

## HB 3367 STAFF MEASURE SUMMARY

### House Committee On Early Childhood and Family Supports

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**Sub-Referral To:** Joint Committee On Ways and Means

**Meeting Dates:** 4/4, 4/13

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#### WHAT THE MEASURE DOES:

Creates Oregon Bright Futures Savings Fund in State Treasury to be appropriated to State Treasurer. Creates cohort accounts for each calendar year quarter, earmarked to children. Authorizes State Treasurer to use moneys for post-secondary education expenses and provide scholarships, grants and incentives to designated beneficiaries. Requires State Registrar of the Center for Health Statistics to send a data file on children. Creates unique identifier. Requires notice to parents. Requires State Treasurer to deposit funds in cohort account. Charges State Treasurer with administering accounts, adopting rules and other duties. Permits certain contributions. Allows linkage to private accounts through financial aggregation software. Creates appropriation beginning July 1, 2017 out of General Fund to be deposited into Bright Futures Savings Accounts. Requires report by State Treasurer no later than April 1, 2019. Creates operative date of January 1, 2018. Declares emergency, effective on passage.

*FISCAL: May have fiscal impact, but no statement yet issued*

*REVENUE: May have revenue impact, but no statement yet issued*

#### ISSUES DISCUSSED:

##### EFFECT OF AMENDMENT:

-1 amendment: Replaces measure. Appropriates funds out of the General Fund to the Department of Consumer and Business Services to be used on savings program for post-secondary education expenses. Declares emergency, effective July 1, 2017.

*FISCAL: May have fiscal impact, but no statement yet issued*

*REVENUE: May have revenue impact, but no statement yet issued*

#### BACKGROUND:

In 2011, the Oregon Legislature set the 40-40-20 goal, that by 2025, 40 percent of the working-age Oregonians will hold a bachelor's degree, 40 percent will hold an associate degree or certificate and 20 percent will hold a high school diploma or equivalent. The Higher Education Coordinating Commission (HECC) issued a report in 2016, showing the most recent analysis for working-age Oregonians:

- 31 percent hold a bachelor's degree or advanced degree;
- 17 percent hold an associate degree or certificate;
- 19 percent have completed some college;
- 23 percent have completed high school; and
- 10 percent have not completed high school.

The Kids Count Data Center estimates that in 2015, 43 percent of Oregon children are in families below 200 percent of the federal poverty level. The Assets and Education Initiative reports that student of low-income families face the largest opportunity, access and achievement gaps in education. Low-income students are less likely to enroll in and complete higher education, are more likely to be averse to loans, have more financial emergencies and are more likely to have a job to support payments for higher education.

Student loans are the second largest source of consumer household debt in Oregon, which mirrors the national trend. HECC reports that between 2007 to 2013, tuition for higher education increased by a total of 50 percent and has slowly continued to rise. In Oregon, 63 percent of students graduating with a 4-year public or private institution incurred an average of \$27,697 in student loan debt.

Children's savings accounts (CSAs) aim to expand educational and economic opportunities for children through long-term asset-building. The Assets and Education Initiative at the University of Kansas (2013) reports on the impacts of CSAs. Research has shown that effects of economic intervention are greater earlier in life. Families from low-income households often have lower expectations about their children completing higher education than families from higher-income households. CSAs help cultivate the college-saver identity, by supporting the expectation that there is a pathway to college. Studies show that CSAs have been linked to increased knowledge and motivation for parents and children to save money. CSAs are associated with positive socio-emotional development scores in children, and positive pre-college educational outcomes, such as GPA and graduation from high school. One study found that among low and moderate income children who expected to graduate from college while in high school, those with a savings of \$1 to \$499 before reaching college age were four times more likely to graduate from college than a child with no savings account.

Currently, the Oregon State Treasury administers the Oregon 529 college savings program. As of 2015, 8.6 percent of Oregonians under the age of 25 years old have an Oregon 529 college savings account.