the first 18 years each have negative mean net benefits, while the last 18 years each have positive mean net benefits.

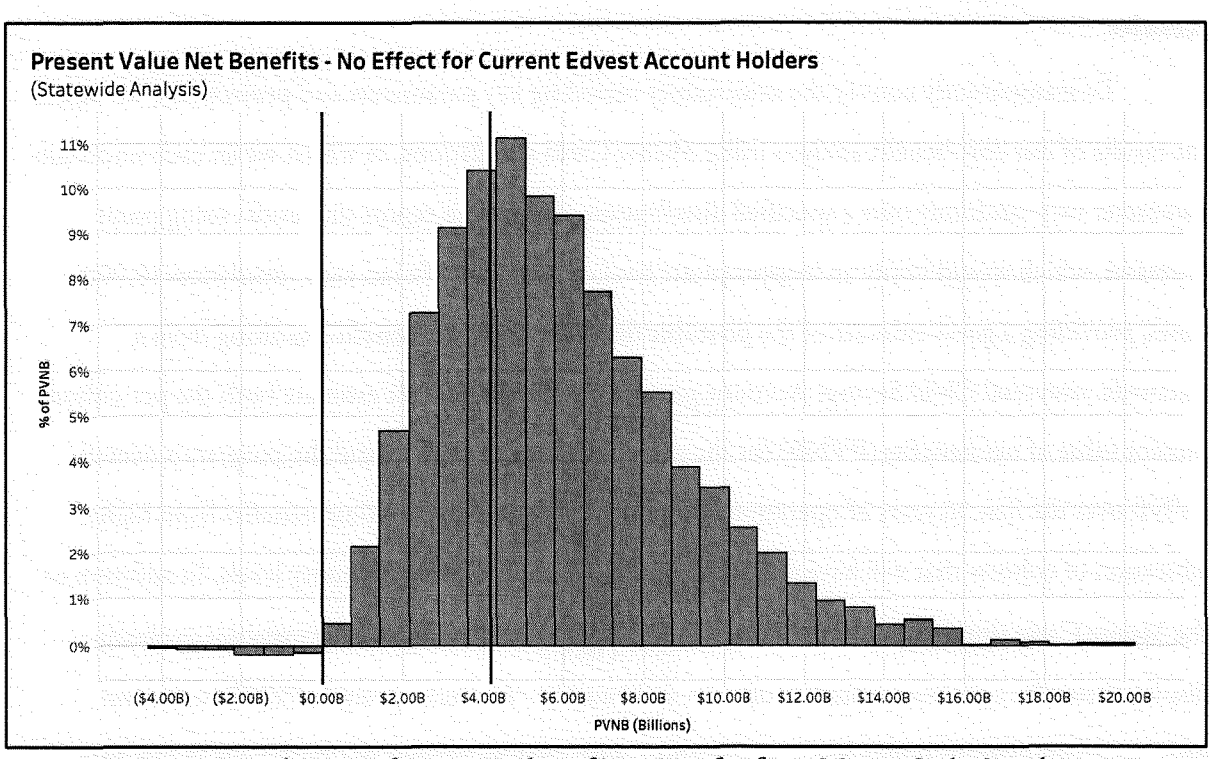

Figure 1. Distribution of Present Value of Net Benefits from Monte Carlo Simulation

The above figures include costs but not benefits for the last 18 cohorts, who would not begin to enroll in college within the program's first 36 years. To account for this, we also include the results from analyses that examine the costs and benefits for just the first 18 cohorts. This includes the costs of administering the program over 36 years, for all 18 cohorts to begin enrolling in college, but excludes the costs associated with seeding new accounts after year 18. To the extent that administrative costs would be lower if the program stopped seeding new accounts, this analysis overestimates the per-cohort costs. We estimate a mean per-cohort PVNB of $224 million, with a median of $203 million, a maximum of $1.1 billion, and a minimum of - $431 million. Figure 2 provides a histogram of the simulated per-cohort net benefits.

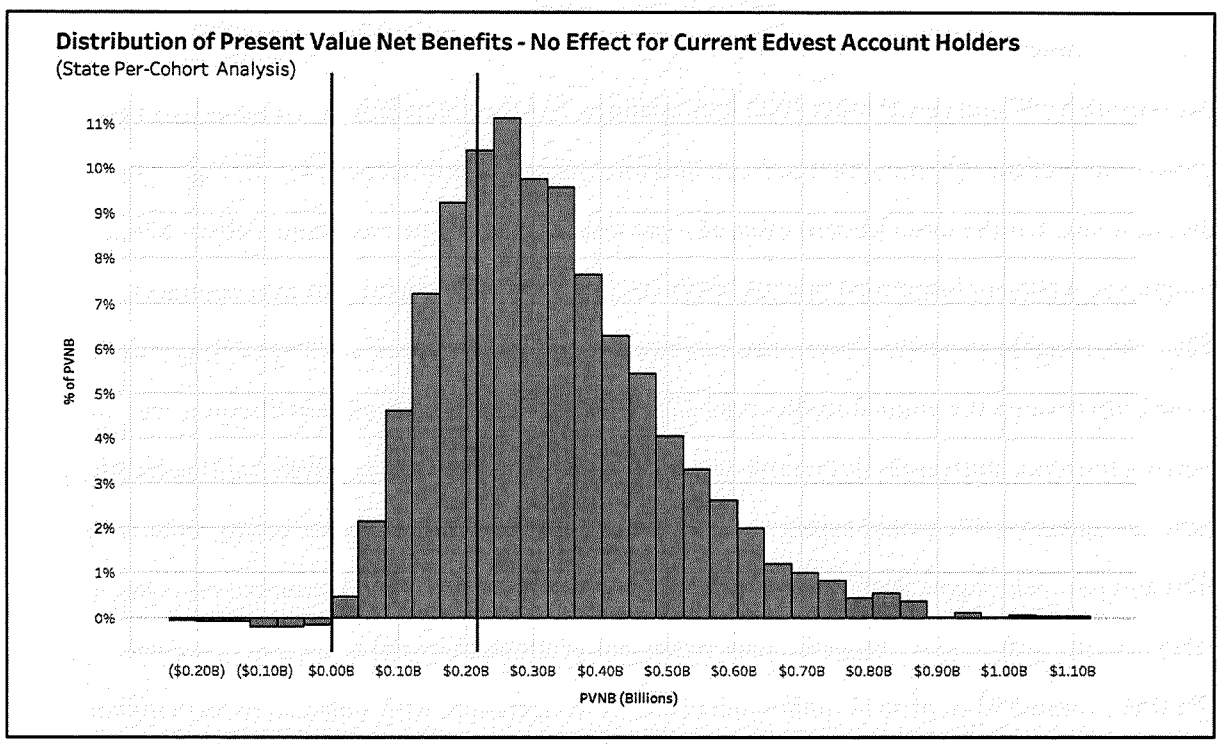

Figure 2. Distribution of Present Value of Net Benefits Per-Cohort

Our results regarding variables of interest include a mean individual total accrued balance from interest on the $25 seed deposit of $61.89 at age 18; a mean increase in total enrollment in higher education of 0.35 percent for each cohort; a mean *decrease* in enrollment at two-year programs of 1.15 percent for each cohort (due to the predicted shift from two-year to four-year institutions, conditional on enrollment); and a mean increase in enrollment at four-year programs of 2.4 percent for each cohort. We estimate mean present values (in the year of enrollment) for the total social benefits of one additional degree of $509,537 and $117,420 for four-year and two-year degrees, respectively. Our mean baseline level of enrollment, before any effect from the CSA program, which we project using all available data on postsecondary enrollment for 18- to 24-year-olds from 2007, 2009 to 2017, and 2019, is about 44.4 percent (diversitydatakids.org, 2021; NCES, 2018; NCES, 2021).

We perform a sensitivity analysis for the social discount rate used to discount future benefits and costs to present values; this is especially important for examining a CSA program, which involves significant upfront investments to achieve benefits in the distant future. Whereas in our base

simulation discussed above we use a social discount rate of 3 percent, for this analysis, we use a social discount rate of 7 and run another 10,000 simulations. For these simulations, we adjust the estimated present value of the lifetime benefits of two and four-year degrees to account for the higher social discount rate. For the mean present value of a two-year degree, our new estimate is about $74,608, roughly 36.4 percent lower than our base estimate. For a four-year degree, our new estimate is about $264,959, roughly 48 percent lower than our base estimate. The value of a four-year degree declines more both because the original studies used a 3 percent, rather than 3.5 percent discount rate, and because four-year degrees result in more delayed earnings benefits and a relatively backloaded lifetime earnings trajectory. We would expect to see lower net benefits as the difference between the value of a four and two-year degree shrinks and as the programs distant benefits are discounted more heavily relative to its upfront costs; however, over 94 percent of simulations still result in positive net benefits. We find a mean PVNB of $514 million over 36 years of operation, with a median of $435 million, maximum of $3.25 billion, and minimum of - $1.28 billion. The mean per-cohort PVNB for the first 18 cohorts is $28.6 million. (See Appendix C for histograms of these simulations.)

We also perform sensitivity analyses for the present value of an additional degree (Appendix D). In our base model, the present values of two- and four-year degrees are tethered using a shared random normal variable. We make this assumption for two reasons: (1) the assumptions made in the underlying studies to estimate these values would likely result in similarly high or low values for each type of degree (though most studies only examine one type); (2) the future conditions that would lead to a higher (lower) value for one type of degree would likely lead to a higher (lower) value for the other type of degree. We conduct a sensitivity analysis that relaxes this assumption, allowing the value of two- and four-year degrees to vary independently. We would expect this to result in a wider distribution of net benefits and in more simulations resulting in negative net benefits (when there are low estimates of the value of a four-year degree and high estimates of the value of a two-year degree). Running another 10,000 Monte Carlo simulations, we find that over 95 percent result in positive net benefits, with a mean PVNB of $4.03 billion, median of $3.59 billion, maximum of $21.8 billion, and minimum of $7.81 billion. The mean per-cohort PVNB for the first 18 cohorts is $224 million.

Finally, we conduct sensitivity analyses concerning the program's predicted differential effect on college enrollment for recipients of varying socioeconomic statuses (Appendix E).[2] In our base model, we assume that the program will not increase enrollment for the percentage of families with children under 18 that already have 529 savings accounts. For Wisconsin, this figure was 12.2 percent as of June 30, 2022 (DFI, 2022). Although this number will almost certainly increase over the period of our analysis as Edvest is a relatively new program, we have no time series data and therefore use this flat percentage. However, we do run Monte Carlo simulations of four other scenarios: no effect on enrollment for the percentage of the population with income (1) above 200 percent of the federal poverty level (FPL); (2) above 300 percent of FPL; (3) above 400 percent of FPL; and (4) above 500 percent of FPL.

Elliott, Constance-Huggins, and Song's (2013) study of survey data on college savings and college enrollment provides evidence that college savings are a significant predictor of future enrollment for low- to moderate-income young adults (with family income below $50,000 in 2009 dollars) but not for high-income young adults (with family income above $50,000). The companion Elliott (2013) study provides evidence that these savings effects can be achieved with small-dollar savings amounts of $1 to $499. Although these studies attempt to control for other variables and self-selection into saving, they do not provide generalizable, causal evidence applicable to CSAs, nor do they provide more fine-grained detail on the level of income at which savings no longer matter for enrollment. Still, they are the best evidence we have considering the lack of available data on the effect of CSA programs on enrollment that is disaggregated by socioeconomic characteristics. For these analyses, we use data on the ratio of income to the FPL in 2020 for individuals in Wisconsin from the 2021 American Community Survey. $50,000 in 2009 dollars is about $66,578 in 2022 dollars and 200 percent of the 2020 FPL for a family of four is about $59,070 (Wisconsin Budget Project, 2020).

[2] We also conduct analyses that examine the costs and benefits of $100 and $1,000 seed deposits, for the latter, modeling a scenario where the effect size on college enrollment is unchanged and a scenario with an increased effect size. We do not examine potential differences in uptake, as we expect an opt-out program to achieve near universal uptake regardless of seed amount. (See Appendix H for our results and discussion.)

Assuming there is no effect on enrollment for the percentage of the population with income over 200 percent of FPL, we still find positive net benefits in over 96 percent of simulations, with a mean PVNB of $1.19 billion, a maximum of $5.84 billion, and a minimum of - $2.28 billion over the program's first 36 years. The mean per-cohort PVNB for the first 18 cohorts is $61.7 million. If we assume no effect for the percentage above 300 percent of FPL, we find a mean PVNB of $1.95 billion, with a mean per-cohort PVNB of $108 million. Using 400 percent of FPL as the cut off, we find a mean PVNB of $2.67 billion and mean per-cohort PVNB of $149 million. Finally, assuming there is no effect on enrollment for the percentage of the population with income over 500 percent of FPL, we find a mean PVNB of $3.26 billion, with a maximum of $16 billion and a minimum of - $6.26 billion. The mean per-cohort PVNB for the first 18 cohorts is $181 million. Across all specifications, over 96 percent of simulations return positive net benefits.

Together, these three sensitivity analyses imply a worst-case scenario (in terms of the PVNB) of a 7 percent social discount rate, with the returns to two- and four-year degrees varying independently, and no effect on enrollment for the percentage of the population with income over 200 percent of FPL. Running a Monte Carlo simulation under these worst-case conditions, we find a mean PVNB of $149 million, with a maximum of $1.09 billion and a minimum of - $3.99 billion. The mean per-cohort PVNB is about $8.31 million and over 89 percent of simulations return positive net benefits (Appendix F).

Overall, the results from our base case Monte Carlo simulations and multiple sensitivity analyses, including a worst-case scenario that still returns positive net benefits 89 percent of the time, strongly suggest that a statewide universal Child Savings Account program would have substantial net benefits. In our base case, we estimate that the mean PVNB would total to $244 million per-cohort.

County Level Analysis

In order to translate our statewide analysis to the county level, we used county-level data on income from the 2021 American Community Survey, existing 529 account holders as of June 2022 provided by DFI, and baseline enrollment in two- and four-year colleges from 2010 to 2019 compiled

by Student Success Through Applied Research (2021), which we used to project baseline enrollment without the program for the period studied. We expect two somewhat opposing effects to drive variation in the per-capita level of net benefits across Wisconsin counties. First, counties that have higher baseline enrollment, particularly higher baseline four-year enrollment, will see larger net benefits as the effect sizes we use from Long and Bettinger's (2017) study are in terms of percent change of baseline. Second, counties that have a high percentage of households with children under 18 that already have 529 savings accounts or that have higher percentages of people above various income thresholds, will see lower net benefits, all else equal, as we do not expect an effect on enrollment for these populations.

As in our state-level analysis, we assume, in our base model, that the program has no effect on enrollment for the percent of the population that already has 529 savings accounts. Then, as discussed above, we apply the findings from the Elliott, Constance-Huggins, and Song (2013) study, which showed that college savings increase the chances of going to college to a greater degree for low- to moderate-income (LMI) children than high income (HI) children when controlling for other factors. The study used $50,000 in 2009 dollars as the threshold for family income to split between LMI or HI families and was unable to perform more fine-grained analysis to pinpoint the income level at which college savings no longer predicted college enrollment. Therefore, as we did at the state level, in addition to our base model, we run four Monte Carlo simulations that assume no effect on enrollment for the percentage of the county population over 200, 300, 400, and 500 percent of the federal poverty level in 2020, respectively, with 200 percent of FPL for a family of four in 2020 falling fairly close to the $50,000 figure adjusted for inflation.

