



## Center for Social Development

### Brown School

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# The Meadowlark Scholarship Act: Testimony on L.B. 544 Before the Education Committee, 106th Nebraska Legislature

By *Margaret M. Clancy*

Good afternoon. Thank you, Chairman Groene, members of the committee, and Treasurer Murante, for inviting me to speak today.

My name is Margaret Clancy, and I am the Policy Director at the Center for Social Development at Washington University in St. Louis. I lead the administration of the SEED for Oklahoma Kids research experiment testing Child Development Accounts, or CDAs. And, since 2001, I have been researching inclusive features of 529 college savings plans as a model for CDA policy.

In 1991, my boss and Center Director, Michael Sherraden, first proposed building assets for children at birth. Child Development Accounts are investments intended for long-term developmental purposes. CDAs for postsecondary education are about more than money. CDAs can lead to financial planning for college, a college-bound identity, academic preparation, and later college and career success.

SEED for Oklahoma Kids (SEED OK) is a research study of exceptional quality, providing an opportunity for us to assess the long-term potential of CDAs. We created a rigorous study design, and about 30 of our SEED OK research papers have been published in various peer-reviewed journals.

In 2007, SEED OK began with interviews of mothers randomly selected from state birth

records. Next, their babies were randomly assigned to treatment or control. Wave 2 interviews were conducted in 2011, and Wave 3 is slated for 2020, when the children will be about 12 years old.

The \$1,000 initial deposit, a key part of the SEED OK treatment, increased by more than 70% over about 10 years—even though the value dropped sharply during the Great Recession. Such growth is possible because money is invested in an Oklahoma 529 fund with the potential for market appreciation.

SEED OK models automatic enrollment and deposits for all children at birth. This is key, because SEED OK research finds that CDAs have positive impacts for children and their families. More specifically, CDAs:

- » improve mothers' outlook and parenting,
- » increase mothers' education expectations for their children,
- » and boost children's social-emotional development—regardless of whether or not the families have saved.

In SEED OK, positive effects are typically greater for low-income and disadvantaged families. During in-depth interviews, one SEED OK mother said this about the CDA:

I think it's very important for her future. 'Cause I think that if she continues to see these papers [529 statements] come in, then ... people besides



me and her dad...—people out there that she has no idea about—want to give her money to go to school, then it must be darn important to go to school.

The CDA may be especially powerful with non-college-educated parents, who may begin to see their children as “college-bound.” Another mother said:

I was thinking this is something that was good. I'm going to have to get him through school so he can use this and go to college...

Thus, the most important impacts of CDAs may be in improved outlooks and constructive behaviors of both parents and children.

An important conclusion from SEED OK is that policy makers should focus first on including all children in asset building, and second on improving individual saving behaviors (not the other way around). Our research indicates that college savings policies that rely solely on individual saving will inevitably favor advantaged children.

In the United States, each of the 6 statewide CDAs—Connecticut, Massachusetts, Maine, Nevada, Pennsylvania, and Rhode Island—use their state 529 plan.

Two stand out as important policy examples:

From 2008 to 2012, Maine parents had to enroll their newborns in the state's 529 plan to receive the \$500 College Challenge CDA. Despite extensive marketing and outreach, only about 40% of eligible children participated. Our research found that parents with more education, other investments, and a financial advisor were more likely to enroll than those who were less fortunate. Unfortunately, children not participating in the CDA were the ones who would have most benefitted.

Evidence from SEED OK research contributed to the decision by College Challenge to change their policy to *automatically enroll all newborns*, as well as babies who become Maine residents by adoption. Today, College Challenge assets in the state's 529 plan are valued at over one hundred million dollars, impacting over 85,000 Maine children.

The Maine 529 statistics prior to the College Challenge were similar to those currently in Nebraska, where the majority of 529 accounts are owned by people living outside of the state. But today, state-resident individual 529 account ownership has greatly increased. The College Challenge CDA has transformed the Maine 529 plan in a positive direction.

A second, more recent CDA policy example is in Pennsylvania. Legislation in 2018—similar to Nebraska's proposed Meadowlark Scholarship Act—launched Keystone Scholars, which provides all newborns with a \$100 college savings grant. This statewide policy began in 2019 and will automatically enroll more than one million Pennsylvania children by 2025.

In closing, our research and policy experience document that full inclusion in 529 plans is possible. Automatic account opening with an initial deposit is like putting the plumbing in place. Funding can flow from many sources. Government, families, communities, philanthropies, and businesses can work together to build assets for all Nebraska children.

Overall, CDAs can set the stage for widespread asset building, more positive development of children and families, increased postsecondary education and training, a more skilled workforce, and, ultimately, a stronger economy. CDAs are a good investment.

Thank you for this opportunity to share our research and policy experiences. I am happy to answer any questions you may have.

## Suggested Readings

Beverly, S. G., Clancy, M. M., & Sherraden, M. (2016, March). *Universal accounts at birth: Results from SEED for Oklahoma Kids* (CSD Research Summary No. 16-07). St. Louis, MO: Washington University, Center for Social Development. <https://doi.org/10.7936/K7QC030S>

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## Author

**Margaret M. Clancy**, *Policy Director*  
Center for Social Development,  
Washington University in St. Louis  
([mclancy@wustl.edu](mailto:mclancy@wustl.edu))



**Center for  
Social Development**

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**Brown School**

Campus Box 1196  
One Brookings Drive  
St. Louis, Missouri 63130-4899

[csd.wustl.edu](http://csd.wustl.edu)