

HB 3314 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

WHAT THE MEASURE DOES:

Establishes Oregon Bright Futures Fund in State Treasury. Creates cohort account within Oregon Bright Futures Fund. Authorizes State Registrar of Center for Health Statistics to send data file on children born in Oregon to the Department of Consumer and Business Services (DCBS). Directs DCBS to create a designated beneficiary account at participating financial institution for each child. Specifies notification requirements to parents. Authorizes DCBS to be trustee of accounts. Authorizes DCBS to use moneys for post-secondary education expenses and provide scholarships, grants and incentives to designated beneficiaries. Allows linkage to private financial accounts Directs DCBS to establish rules around contributions. Requires annual report to designated beneficiaries. Exempts funds from public funds depository requirements. Creates Financial Institution Community Education Fund in State Treasury and limits contributions to participating financial intuitions. Requires reports by DCBS to Legislative Assembly. Appropriates funds out of General fund, beginning July 1, 2017. 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:

- College saver identity and academic expectations for children and families
- Wealth and asset accumulation, especially for low and moderate income households
- Financially insecurity and barriers to obtainment of post-secondary education
- Individual Development Accounts and Oregon 529 Savings Plan
- Amount of contribution into account that will create a meaningful investment
- Community Reinvestment Act
- Inactive savings accounts
- Interest on savings account
- Savings accounts for foster children
- Financial literacy
- Targeting funds for low income children or all children

EFFECT OF AMENDMENT:

-1 Amendment. Replaces measure. Establishes Oregon Bright Futures Fund (Fund) in State Treasury for post-secondary education savings program. Establishes Financial Institution Community Education Subaccount within Fund for contributions or donations from participating financial institutions. Authorizes State Registrar of Center for Health Statistics to send data file on children born in Oregon to the Department of Consumer and Business Services (DCBS). Directs DCBS to open designated beneficiary account (account) at participating financial institution for each child and to establish maximum amount in account. Authorizes DCBS to use moneys in Fund for post-secondary education expenses and provide scholarships, grants and incentives to designated beneficiaries. Allows contributions by designated beneficiaries or by DCBS into account. Allows donations or contributions into the Fund. Requires reports and notifications to designated beneficiary. Allows DCBS to terminate account for moneys unlikely to be used. Allows for financial aggregation software. Directs DCBS to adopt rules to design, implement and administer

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program. Requires reports by September 15, 2020 and April 1, 2021. Creates operative date of January 1, 2018 or when sufficient moneys are available. Declares emergency, effective on passage.

-2 Amendment. Redefines financial institution. Clarifies that Registrar of the Center for Health Statistics should send data to DCBS on or after the execution of an agreement. Clarifies provisions related to disclosure of confidential information.

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

REVENUE: Revenue impact issued

-3 Amendment. Combines -1 and -2 Amendments

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
- 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.

House Bill 3314 would create the Oregon Bright Futures Plan to allow the Department of Consumer and Business Services (DCBS) to open a savings account for each child born in Oregon with the intention of contributing to post-secondary education expenses. Families would choose among participating financial institutions or be assigned to a financial institution. Children, families and partner investors (e.g., nonprofits and foundations) could make

This Summary has not been adopted or officially endorsed by action of the committee.

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contributions. A partner investor would have the option to target funds into accounts for a certain area or demographic.

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