For each county, we separately calculate the costs and benefits over the first 36 years of the statewide program and for the first 18 cohorts. We assume that funding and administrative costs are spread evenly across Wisconsin's population, which will overestimate the costs for lower-income counties and underestimate the costs for higher-income counties. We also assume that each county captures the lifetime benefits from higher education of cohorts born in that county, rather than modeling migration across counties. To the extent that county stakeholders would not consider the

benefits accruing to program participants that eventually leave the county as county benefits, this overestimates the benefits for counties that experience net-negative migration and underestimates the benefits for counties that experience net-positive migration.

In our base scenario, we find that the counties with the highest mean per-capita net benefits over 36 years are Lafayette at about $1,495; Trempealeau at about $1,455; Clark at about $1,388; Marathon at about $1,362; and Sauk at about $1,223. Every county had a mean per-capita PVNB of over $150, with Bayfield the lowest at about $165. The mean per-capita *and* per-cohort PVNB ranged from about $9 in Bayfield to about $83 in Lafayette. If we instead assume that there is no effect on enrollment for the percent of the population with income over 200 percent of the FPL, we find that the mean per-capita PVNB ranges from about $49 ($3 per-capita per-cohort) in Bayfield to about $436 ($27 per-capita per-cohort) in Lafayette. Figure 3 shows the average per-capita mean PVNB across all counties under each scenario. (See Appendix G for per-cohort figures.) Overall, the results from our county-level analyses, which are compiled in an interactive map, suggest that a statewide Universal Child Savings Account program would, on average, have positive net benefits for every county. Additionally, counties with a small percentage of current Edvest account holders and/or a large number of low-income families, which are often more rural counties, tend to see a greater share of benefits.

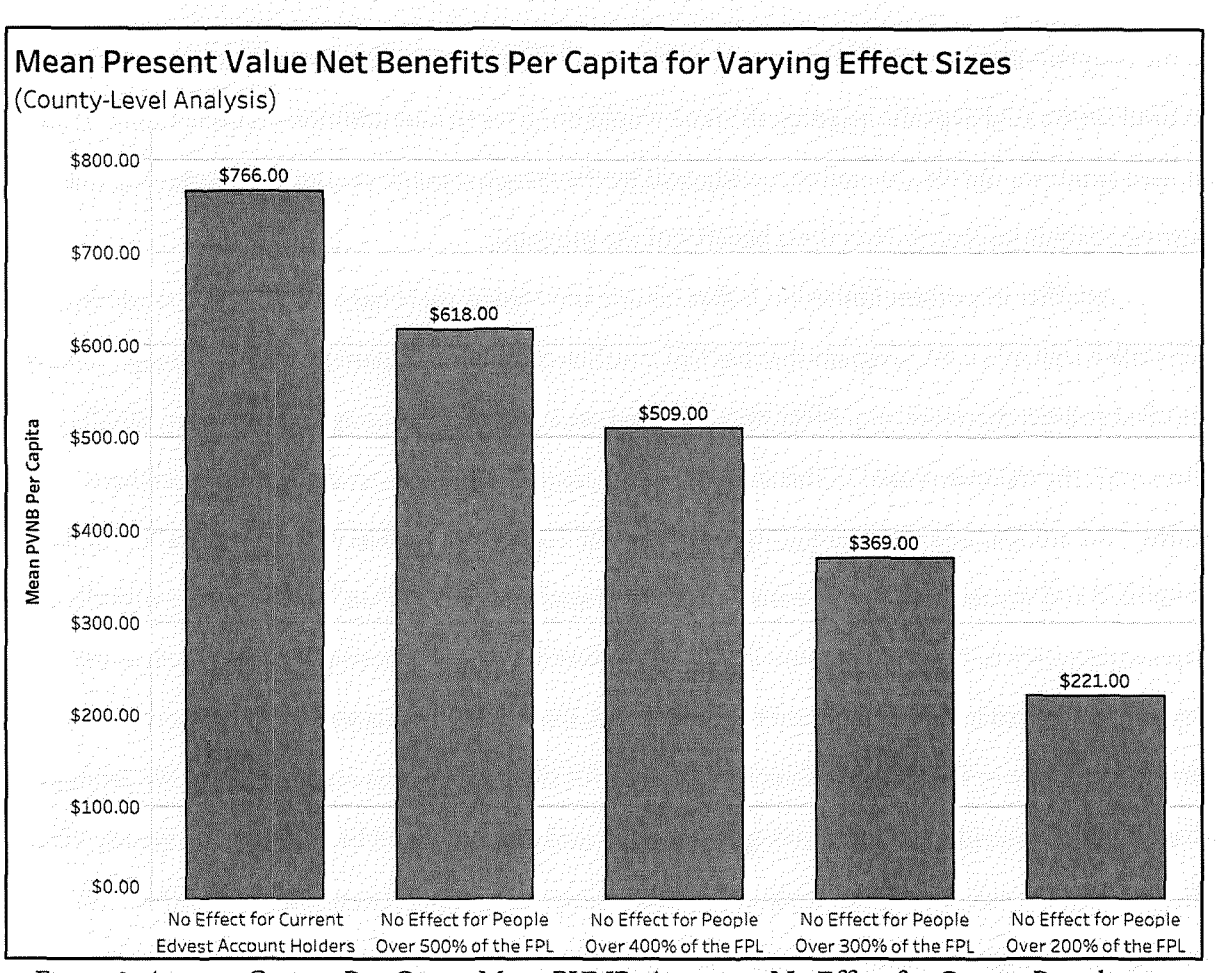

Figure 3. Average County Per-Capita Mean PVNB, Assuming No Effect for Certain Populations

Limitations

For our analysis, we used data and statistics from a variety of academic literature and governmental sources. When assumptions were necessary to create some of the parameters used in our analysis, details of the logic and reason used to create estimates have been included above and in the attached appendices.

One important limitation to highlight is that a portion of the costs of college would be paid using state funds; that portion of costs should be adjusted by the marginal excess tax burden to reflect the cost of public funds, but we do not have an estimate of what proportion of costs that would be. This suggests that our analysis underestimates those costs of the program. On the other hand, if Wisconsin follows the design of other statewide programs, accumulated savings that are not used (due

to the recipient moving out of state, dying, or never enrolling in higher education) would be recycled to fund future seed deposits meaning the state would not have to raise additional public funds. These unused funds should also, therefore, be adjusted by the marginal excess tax burden, suggesting that our current analysis underestimates these benefits of the program.

Another important limitation is that, to our knowledge, there has only been one randomized controlled trial of a CSA program that has had a sufficient number of participants old enough to have enrolled college; therefore, our effect sizes are based on a single study (Long and Bettinger, 2017). Moreover, the treatment used in this study is not an exact match to the treatment proposed here. Rather, the comparable treatment group of parents of 7th to 10th graders in Boston were "offered a simplified and streamlined way of enrolling in the Massachusetts 529 Plan" and provided with the $50 deposit necessary to create an account (p.7). On the one hand, this deposit is twice as much as the deposit considered in our analysis; on the other hand, since the accounts were opened for students already in middle or high school, there was less time for these deposits to accrue interest. We estimate that the mean individual accrued savings from a $25 seed deposit would be about $62 at age 18, which should make the two treatments fairly comparable except for potential non-monetary differences arising from the age at which the investment is made.

In the future, the Oklahoma SEED experiment will provide another randomized controlled trial that can help determine the effect of CSAs on college enrollment; however, that treatment will also not be an exact match to the treatment we consider as the treatment group was provided with $1,000 seed deposits and various amounts of matched savings. The recent establishment of statewide programs in several states, including Illinois and Pennsylvania will provide other opportunities for better estimating the causal impact of CSAs, with treatments more comparable to the policy considered in this analysis, although it will be harder to isolate the impacts of CSAs considering these are not randomized controlled trials.

We do not distinguish between increased enrollment and increased degree attainment by providing separate effect sizes and present values of benefits for people who attain some additional higher education due to the program, but do not attain an additional degree. Some studies, such as

Angrist, Autor, and Pallais (2020), have found that financial aid programs primarily boost graduation by increasing enrollment and credits taken in the first-year. Our effect sizes, taken from Long and Bettinger (2017), are for enrollment, although that study also found (not statistically significant) increases in full-time status. Many studies have found that financial aid does increase persistence (Dening & Dynarski, 2009; Nguyen, Kramer, & Evans, 2019), so while some of the students who enroll due to the program may not graduate, others who would have enrolled but not graduated without the program may persist to graduation. Therefore, while this limitation of our analysis may result in an overestimate of benefits, the effect should be relatively small.

County-level results, especially for low-population counties, should be interpreted with caution due to imprecise projections of number of births and baseline college enrollment. Moreover, although at the state level we use the more appropriate baseline enrollment for 18- to 24-year-olds, rather than recent high school graduates, this data was not available for all Wisconsin counties. Therefore, the baseline enrollment projections are likely an overestimate, resulting in larger predicted effect sizes for the program. The statewide projections are more precise due to larger sample sizes and more years of available data. We also do not model program attrition from participants moving out of the state or county. This limitation is less significant at the state level than the county level but still overestimates the net benefits of the program.

Finally, and most importantly, our calculations only represent the net benefits of the costs and benefits for which we were able to assign a monetized value with reasonable accuracy and confidence. Potential other benefits for a universal, statewide 529 program include connection to mainstream financial institutions, opportunity to improve financial literacy through increased education and outreach, trust in institutions, and the interest accrued on induced voluntary savings. By excluding these benefits (which is equivalent to assuming that they do not exist), our cost-benefit analysis presents a higher barrier to finding positive net benefits for the program. The fact that we still find positive net benefits in a substantial majority of simulations, suggests that a statewide, universal CSA program is likely to have positive net benefits.

Recommendations

We recommend that Wisconsin policymakers seriously consider implementing a statewide Universal Child Savings Account program. Our cost-benefit shows that such a program would most likely have substantial net benefits at the state level and for each county; however, this only demonstrates that implementing such a program would be an efficient use of state resources, not necessarily the *most* efficient use of state resources to improve access to higher education. The vast majority of our simulations across all specifications returned positive net benefits. In our base case, we estimate that the program would result in a mean per-cohort PVNB of $224 million for the first 18 cohorts.

Beyond considering implementing a CSA program in Wisconsin, our analysis, and its limitations, highlight the immediate need for policymakers and researchers working in this field to continue to establish evaluation metrics in order to assess and communicate the impacts of existing CSA programs and to monitor findings from CSA studies as they continue to mature. Since most CSA initiatives have been implemented over the past decade, it is critically important each cohort is tracked—especially once they reach the age of 18 and are able to access funds. Fund My Future Milwaukee should start developing evaluation tools now. If the evidence turns out positive, this program could serve as a catalyst for the rest of the state. Similar preparation for evaluation should be done by those involved in Baby Bonds legislation. This would provide policymakers with a comparative assessment of alike programs. With variation in the sources of funding for CSAs, we also recommend CSA practitioners start building partnerships with private entities to secure solid funding bases. This notion should be attractive to public officials worried about how they can fund CSA programs as it reduces not only government costs but total social costs by avoiding incurring the additional Marginal Excess Tax Burden costs of funding the program.

Given the overwhelming evidence on the importance of saving, the value of higher education, and our CBA results, we believe that CSAs deserve to be included as a potential policy intervention in discussions around wealth inequality and access to higher education. However, we want to emphasize that decisions regarding implementation of CSAs will require a significant tradeoff: that is, societal

acceptance of large, upfront costs, as long-term investments for the benefits of increased enrollment in postsecondary schooling. Policymakers will have to decide if they have the political will to accept this tradeoff.

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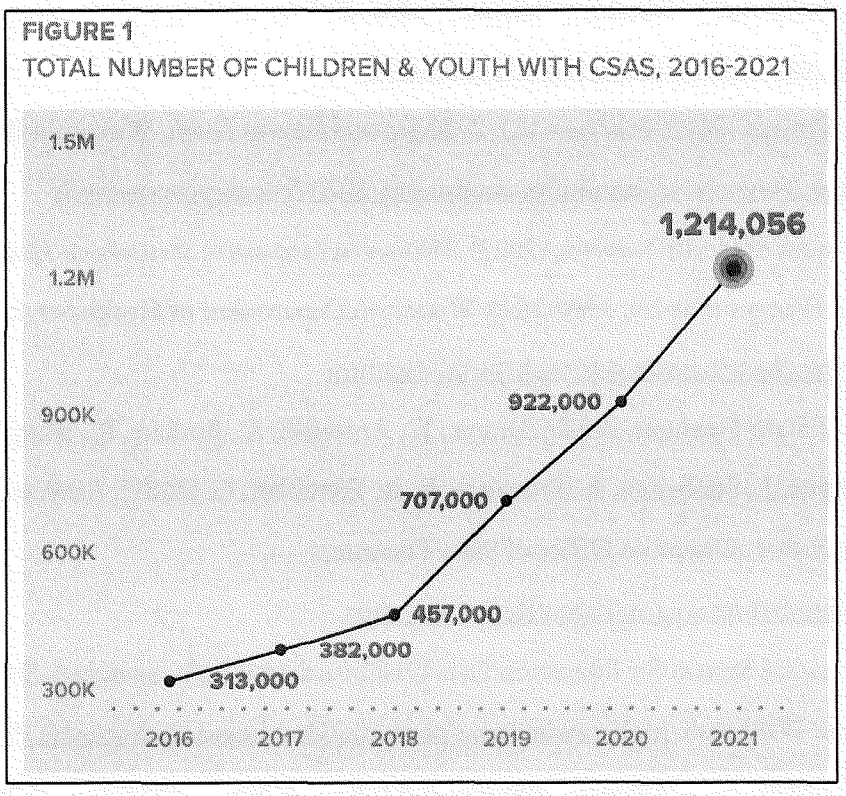
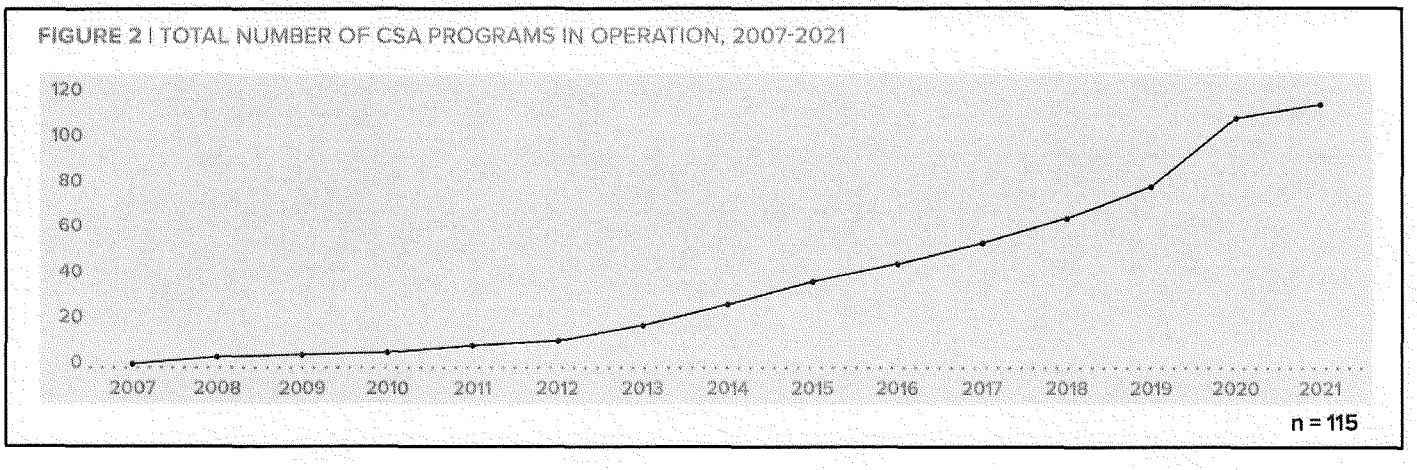
Appendix A: Thiemann and Markoff, 2022



