

April Holman
Kansas Action for Children
Legislative Testimony – HB 2371
House General Government Budget Committee

March 7, 2013

Chairman DeGraff and Members of the Committee,

Thank you for the opportunity to testify in opposition to HB 2371, which would eliminate the K.I.D.S. Higher Education Savings Match Program.

Kansas Action for Children is a not-for-profit child advocacy organization founded in 1979. For more than 30 years, KAC has worked with lawmakers on policy solutions that improve the lives of Kansas children and their families.

Changing Expectations and Behavior

The K.I.D.S. Program is first and foremost about changing expectations about post-secondary education and savings behaviors for lower-income families and their children.

By rewarding families with a dollar-for-dollar match for saving towards post-secondary education the KIDS program creates an incentive for lower-income families to save similar to the Learning Quest tax deduction that is more likely to motivate middle- and higher-income families.

Research shows that a child with designated education savings (even under \$500) is over four-and-a-half times more likely to graduate from college than a child with no account. The act of saving creates an expectation of post-secondary education in the child even when the dollar amount saved is insufficient to cover education costs. Often the process of saving for post-secondary education begins a family culture of saving. In fact, many families participating in the K.I.D.S. program since its inception have invested more than the \$600 match amount in a year.

Reducing Childhood Poverty

We are encouraged that Governor Brownback has made reducing childhood poverty one of his priorities this term. The rate of childhood poverty in Kansas has increased steadily over the past decade, with 18% of children under the age of 18 living below federal poverty level in 2012.

The K.I.D.S. Program is an important tool for breaking the cycle of poverty. According to the National Center for Education Statistics,

720 SW Jackson I Suite 201
Topeka, KS 66603

P: 785-232-0550 | F: 785-232-0699
kac@kac.org | www.kac.org

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education is positively related to individual earnings such that ten years after high school students with a bachelor's degree are estimated to earn an average of 23 percent more than students with no college and students with an associate degree earn an average of nine percent more than students with only a high school education.

Addressing Concerns about the Program

We have heard concerns about abuse of the program by students who are making short-term investments in the program just long enough to withdraw the state matching dollars. To address this issue we would support a minimum period for maintaining a family investment before state matching dollars could be withdrawn rather than eliminating the program entirely.

We also have heard concerns that saving money in a K.I.D.S. account makes it more difficult for lower-income families to qualify for need-based aid. Generally speaking, 529 account investments are treated as parental assets and only minimally impact a child's eligibility for federal student aid with about 6 percent of the value of the asset counting against the student in the student aid analysis.

Opposing HB 2371

We respectfully request your opposition to HB 2371. K.I.D.S. is a successful program that is helping hundreds of Kansas children and their families to plan for post-secondary education and improve the economic outlook for the next generation.