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February 5, 2019

**To:** Chairperson Linehan & Members of the Revenue Committee  
**From:** Juliet Summers, Policy Coordinator  
**Re: Support for LB 688, to provide for contributions to the Nebraska educational savings plan trust from income tax refunds**

Our state policies should incentivize saving and support families trying to build a better future for their children. Voices for Children supports LB 688, which would make it easier for parents and grandparents to use tax refunds to save for children's higher education by allowing state refunds to be directly deposited into 529 accounts. This is a simple change that could improve the educational outlook for many Nebraska children.

The cost of higher education has skyrocketed in the past decade. From 2004–2017, student debt quadrupled, rising from \$345 billion in 2004 to nearly \$1.4 trillion in 2017, and student debt is now the second-largest type of household debt (after mortgage debt).<sup>1</sup> In 2017, 54% of Nebraska college seniors graduated with debt and the average amount was \$25,750.<sup>2</sup> These trends have made saving for higher education significantly more important.

Many states and cities have been working to promote saving for higher education. LB 688 is by no means a panacea for the issue of affordability in higher education, but it takes a simple and low-cost step toward encouraging families' key role in saving for their children's education. Tax filing season is one time of year when families may have a little extra money in the bank to spend or invest as they see fit. Allowing some or all of a family's state tax refund to be invested directly in a 529 simplifies and promotes the option of using that money to invest in a child's educational future.

Even small investments can make a large impact. Studies have found that low-income children with \$1-499 in college savings are three times more likely to enroll in and four times more likely to complete college. Among children who expect to go to college, those with a savings account are six times more likely to attend than those with no account.<sup>3</sup> Meanwhile, research into two-generation economic mobility shows that college graduates are 5.3 times more likely to leave the bottom quintile of American income than nongraduates.<sup>4</sup> Taken together, these findings suggest that an educational savings account, however small, increases the likelihood of both seeking and completing a post-secondary degree – and thus, improving young Nebraskans' economic upward mobility.

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<sup>1</sup> Peter G. Peterson Foundation. *Student Debt Continues to Rise*. July 18, 2018. Available at: <https://www.pgpf.org/blog/2018/07/the-facts-about-student-debt>

<sup>2</sup> The Institute for College Access & Success. *Student Debt and the Class of 2017*. September 2018. Available at: [https://ticas.org/sites/default/files/pub\\_files/classof2017.pdf](https://ticas.org/sites/default/files/pub_files/classof2017.pdf)

<sup>3</sup> Shira Markoff, Rebecca Loya, and Jessica Santos. *Quick Guide to CSA Research: An Overview of Evidence on Children's Savings Accounts*. Fall 2018. Available at: [https://prosperitynow.org/sites/default/files/resource/2018-10/CSA\\_Quick\\_Guide\\_FINAL.pdf](https://prosperitynow.org/sites/default/files/resource/2018-10/CSA_Quick_Guide_FINAL.pdf)

<sup>4</sup> Pew Charitable Trusts. *Moving on Up: Why do Some Americans Leave the Bottom of the Economic Ladder, but not Others?* November 2013. Available at: <https://www.pewtrusts.org/~media/assets/2013/11/01/movingonuppdf.pdf>

LB 688 is a practical and low-cost way of encouraging more families to save for their children's education at a time when they may have money available to do so. We respectfully encourage the committee to advance the bill.