Appendix B: Thiemann and Markoff, 2022



Appendix C: Sensitivity Analysis (Social Discount Rate)

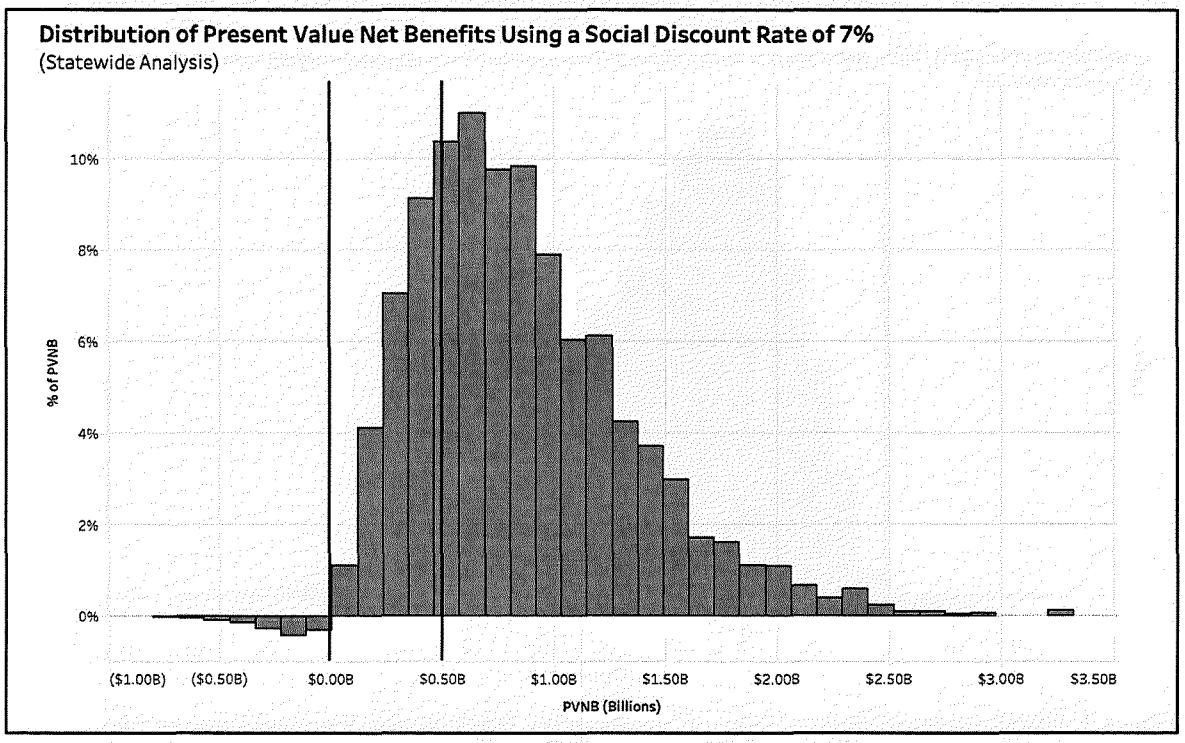
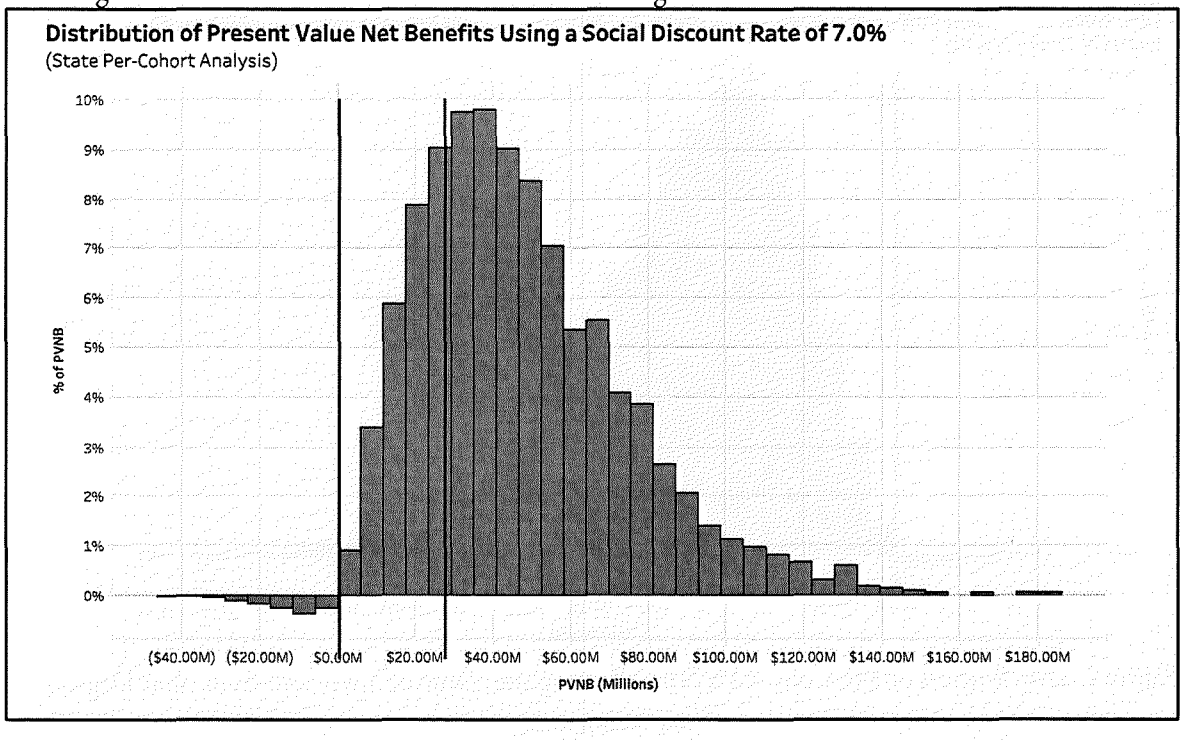


Figure 1. Distribution of Present Value of Net Benefits Using a Social Discount Rate of 7.0 Percent

Figure 2. Distribution of Per-Cohort PVNB Using a Social Discount Rate of 7.0 Percent



Appendix D: Sensitivity Analysis (Value of Additional 2-Year and 4-Year Degrees)

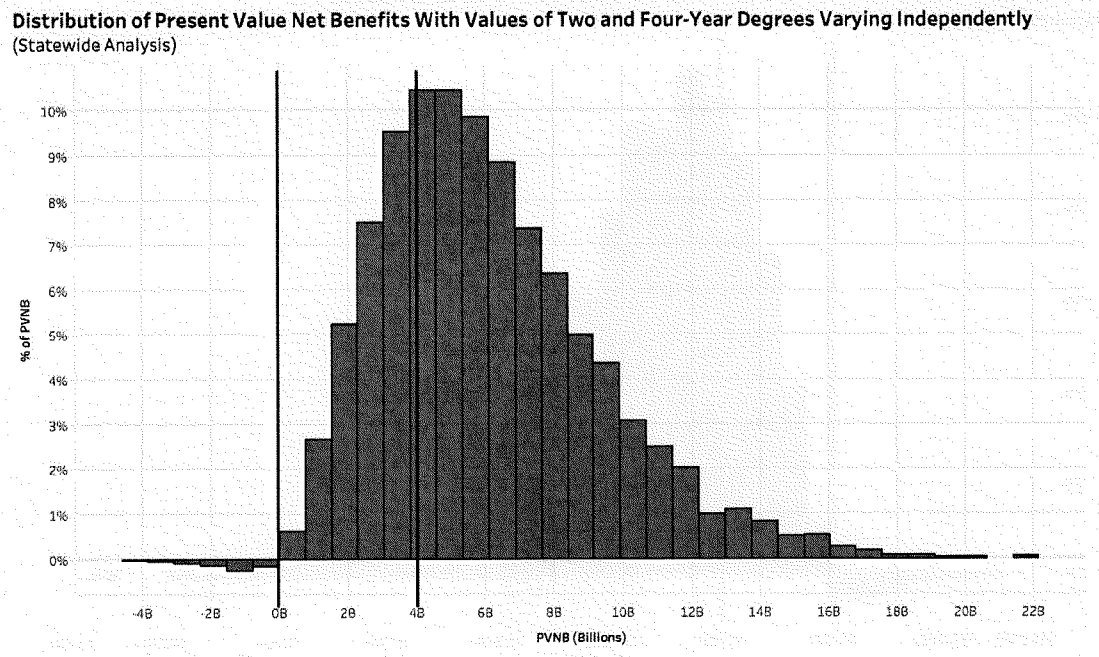


Figure 1. Distribution of Present Value of Net Benefits, Allowing the Value of Two- and Four-Year Degrees to Vary Independently

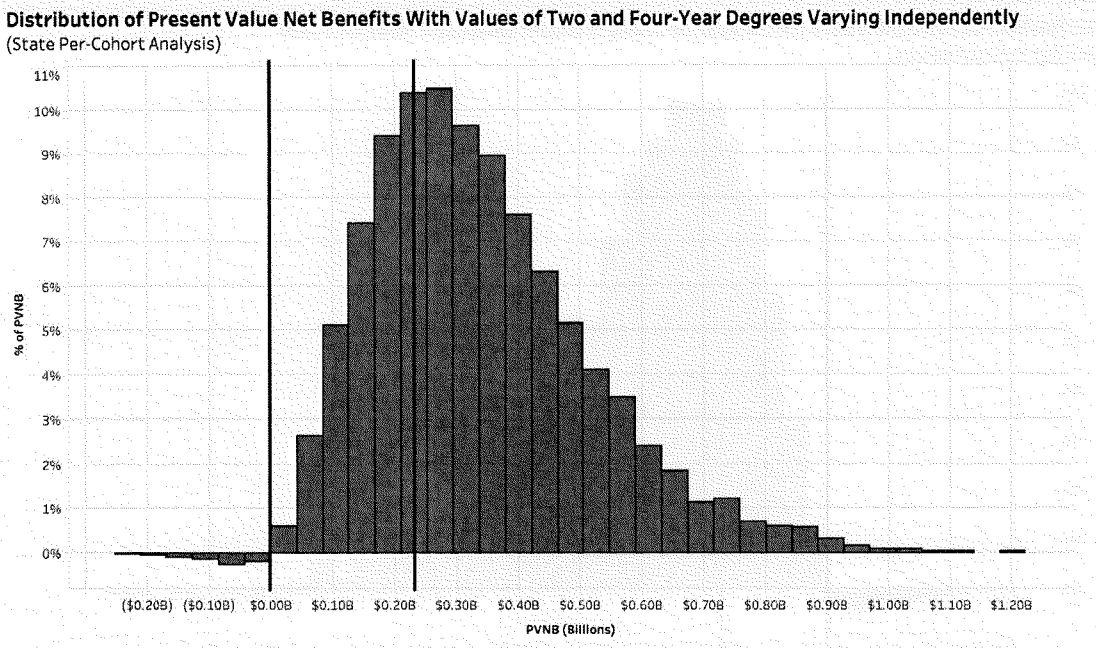


Figure 2. Distribution of Per-Cohort PVNB, Allowing the Value of Two- and Four-Year Degrees to Vary Independently

Appendix E: Sensitivity Analysis (No Effect on Enrollment Over Income Thresholds)

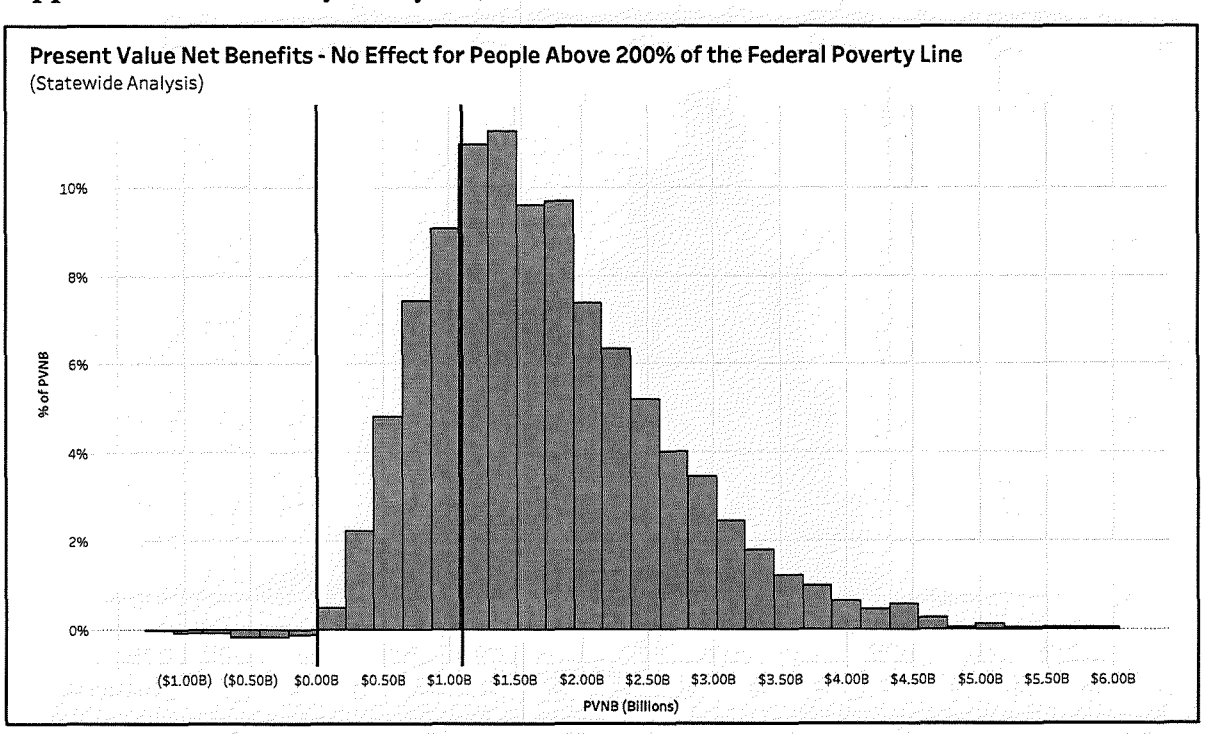


Figure 1. Distribution of Present Value of Net Benefits, Assuming No Effect on Enrollment for Population Above 200 Percent of the Federal Poverty Level

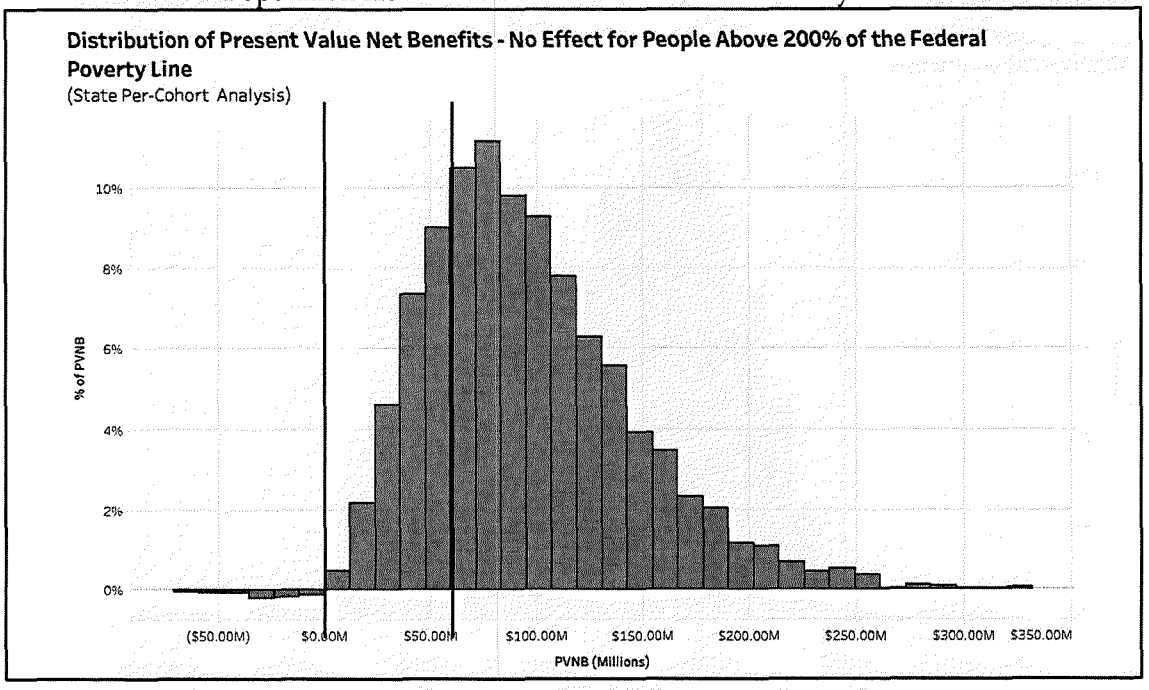


Figure 2. Distribution of Mean Per-Cohort PVNB for First 18 Cohorts, Assuming No Effect for Population Above 200 Percent of FPL

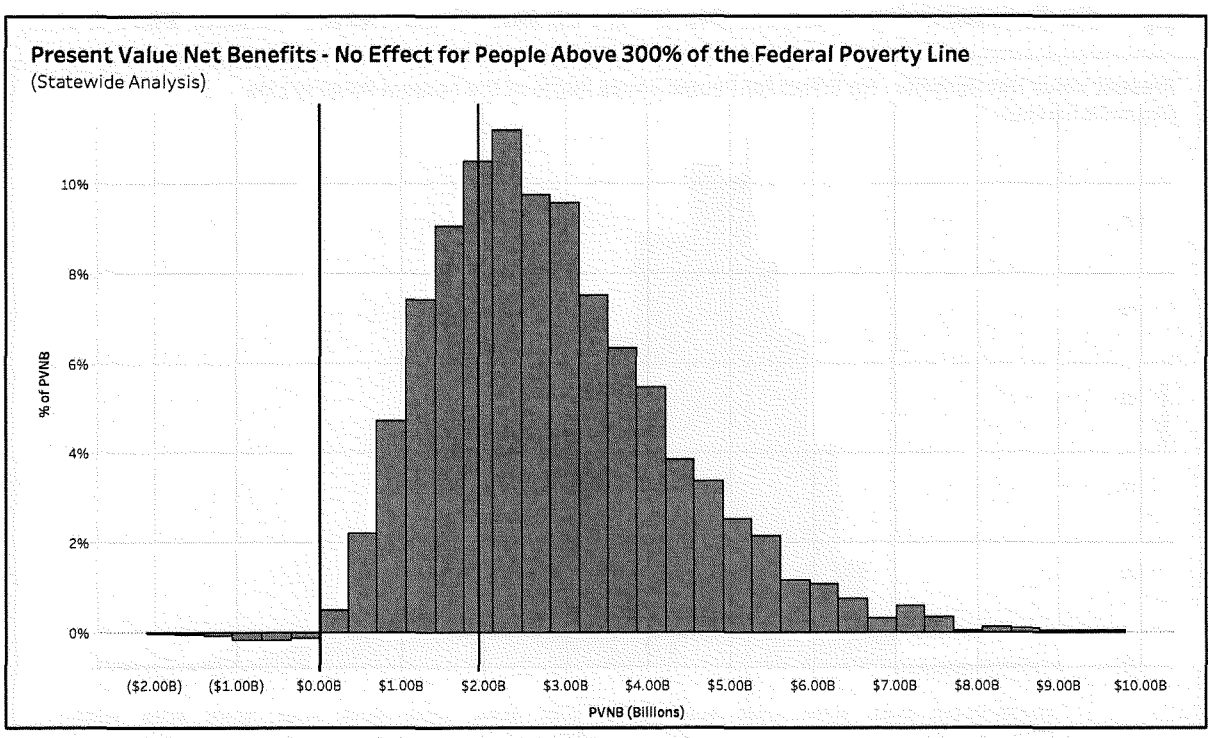


Figure 3. Distribution of PVNB, Assuming No Effect on Enrollment for Population Above 300 Percent of FPL

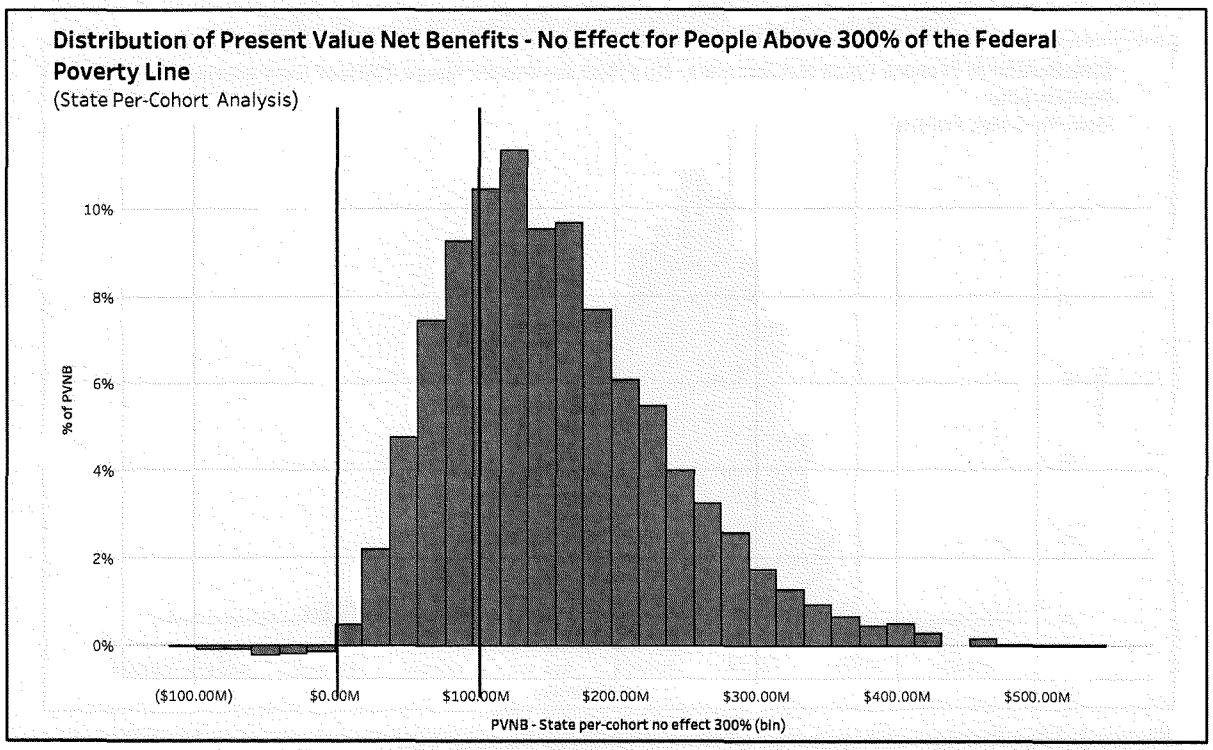


Figure 4. Distribution of Mean Per-Cohort PVNB for First 18 Cohorts, Assuming No Effect for Population Above 300 Percent of FPL

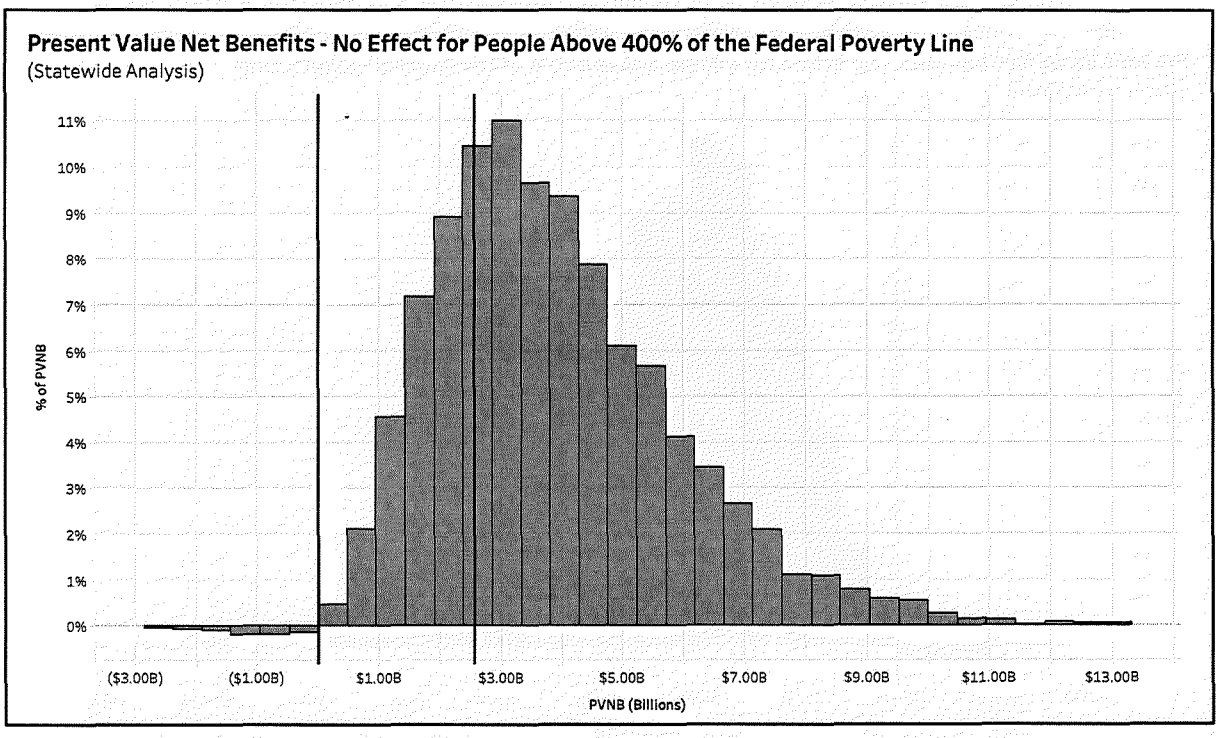


Figure 5. Distribution of PVNB, Assuming No Effect on Enrollment for Population Above 400 Percent of FPL

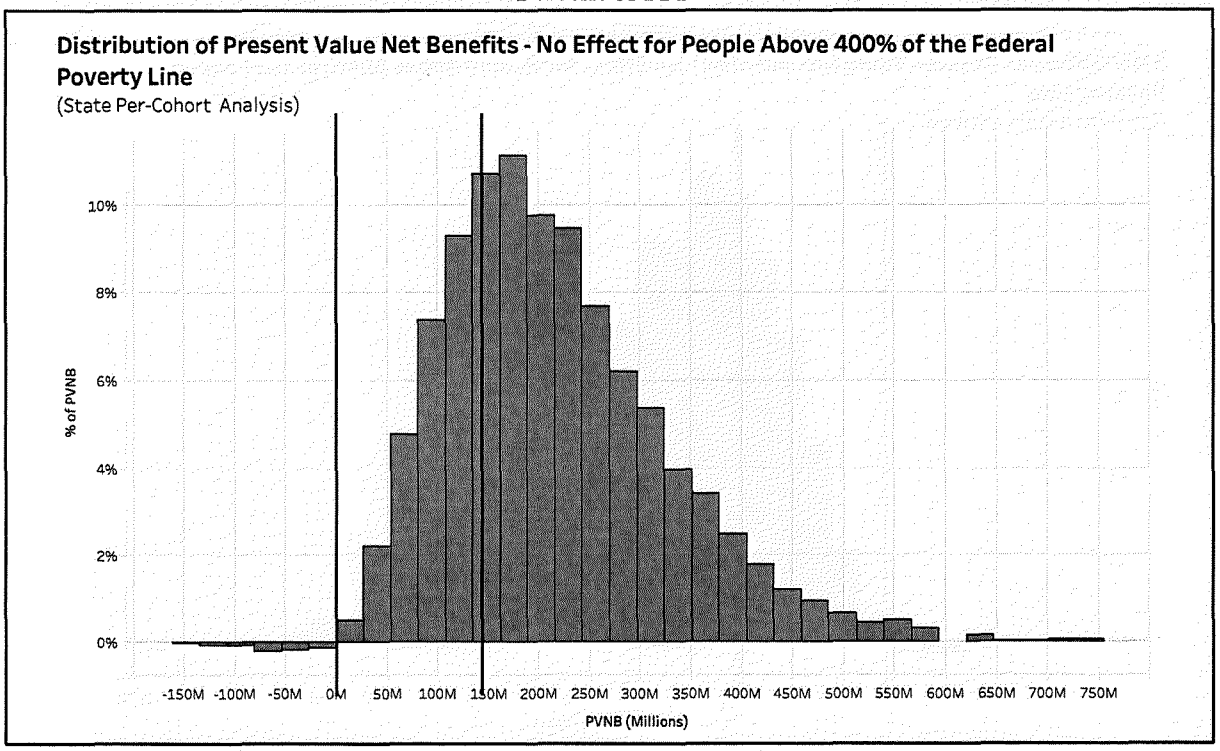


Figure 6. Distribution of Mean Per-Cohort PVNB for First 18 Cohorts, Assuming No Effect for Population Above 400 Percent of FPL

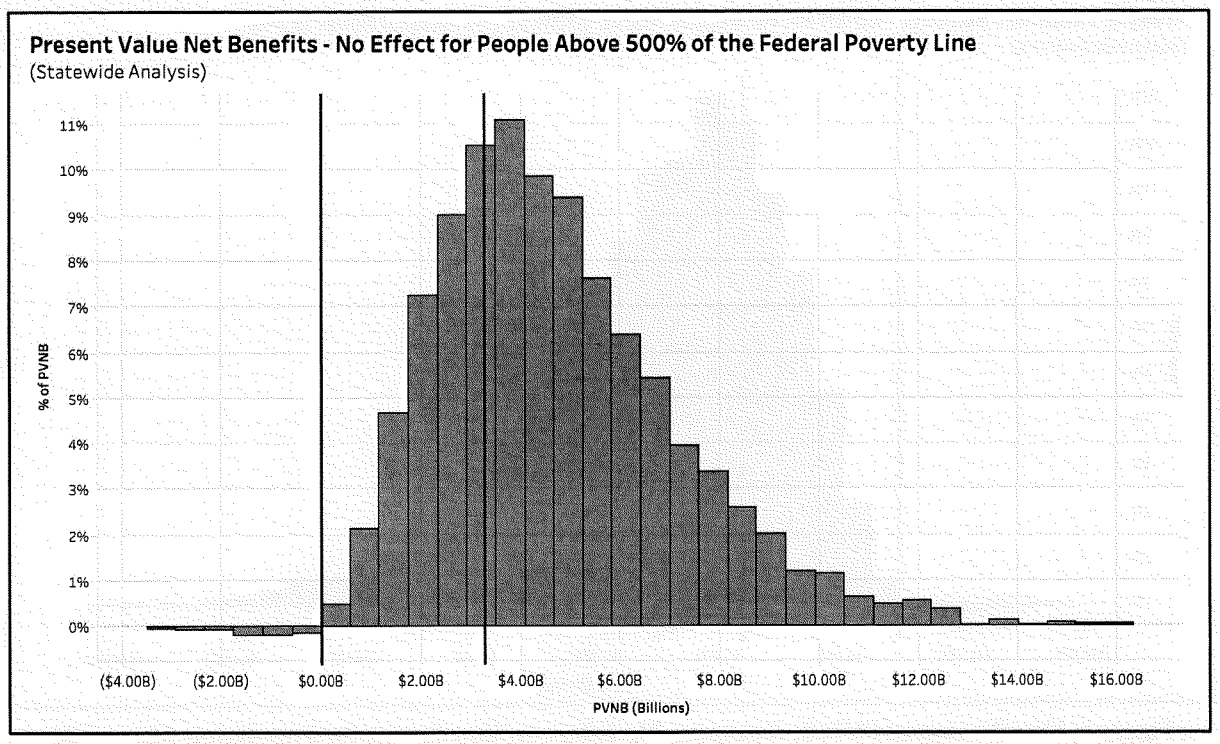


Figure 7. Distribution of PVNB, Assuming No Effect on Enrollment for Population Above 500 Percent of FPL

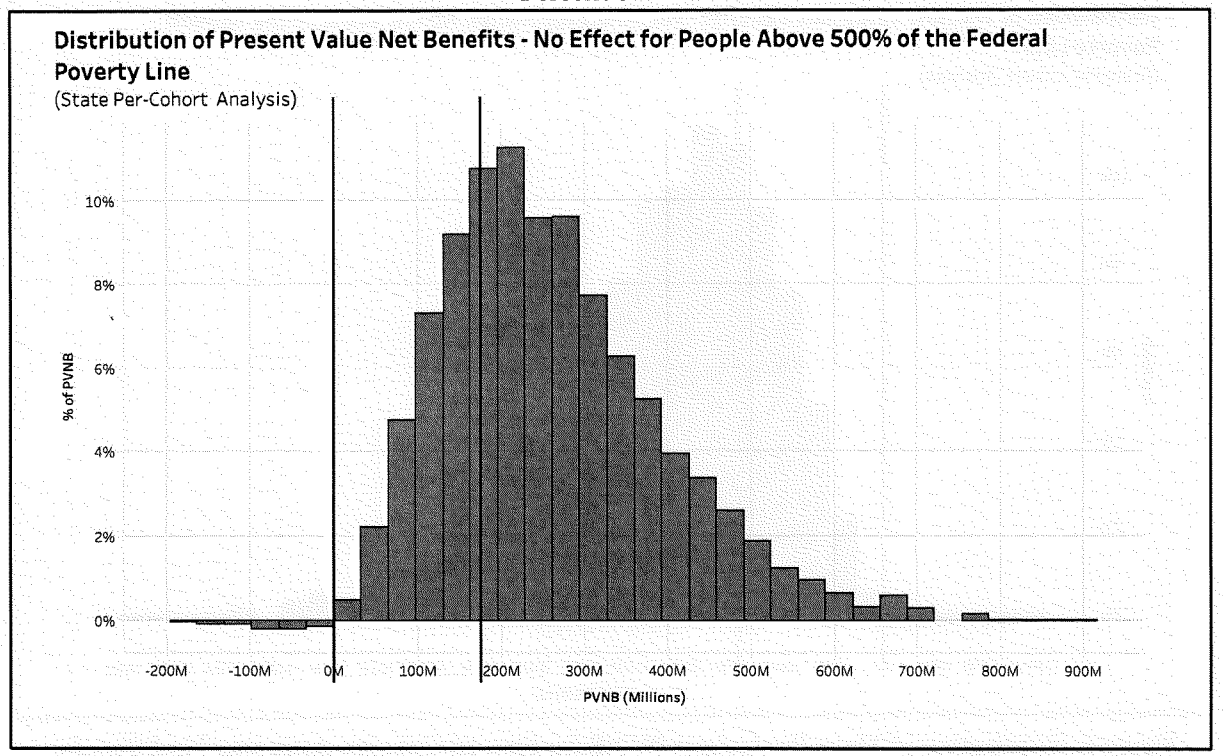


Figure 8. Distribution of Mean Per-Cohort PVNB for First 18 Cohorts, Assuming No Effect for Population Above 500 Percent of FPL

Appendix F: Worst-Case Scenario Simulation

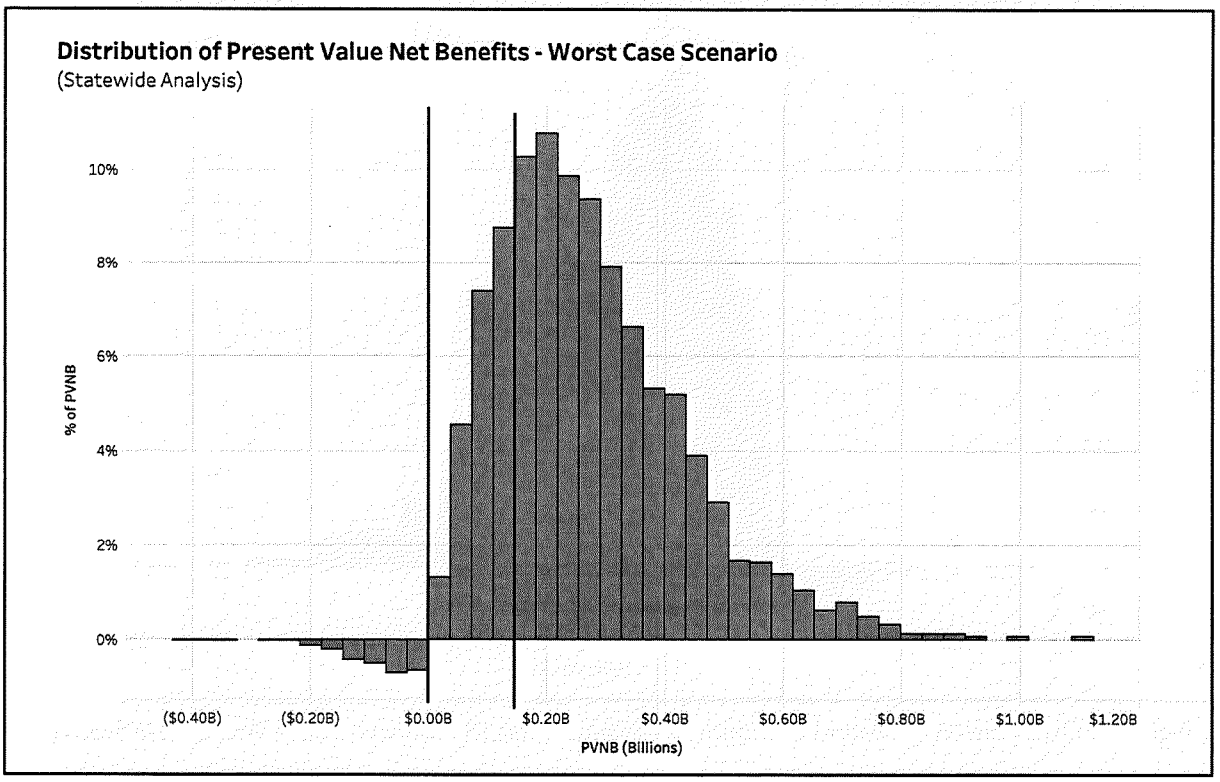


Figure 1. Distribution of Present Value of Net Benefits Under Worst Case Scenario (7.0 Percent Social Discount Rate, Allowing the Value of Two- and Four-Year Degrees to Vary Independently, and Assuming No Effect on Enrollment for Population Above 200 Percent of Federal Poverty Level)

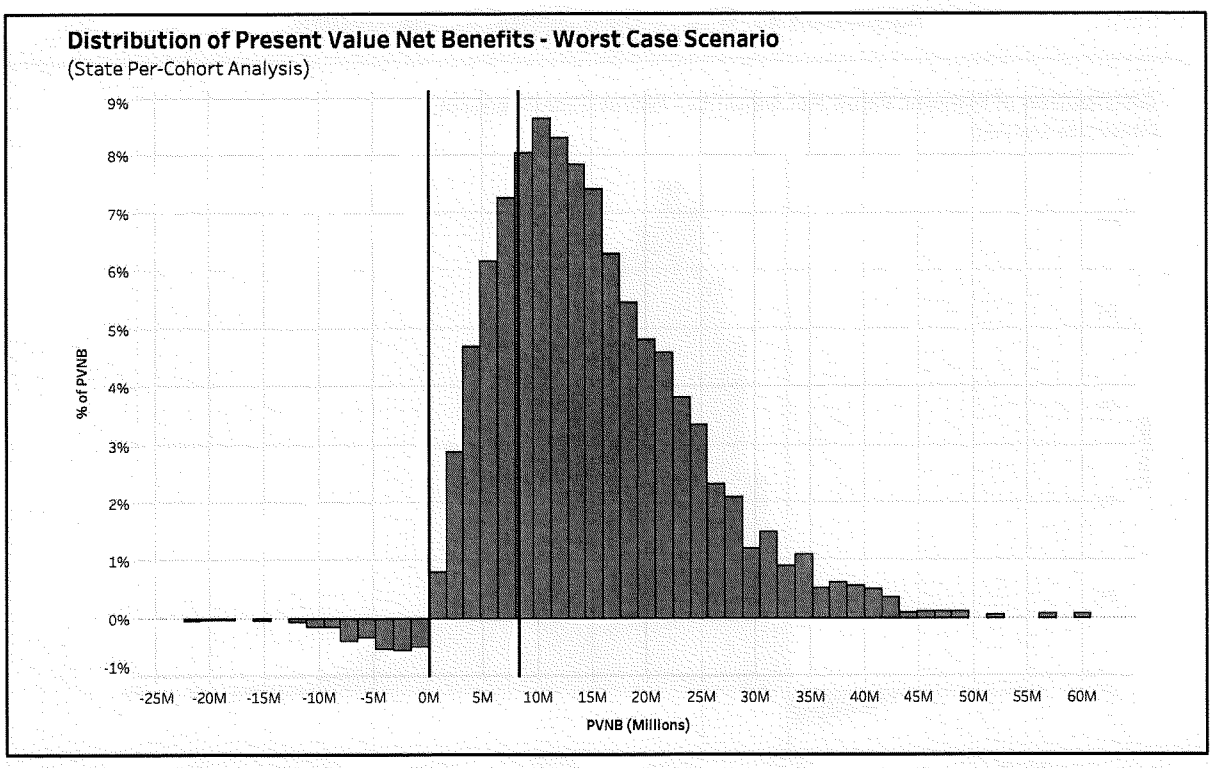


Figure 2. Distribution of Mean Per-Cohort PVNB for First 18 Cohorts Under Worst Case Scenario

Appendix G: County-Level Per-Cohort Monte Carlo Simulations

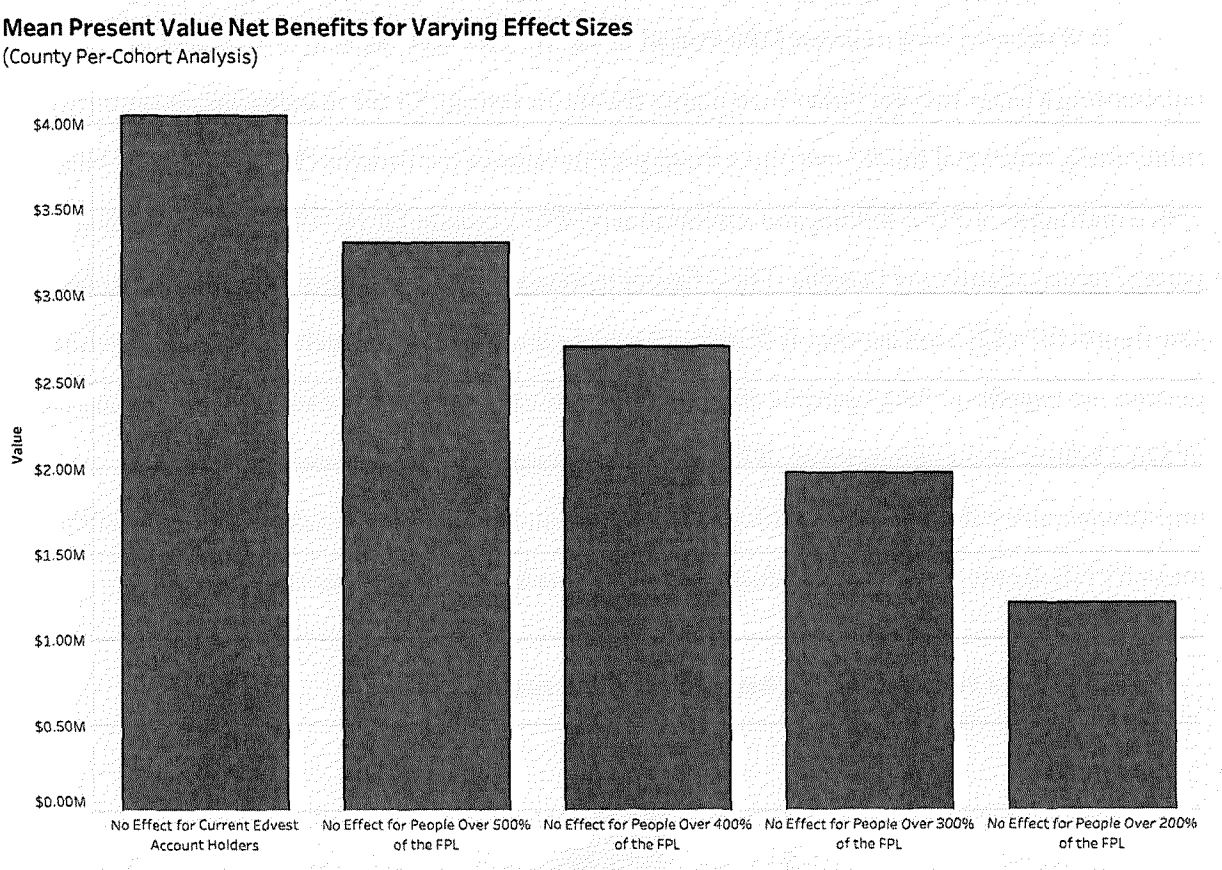


Figure 1. Average County Mean Per-Cohort Present Value of Net Benefits for First 18 Cohorts, Assuming No Effect on Enrollment for Certain Populations

Appendix H: Sensitivity Analysis (Seed Deposit Amount)

If Wisconsin were to invest $100 instead of $25 for each seed deposit–with this value representing a larger transfer rather than higher social cost (except for the marginal excess tax burden from raising additional funds)–we find a mean present value of net benefits (PVNB) of $4.08 billion, with a maximum of $19.9 billion, and a minimum of -$7.71 billion. Of 10,000 simulations, 96.86 percent return positive net benefits. These figures represent very slight improvements over our base-case figures for a $25 seed deposit. If Wisconsin were to invest $1,000 for each seed deposit, we find positive net benefits in 98.28 percent of simulations, with a mean PVNB of $4.54 billion, a maximum of $20.2 billion, and a minimum of - $7.14 billion, representing a much more substantial improvement over the base values with a $25 seed deposit. Figure 1 provides the distribution of the mean PVNB for the first 18 cohorts from our per-cohort Monte Carlo simulation.

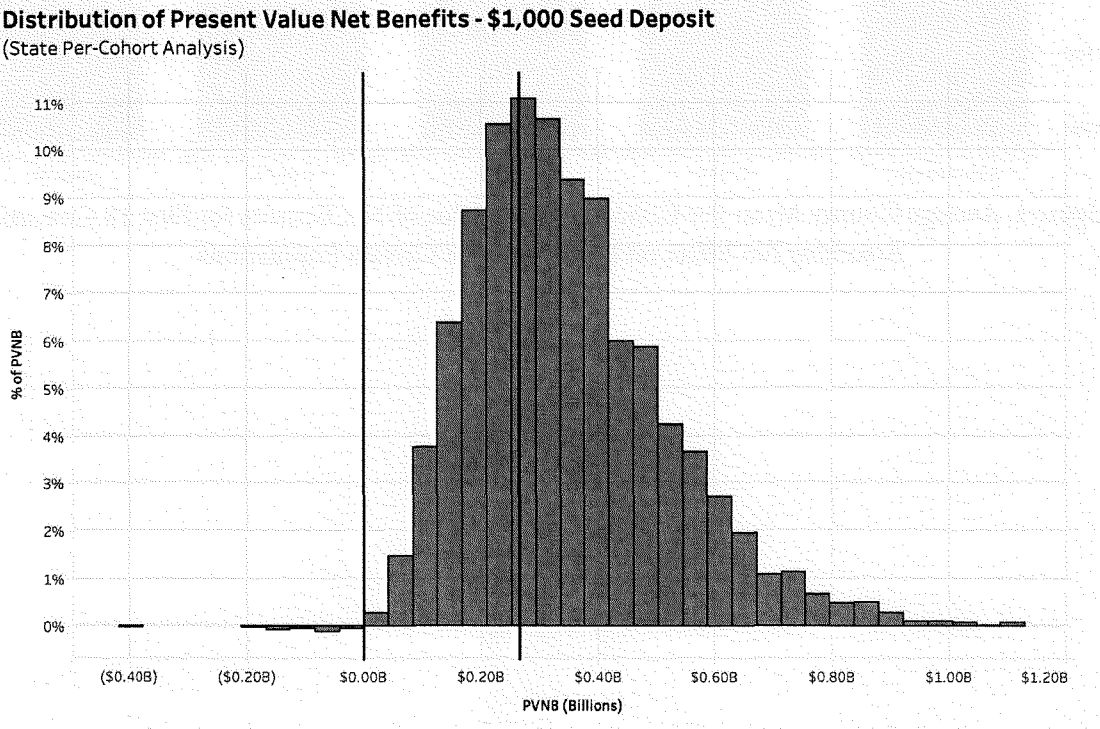


Figure 1. Distribution of Mean Per-Cohort Present Value of Net Benefits with $1,000 Seed Deposits (Assuming No Change in Effect on Enrollment)

These values are calculated assuming that the effect sizes on college enrollment do not change, such that any change in net benefits is due to the additional (discounted) accrued balance for all recipients at age 18 (which we estimate to be about $2,475 per account) minus the additional cost of raising public funds for the seed deposits. This is a reasonable assumption to the extent that the effect of small amounts of college savings is primarily due to having any savings at all, rather than the total amount of savings. However, there is strong reason to believe that the amount of savings would have an additional effect on top of having any savings at all, especially at higher values. For instance, a recent meta-analysis of the effect of grant aid on college persistence and completion estimates that an additional $1,000 in grant aid improves persistence and degree attainment by 1.5 to 2 percentage points (Nguyen, Kramer, & Evans, 2019).

If we treat the average individual accrued balance from interest on a $1,000 seed deposit at age 18 as the equivalent of a grant of $2,475, then this would translate to a 3.7 to 4.9 percent improvement in persistence and degree attainment. Therefore, we also run a simulation with seed deposits of $1,000 and an effect size on total enrollment varying randomly from 3.7 percent to 4.9 percent, which we no longer apply only to the percent of the population that does not already have 529 accounts, as that assumption is unlikely to hold with a much larger investment. We find positive net benefits over the program's first 36 years in 99.72 percent of simulations, with a mean PVNB of $7.61 billion, a maximum of $29.1 billion, and a minimum of -$4.7 billion. The mean per-cohort PVNB for the first 18 cohorts is $428 million. These mean values are nearly double what we find in our baseline estimates for $25 seed deposits. Figure 2 provides the distribution of the mean PVNB for the first 18 cohorts from our per-cohort Monte Carlo simulation.

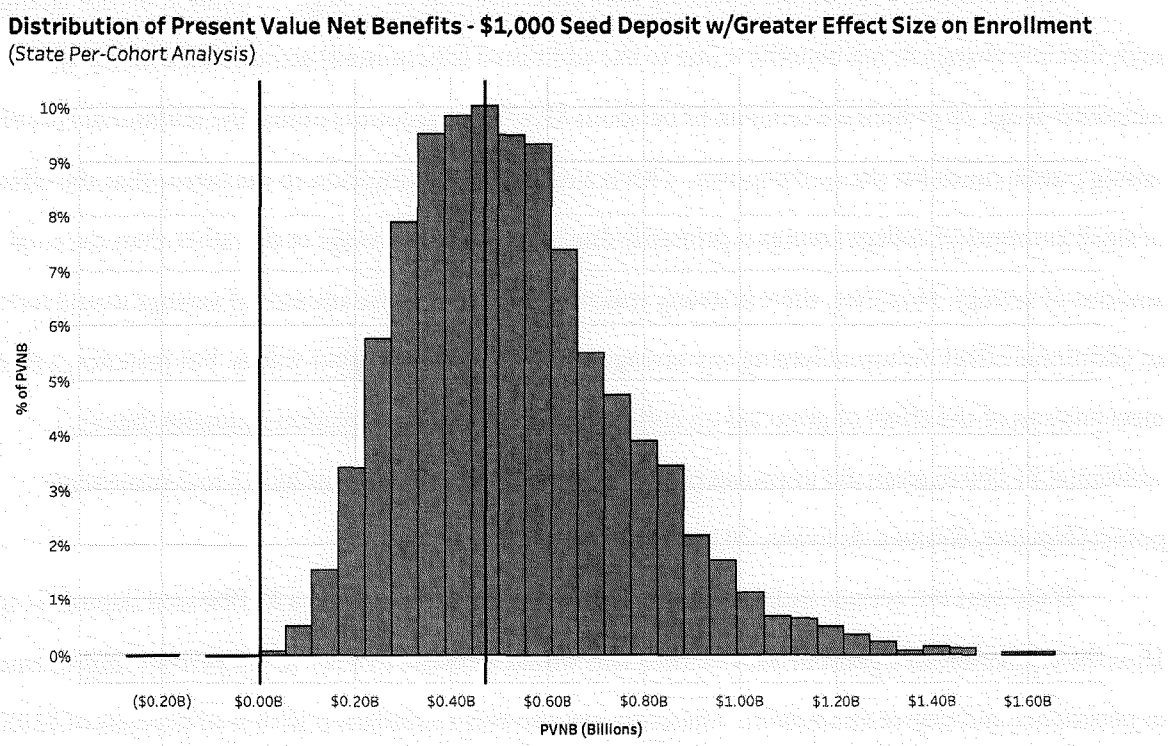


Figure 2. Distribution of Mean Per-Cohort PVNB with $1,000 Seed Deposits (Assuming a Greater Effect on Enrollment)

Alverno College
Bellin College
Beloit College
Carroll University
Carthage College
Concordia University
Edgewood College
Herzing University
Lakeland University
Lawrence University
Marian University

WAICU
Wisconsin Association of Independent Colleges and Universities
Wisconsin's private, nonprofit colleges and universities working together for educational opportunity

Marquette University
Medical College of Wisconsin
Milwaukee Institute of Art & Design
Milwaukee School of Engineering
Mount Mary University
Nashotah House
Northland College
Ripon College
St. Norbert College
Viterbo University
Wisconsin Lutheran College

Testimony of Dr. Eric W. Fulcomer

President

Wisconsin Association of Independent Colleges and Universities

To

Assembly Committee on Financial Institutions

Assembly Bill 1012

January 31, 2024

Chair Duchow and Members of the Committee,

Thank you for the opportunity to testify today. I am Eric Fulcomer, President of the Wisconsin Association of Independent Colleges and Universities or WAICU (Why-coo).

WAICU is the official organization representing the 22 private, nonprofit colleges and universities in Wisconsin. Our members are interwoven into the fabric of Wisconsin, as many were founded more than 150 years ago. In fact, three WAICU member institutions were founded prior to 1856, before Wisconsin became a state. WAICU institutions are grounded in our mission of "working together for educational opportunity." WAICU institutions are a public private partnership and produce 24 percent of the bachelor's degrees and 34 percent of the graduate degrees in the state.

From the very beginning of the Edvest program, WAICU has held a statutorily designated seat on the College Savings Plan Board, a seat that I currently hold, and our organization has long supported this work. This WisKids proposal is a forward-looking initiative that has the potential to change a child's vision of the future by creating a "college-going mindset" and the belief that higher education and the career pathway of their choice is possible.

In the ever-evolving landscape of education and the workforce, the importance of higher education cannot be overstated. College degrees not only empower individuals but also play a pivotal role in shaping the economic vitality of Wisconsin and the entire nation. By 2029, Wisconsin is projected to face a shortage of 192,000 workers with bachelor's degrees or higher, resulting in a staggering $19.4 billion loss in economic output. This deficit not only hampers economic growth but also hinders the state's ability to compete on a national scale. The consequences of not meeting this goal are substantial.

College graduates are essential to the state's skilled workforce now and in the future, and our future graduates will need to fill workforce roles that we cannot yet envision.

The Wisconsin sectors of higher education have developed a state attainment goal known as 60Forward. This goal aspires to have 60 percent of Wisconsinites with a postsecondary credential by 2027. As we are getting closer to meeting this goal, we are now examining the many areas of the state that still have low attainment rates. A map on page 3 of the WAICUPEDIA shows post-secondary attainment by county. You will see that many parts of the state are less than 40 percent. This bill has the potential to provide a vehicle to geographically encourage philanthropic investment in low and low-middle income student accounts targeting areas to help increase educational attainment throughout the state.

Promoting educational opportunity requires visionary leadership and strong partnerships with education, government, business, philanthropic organizations, and families—in short—everyone.

WAICU members are strong partners in educational opportunity and offer the following:

- 98 percent of WAICU undergraduate students receive financial aid
- 91 percent of undergraduates receive grant and/or scholarship aid

Proposals such as WisKids and collective efforts of educational institutions, government, and society are vital to realizing the full potential of individuals in our rapidly changing world.

Vivian Tsai
Senior Director
Head of Relationship Management
TIAA-CREF Tuition Financing, Inc.
529 College Savings Plan Manager

T 341-203-0616
Vivian.Tsai@TIAA.org

January 15, 2024

The Honorable Evan Goyke
Room 112 North, State Capitol
P.O. Box 8952
Madison, WI 53702

Dear Representative Goyke,

I am writing on behalf of TIAA Tuition Financing, Inc., program manager of EdVest, Wisconsin's 529 Program, in support of legislation you are introducing to create the WisKids Program. We have been proud to manage the Edvest 529 College Savings Plan for the State of Wisconsin for over 11 years. We have seen this program grow to serve over 110,000 Account Owners, with over 88% being Wisconsin residents— helping them save towards a college education.

We know that the addition of the WisKids program will help reach many more Wisconsin families. The WisKids legislation will allow for a $25 deposit to be made to an account within the 529 program for every child born or adopted in Wisconsin.

Starting each child off with a first savings deposit to a college savings program is an important step to a financially secure future. TIAA is happy to support important programs like WisKids which will help families across Wisconsin save for college, building financial strength for their children's futures.

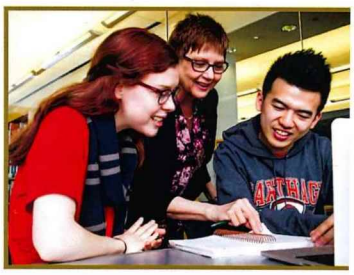
Sincerely,

Vivian Tsai
Senior Director and Head of Relationship Management
TIAA-CREF Tuition Financing, Inc.

TIAA-CREF Tuition Financing, Inc. (TFI) is a wholly-owned subsidiary of TIAA dedicated to providing program management services to qualified tuition programs formed under Section 529 of the Internal Revenue Code. Since 1998, TFI has been a leader in managing award-winning, customized 529 programs, providing comprehensive, low-cost, high-value program management services for 529 education savings programs, including investment oversight, customer service, and marketing. TFI currently contracts with seven states servicing over 1.6 million families, helping them save more than $40.1 billion in education savings as of 12/31/2023, and serves with the goal of helping to make education more affordable and accessible for all families.

Wisconsin Association of Independent Colleges and Universities

Investing in Wisconsin's Future



WAICUPEDIA
2024

College IS Worth It!

"The benefits of higher education extend beyond the state's economy. Over a lifetime, individuals with a bachelor's degree earn 75 percent more than those with only a high school diploma."

In the ever-evolving landscape of education and the workforce, the importance of higher education cannot be overstated. College degrees not only empower individuals but also play a pivotal role in shaping the economic vitality of Wisconsin and the entire nation.

By 2029, Wisconsin is projected to face a shortage of 192,000 workers with bachelor's degrees or higher, resulting in a staggering $19.4 billion loss in economic output. This deficit not only hampers economic growth but also hinders the state's ability to compete on a national scale.

The consequences of not meeting this goal are substantial. Fortunately, Wisconsin's private colleges and universities are actively contributing to bridging this gap by producing graduates in high-demand fields such as education, computer science, business, nursing, engineering, and various healthcare professions. These graduates are essential to the state's workforce now and in the future.

The benefits of higher education extend beyond the state's economy. Over a lifetime, individuals with a bachelor's degree earn 75 percent more than those with only a high school diploma. This higher earning potential translates into a substantial contribution to local, state, and federal tax revenue, enabling governments to invest in critical infrastructure and services.

Moreover, college graduates tend to be more engaged citizens, voting at higher percentages and actively participating in their communities. They often give back through volunteering and supporting nonprofit organizations, further enriching the social fabric of Wisconsin.

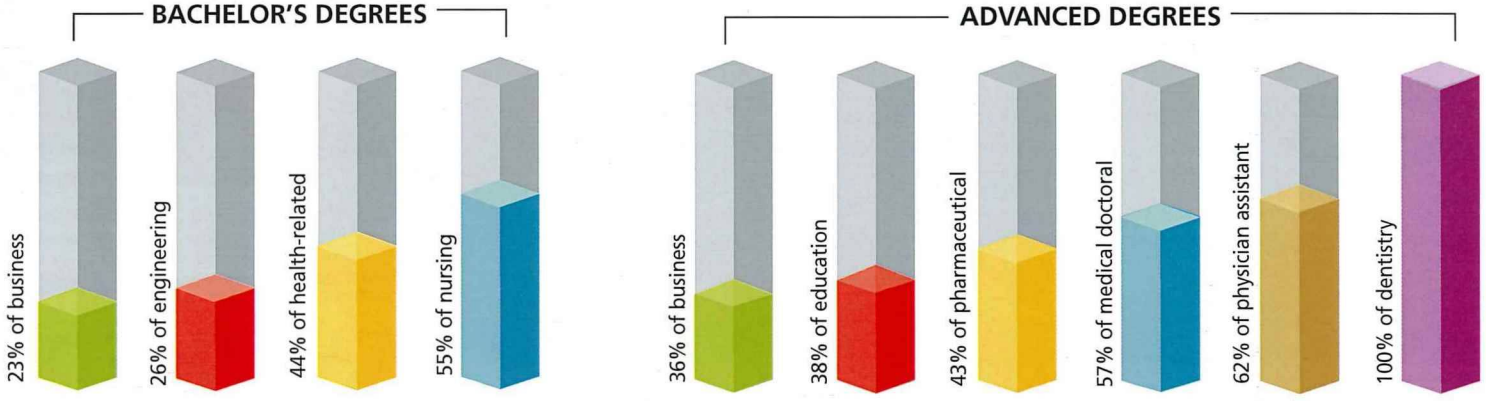
The Wisconsin Association of Independent Colleges and Universities (WAICU) is playing a crucial role in advancing higher education initiatives. We are collaborating with other sectors of higher education in the state to increase the postsecondary attainment rate for Wisconsinites. Additionally, efforts are underway to support guided student transfers and ensure degree completion, promoting accessibility and success within the higher education system.

College degrees remain a worthy investment, and the concerted, collective efforts of educational institutions, government, and society are vital to realizing the full potential of higher education in our rapidly changing world. Former Federal Reserve Chair Ben Bernanke has been quoted to say: "When I travel around the country, meeting with students, businesspeople, and others interested in the economy, I am occasionally asked for investment advice.... I know the answer to the question, and I will share it with you today: Education is the best investment."

Eric Fulcomer, PhD
WAICU President

PRODUCTIVITY IN HIGH DEMAND OCCUPATIONS[1]

WAICU members produce 13,400 graduates annually, making up 24 percent of bachelor's degrees and 34 percent of advanced degrees statewide with no direct operating support from taxpayers.



1. IPEDS, Completions Survey, 2021-2022.

60 Forward For All

Wisconsin Needs More Graduates to Be Economically Competitive

According to Lumina Foundation's *A Stronger Nation* report, Wisconsin's current post secondary attainment rate is 54.7 percent.[1] The state is working toward its attainment goal of 60 percent for Wisconsinites ages 25 to 64 by 2027. To reach this goal, the state will not only have to maintain current rates of attainment but also significantly increase the number of people who enroll in programs and earn all types of credentials beyond high school.

Attainment rate varies greatly by county and area across the state. Only three counties, namely Dane, Ozaukee, and Waukesha, have met and surpassed the state goal.

Much effort remains as we work toward attaining our goal to fill the in-demand jobs across the state. Wisconsin needs to fill vacancies in business, nursing, teaching, actuary, and computer

science. Careers in these areas require college education to equip people with the necessary critical skills and expertise.

Between 2020 and 2030, Wisconsin could add 56,781 jobs that require a post-secondary degree, while approximately 232,660 college-educated workers would likely exit the state labor force due to retirement or moving to other states.[2] This means Wisconsin needs to fill 289,441 jobs with new graduates over ten years.

More than half of 72 Wisconsin counties have college attainment rates under 40 percent.

Adams 22.5%	Ashland 34.0%	Barron 37.0%	Bayfield 47.3%	Brown 47.7%	Buffalo 37.5%	Burnett 33.4%	Calumet 50.4%	Chippewa 41.3%
Clark 25.4%	Columbia 38.5%	Crawford 32.4%	Dane 65.4%	Dodge 33.1%	Door 41.4%	Douglas 41.5%	Dunn 43.1%	Eau Claire 52.5%
Florence 32.4%	Fond du Lac 38.8%	Forest 27.7%	Grant 43.5%	Green 41.2%	Green Lake 32.1%	Iowa 39.2%	Iron 41.9%	Jackson 27.6%
Jefferson 42.0%	Juneau 27.9%	Kenosha 42.1%	Kewaunee 36.9%	La Crosse 52.7%	Lafayette 37.2%	Langlade 30.9%	Lincoln 32.8%	Manitowoc 37.9%
Marathon 44.8%	Marinette 33.6%	Marquette 25.5%	Menominee 30.7%	Milwaukee 41.9%	Monroe 34.3%	Oconto 33.7%	Oneida 40.8%	Outagamie 47.7%
Ozaukee 62.1%	Pepin 36.8%	Pierce 44.5%	Polk 39.0%	Portage 50.1%	Price 34.3%	Racine 38.5%	Richland 32.6%	Rock 38.6%
Rusk 31.8%	Sauk 40.2%	Sawyer 37.3%	Shawano 33.3%	Sheboygan 41.7%	St. Croix 53.4%	Taylor 28.7%	Trempealeau 39.0%	Vernon 37.8%
Vilas 38.0%	Walworth 40.7%	Washburn 35.8%	Washington 49.9%	Waukesha 61.5%	Waupaca 34.4%	Waushara 27.2%	Winnebago 44.8%	Wood 37.2%

POSTSECONDARY ATTAINMENT RATE ACROSS WISCONSIN'S 72 COUNTIES[3]

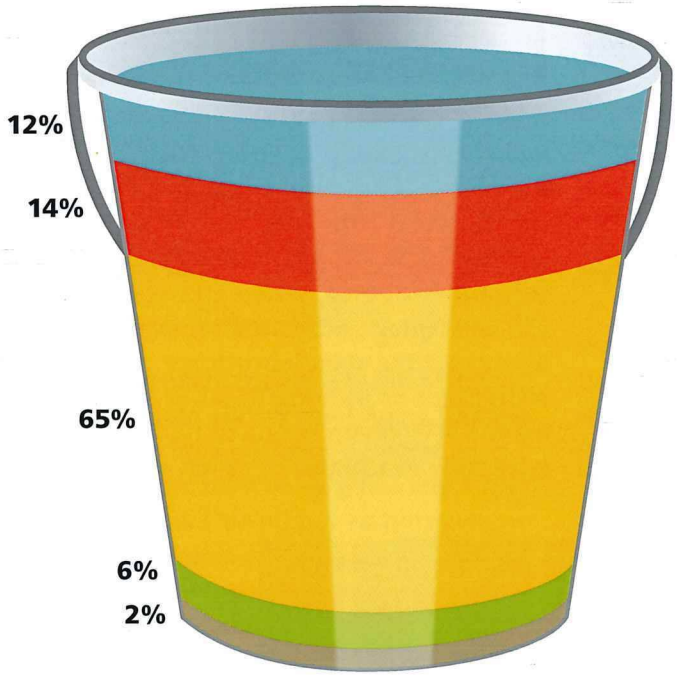
Dane, Ozaukee, and Waukesha counties are the only three Wisconsin counties to meet and surpass the 60 Forward Attainment Goal. Post-secondary degrees are critical to our state's future, to fill much-needed in-demand jobs across the state.

1. Lumina Foundation, "A Stronger Nation," 2023. 2. WAICU's calculation based on the Long-Term Projections 2020-2030 by Wisconsin's Department of Workforce Development. 3. Lumina Foundation, "A Stronger Nation," 2023.

Affordable Education Through a Public and Private Partnership

Investments in tuition, especially for low- and low-middle income students, are an investment in the state's workforce. Unfortunately, the public investment has not kept pace. Given the state's critical workforce shortages, it is more important than ever to invest in economically disadvantaged students seeking to earn a degree and contribute to Wisconsin's workforce.

BREAKDOWN OF AVERAGE UNDERGRADUATE TUITION[1]



OUT-OF-POCKET

Over the last four years at WAICU-member schools, the average out-of-pocket tuition has been less than $4,500.

Here's the math:

Average tuition and fees: $36,094
Average first-year student financial aid package: $31,733

Average out-of-pocket tuition: $4,362

LOANS

Student loans may be issued by the federal government, the largest provider, or private lenders.

INSTITUTIONAL GRANTS

Institutional aid includes both merit-based and need-based scholarships and grants from funds privately raised and/or provided by the college or university. WAICU members have "skin in the game," as institutional aid has increased every year over the last two decades. Unlike loans, grants and scholarships do not need to be paid back.

FEDERAL GRANTS

Federal aid includes need-based Pell Grants and other programs such as Supplemental Education Opportunity Grants, Department of Veterans Affairs grants, and the federal portion of the College Work-Study Program.

STATE GRANTS

At the state level, the most notable financial aid program is the Wisconsin Grant Program. See page five for more information.

1. Tuition breakdown for first-time, full-time, degree-seeking undergraduates. IPEDS Student Financial Aid Survey and Student Charge Survey, 2021-2022. (Percentages may not total 100 due to rounding)

Investing in Students is an Investment in our State's Economy

Wisconsin's economy, like other states across the country, is facing historic workforce shortages in almost all sectors and industries.

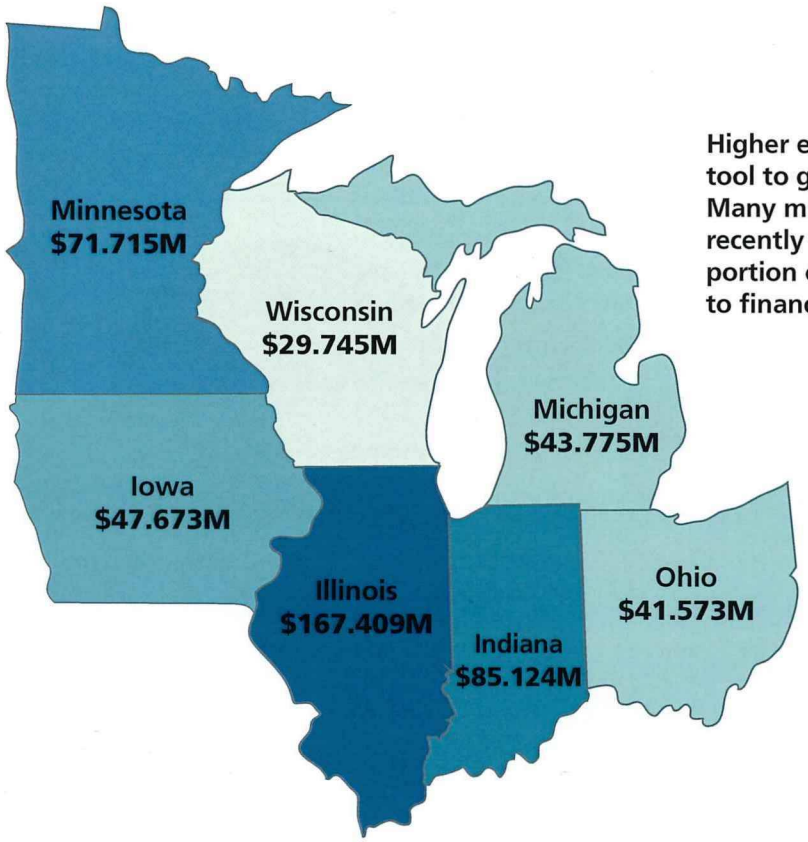
An aging population, paired with low birth rates and negative net migration of young workers, have been the main culprits behind this long-standing issue. Between 2012 and 2020, Wisconsin lost 106,000 young people under the age of 26 to other states while gaining fewer than 89,000.[1]

The number of low-income Wisconsin high school graduates has grown notably, by 12 percent between 2013 and 2022, while their college-going rate remained low. Indeed, the total number of Wisconsin high school completers who were enrolled in college in the fall, post high school completion, went down slightly by 6 percent.[2] Over this same period, the Wisconsin Grant Program appropriation, which is designated to support students with financial needs, only grew by 3 percent.[3] The Wisconsin Grant appropriation has failed to keep pace with both inflation and the growing student need.

Without any changes, the state will continue to lag, compared to its neighbors, who have aggressively increased their investment in need-based aid programs during the 2023-2025 biennium.

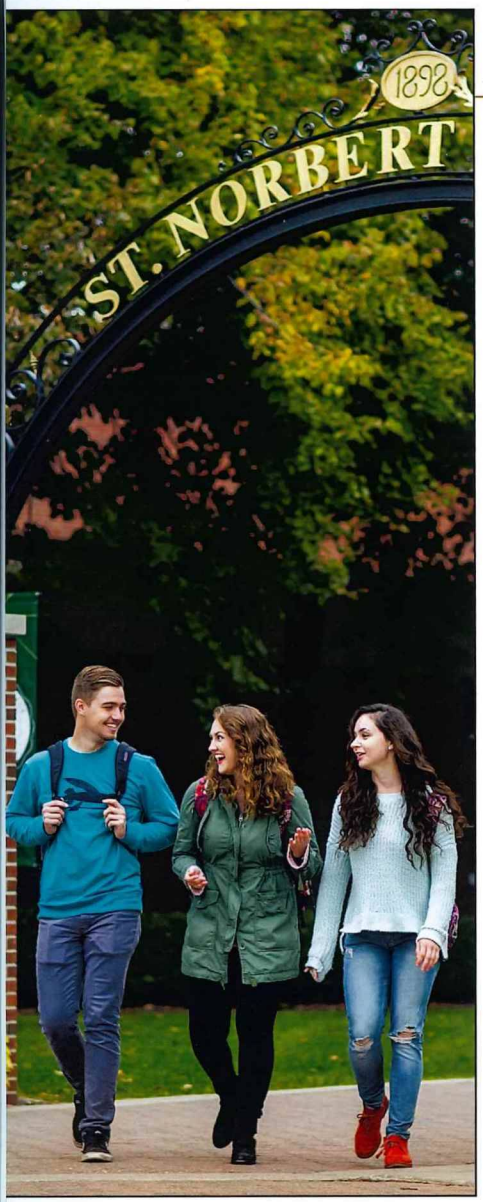
Currently, the Wisconsin Grant appropriation to students at independent colleges represents less than 2 percent of all state funding for higher education.[4]

Wisconsin's state spending on need-based grant aid to students at private nonprofit colleges and universities is the lowest in the Midwest.[5]



Higher education is an effective tool to grow the workforce. Many midwestern states have recently allocated a significant portion of their state budgets to financial aid programs.

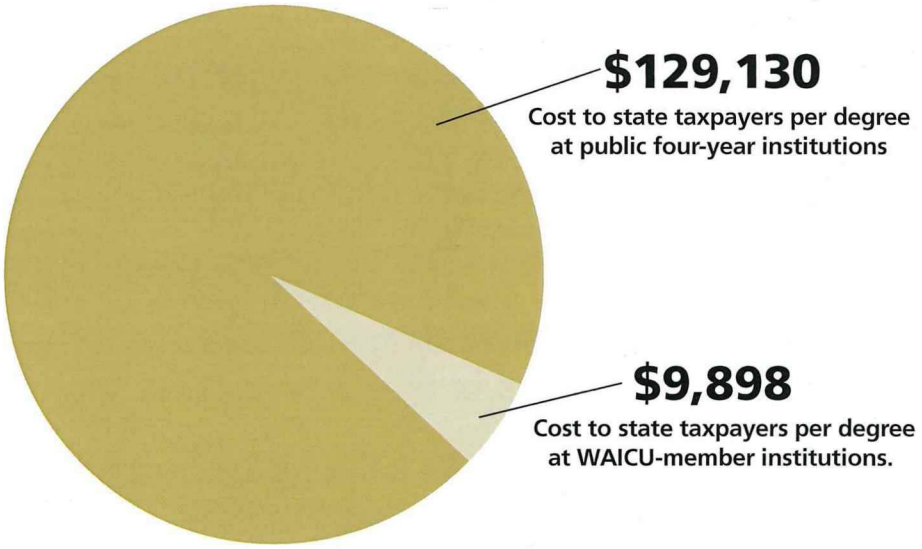
1. Forward Analytics, Moving In? Exploring Wisconsin's Migration Challenges, 2022. 2. DPI's WISEdash Public Portal, 2013-2022. 3. Wisconsin's Biennial Budget Reports, 2011-2023. 4. WAICU's estimate based on data from HEAB's Student Aid Expenditures 2021-2022 report and Wisconsin 2021-2023 Biennial Budget. 5. NASSGAP, 52nd Annual Survey Report on State-Sponsored Student Financial Aid 2020-2021 Academic Year, 2023.



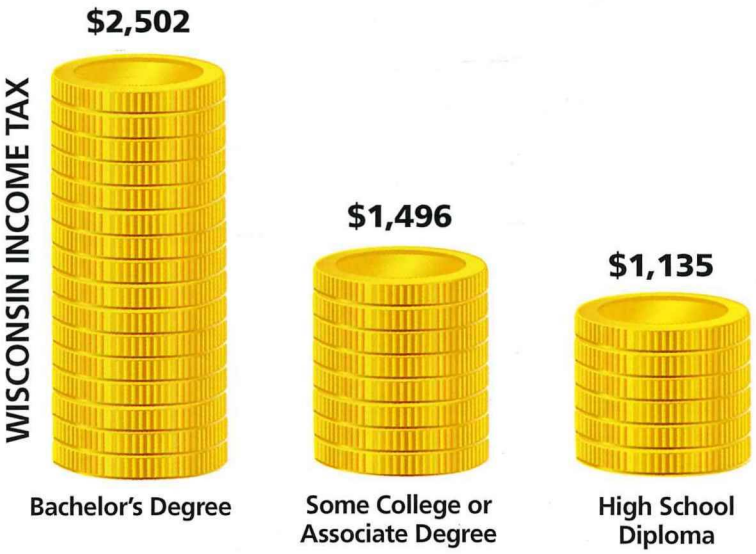
College Degrees Pay Off – For Everyone

- Students' chances of graduating in four years are **39 percent greater** at WAICU-member colleges and universities than at four-year public institutions in Wisconsin.[1]
- With an average class size of **16** students, students can count on personalized attention that keeps them on track.[2]
- Graduating on time lowers the cost of college, with graduates entering the workforce, earning sooner, and supporting Wisconsin's economic infrastructure.

A BARGAIN FOR TAXPAYERS[3]



Wisconsinites with bachelor's degrees contribute income tax nearly double that of high school graduates and those with associate degrees or some college.



MEDIAN INDIVIDUAL STATE INCOME TAX CONTRIBUTION BY EDUCATION ATTAINMENT[4]

1. IPEDS, Graduation survey (2014-15 cohort), 2022-2023. 2. WAICU Institutional Survey, 2022-23. 3. WAICU calculation based on four-year trend data from LFB, HEAB, IPEDS.
4. MHEC's Interactive Dashboard, 2021 Median Individual State Income Tax Revenue.

WAICU Members Invest in Students

98 percent of WAICU undergraduate students receive financial aid.[1]

91 percent of undergraduates receive grant/scholarship aid at WAICU-member colleges and universities.[2]

For every **$1** in state grants, students at WAICU members receive **$23** in institutional aid.[3]

The average financial aid package at WAICU members is **79 percent** grants and scholarships.[4] These types of aid are gifts that do not need to be paid back.

WAICU COST-SAVING COLLABORATIONS

In 2022, WAICU saved its members **$18 million** through more than **45** collaborative, cost-saving programs.

The cumulative savings from the lifetime of the programs (since WAICU began reporting) now total **$268 million.**

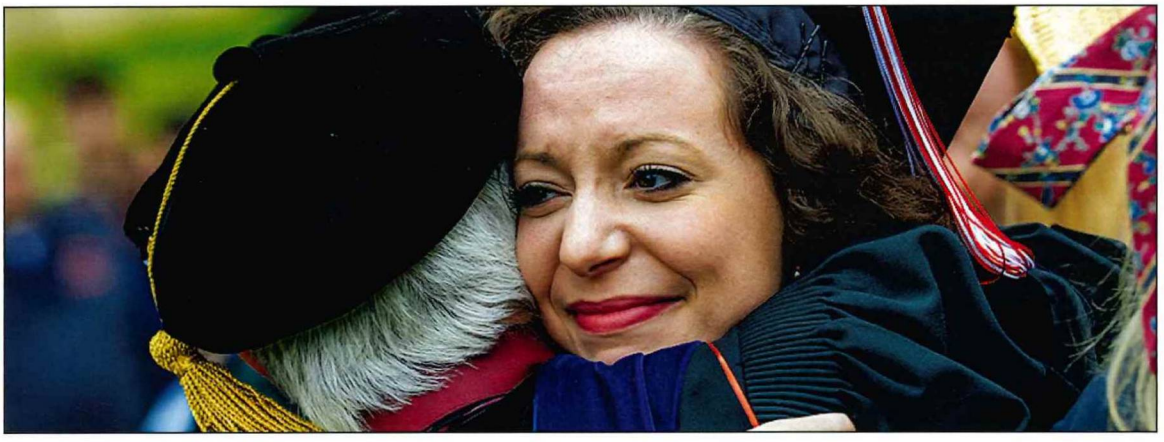
The WAICU collaborative services help to control college costs and are in keeping with WAICU's long-standing efforts to keep college affordable.

With combined purchasing power, members secure preferred pricing.

Dollars saved can be directed toward student aid and instruction.

1. Full-time, degree-seeking undergraduates, WAICU Institutional Survey, 2022-2023. 2. IPEDS, Student Financial Aid Survey, 2021-2022. 3. WAICU Institutional Survey, 2022-2023. 4. IBID.

Expanding Educational Opportunity



31%

Students of Color

WAICU's student body has a larger percentage of students of color **(31 percent)** than four-year public institutions in the state **(20 percent)**.[1]

31%

Non-Traditional Students

Students over the **age of 25** make up **31 percent** of all students in WAICU, compared to **19 percent** at Wisconsin's public four-year institutions.[2]

29%

Low Income Students

29 percent of WAICU undergraduates qualify for federal Pell Grants, compared to **21 percent** at four-year public institutions in Wisconsin.[3]

28%

First-Generation Students

28 percent of all WAICU undergraduates are first-generation students.[4]

1. IPEDS, 12-Month Enrollment Survey, 2021-2022. 2. IPEDS, Student Financial Aid Survey, 2021-2022. 3. WAICU Institutional Survey, 2022-2023.
4. IPEDS, Fall Enrollment Survey, 2021-2022.

We Partner for Postsecondary Success

College Opportunities in High School

WAICU works collaboratively with the Wisconsin Department of Public Instruction and middle school and high school partners to provide information on opportunities at Wisconsin's private, nonprofit colleges and universities. Below are examples of these collaborations.

Academic and Career Plans – Program, beginning in middle school, to help students plan for college and career.

Career Pathways – An order of classes that supports students to achieve their short- and long-term career goals.

Early College Credit Programs – Courses taken on a college campus for both high school and/or college credit.

Concurrent Enrollment Programs – College level courses taken at high school for both high school and/or college credit.

College Opportunity Programs – Programs aimed at providing underrepresented and disadvantaged students with a college experience.

Private, nonprofit WAICU campuses are both a public service and public good and are dedicated to supporting Wisconsin students in their aspirations to pursue a career that is the best fit for them.

Wisconsin Veterans Grant for Private, Nonprofit Students

The Wisconsin Veterans Grant for Private, Nonprofit Schools is a State of Wisconsin veterans benefit enacted in 2020 that is available to qualified veterans, as well as certain spouses and children of qualified veterans, for use at a Wisconsin private nonprofit higher educational institution. Dependent children of qualified veterans must be at least 17 but not yet 26 years of age to qualify. The Wisconsin Veterans Grant for Private, Nonprofit Schools is a collaboration between the Wisconsin Higher Educational Aids Board, which administers the program, and the Wisconsin Department of Veterans Affairs, which acts as the certifying agency and determines a veteran's eligibility for the program.

The Grant includes the following:

- A maximum grant per semester/session—including summer—for the qualifying veteran, spouse or dependent, with a per semester/session matching grant from the participating college or university.
- Grants apply toward bachelor's and graduate degree programs at Wisconsin's participating private, nonprofit colleges and universities.
- Qualifying veterans, spouses, and dependents may receive up to a total of $12,000 annually in grants depending on other educational benefits for which veterans and their dependents may qualify.
- Those eligible may receive a maximum of eight semesters of grant funding or 128 credits, whichever is longer, less any GI bill benefits already received at public institutions.

WAICU Graduates Have Higher Lifetime Earnings

Adults with a bachelor's degree earn an average of $2.8 million during their careers, $1.2 million more than the median wage of workers with a high school diploma.[1]

RETURN ON INVESTMENT[2]

Comparison of College Degrees with Other Investments

College degrees typically have higher rates of return in the long run of 14 percent, far exceeding other investment benchmarks, such as stocks and bonds.

College education 14 percent

Bonds 3 percent

Stocks 7 percent

Annual Earnings		Unemployment Rate
$91,260	Advanced Degree	1.7%
$74,464	Bachelor's Degree	2.2&
$50,388	Some College/Associate Degree	3.1%
$44,356	High School Diploma	4.0%
$35,464	Less Than High School Diploma	5.5%

ANNUAL EARNINGS AND UNEMPLOYMENT RATE[3]

1. Georgetown University Center on Education and the Workforce, The College Payoff, 2021.
2. Federal Reserve Bank of New York, 2019. 3. Bureau of Labor Statistics, 2022.

Our Private, Nonprofit Campuses Support Students from College to Careers

"This internship helped me grow professionally. I was able to grow my skills, which will help me in the future regardless of what field I end up in. Things like teamwork and relationship building are important in all different types of work. I felt as though I improved both of these skills throughout my internship."

This excerpt is from an intern's journal entry. She was a Summer of 2023 WAICU Nonprofit Internship Program participant. The program offers WAICU-member students the opportunity to intern at a nonprofit organization in one of four counties and receive a stipend and scholarship.

WIPCCC career expo · careers · internships

The WIPCCC Career Expo, formerly known as the Work-Force Fair, was held February 20, 2024, in downtown Milwaukee at the newly renovated space inside Third Street Market Hall. This new venue provided more opportunities for students and alumni to network, mingle, and stay engaged longer with employers.

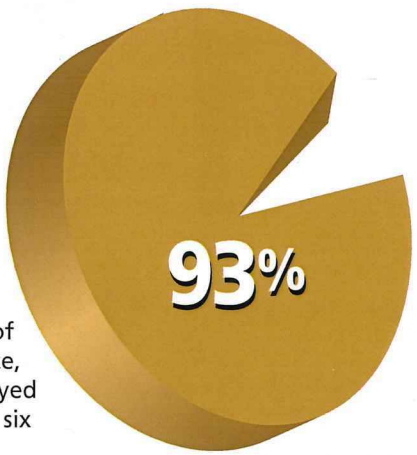
The Career Expo attracts hundreds of students each year to meet more than 130 employers throughout the country. The expo provides an efficient and effective way to interact with several potential employers and learn about exciting internship and full- and part-time employment opportunities.

From accounting and engineering to healthcare and education, WAICU students and alumni are offered a wide diversity of majors and experiences from potential employers. The Career Expo is the premier place for these connections.

Career Services for Students

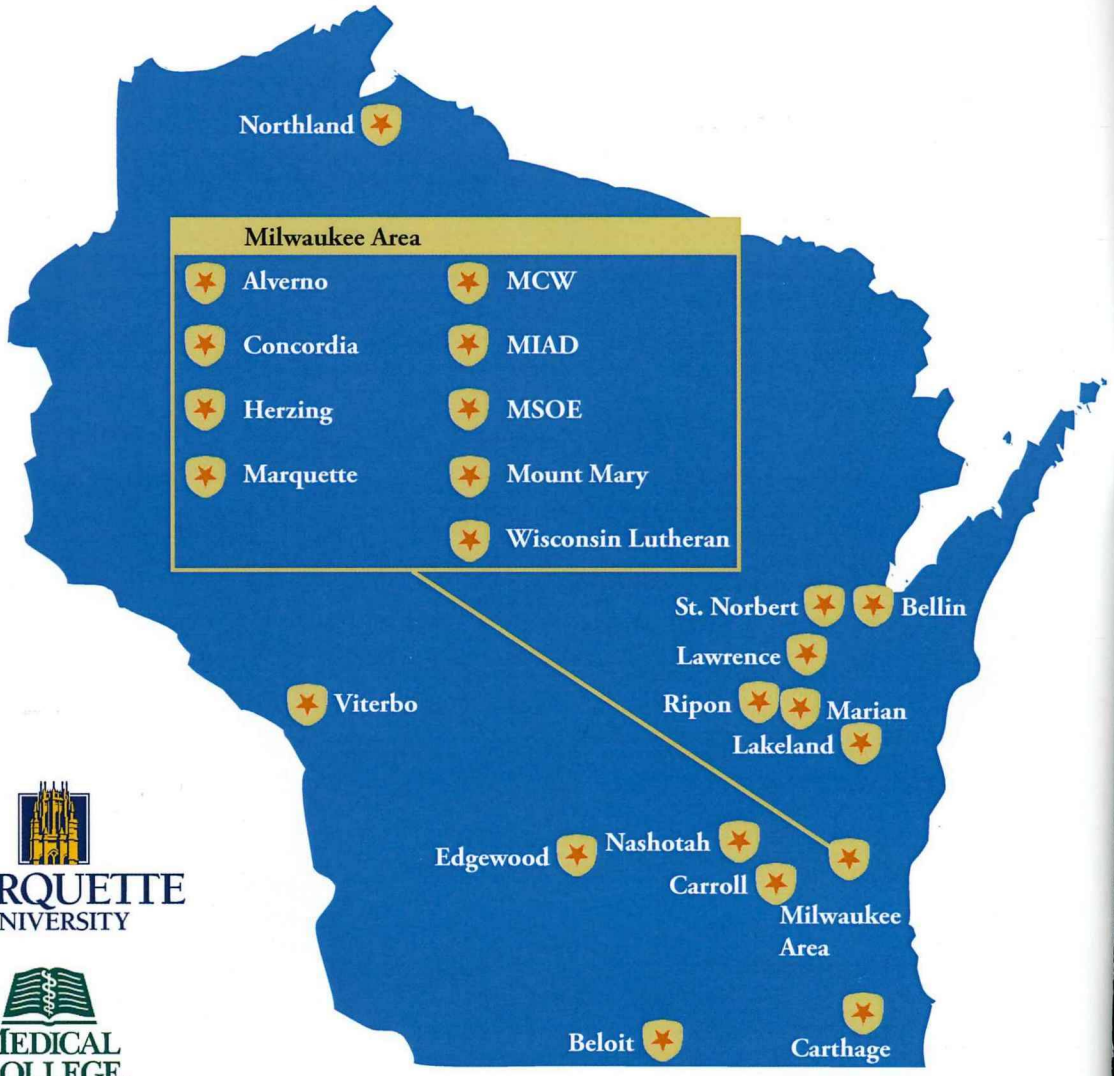
The career service offices at WAICU-member institutions provide a wide array of professional career services:

- **Career exploration and counseling**
- **Resume assistance and critique**
- **Mock interviews**
- **Internship placement support**
- **Networking and educational events**
- **Mentorship**
- **Professional resources for alumni**



An estimated **93 percent** of **2022** graduates from private, nonprofit colleges are employed or in graduate school within six months of graduation.[1]

1. NACE's First Destination Survey, 2023.



ALVERNO COLLEGE

Bellin College

Beloit College

CARROLL UNIVERSITY

CARTHAGE

MARQUETTE UNIVERSITY

CONCORDIA UNIVERSITY WISCONSIN

MEDICAL COLLEGE OF WISCONSIN

EDGEWOOD COLLEGE

MIAD

HERZING UNIVERSITY

MSOE UNIVERSITY

LAKELAND UNIVERSITY

Mount Mary UNIVERSITY

LAWRENCE UNIVERSITY

Nashotah House THEOLOGICAL SEMINARY

RIPON COLLEGE

VITERBO UNIVERSITY

MARIAN UNIVERSITY

NORTHLAND COLLEGE

ST. NORBERT COLLEGE DE PERE, WISCONSIN

WISCONSIN LUTHERAN COLLEGE

WAICU

WISCONSIN ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES

WisconsinsPrivateColleges.org

WAICU is recognized in state statutes (§§ 15.185(5)(c), 15.377, 15.67, 15.675(1)(c), 16.979, 36.31(2m)(a)3, 39.285, 39.30, 39.395, 39.41, 39.435, 39.437(4)(a), 39.49, 115.297, 118.19(1c)(a), 118.55, 440.52(11)(d)) and 2011 Governor's Executive Order #37, 2012 Governor's Executive Order #59, 2013 Governor's Executive Order #97, 2015 Governor's Executive Order #147, 2018 Governor's Executive Order #270, 2019 Governor's Executive Order #37, 2021 Governor's Executive Order #151, and 2023 Governor's Executive Order #213 as the official organization of Wisconsin's private, nonprofit colleges and universities.

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