



HB 629 - Maryland College Investment Plan - State Contribution Incentives
House Appropriations Committee
Letter of Information

Chairwoman McIntosh, Vice-Chair and members of the committee, thank you for the opportunity to provide testimony in support of House Bill 629. This bill will require that a onetime payment of \$100 be placed into a Maryland College Investment Plan for every child born or adopted in Maryland after January 1, 2022.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy.

Maryland has begun to take steps to ensure that low to moderate income families have the best ability to save for their children's future education cost. In 2016, the General Assembly created the Save4College State Contribution Program through the College Affordability Act. There is pending legislation in 2020 to deal with some of the unintended loopholes that are currently allowing for unlimited accounts per person eligible for the match and the ability to use the funds for private K-12 education (due to changes from the federal Jobs and Tax Cuts Act). This program is enacted through Maryland 529, and encourages low to moderate income families to invest. HB 629 would build on this program by making the program universal, which could incentivize the number of Marylanders who pursue education or training beyond high school. CASH would like to see the same benefits extended to those who have ABLE accounts, which are used by individuals with disabilities.

CASH along with its partners produced a report about the positive effects that child saving accounts have on the outcomes of children in Baltimore City¹. This report looked at other programs across the country, and we found that encouraging saving for postsecondary expenses increased academic outcomes in secondary schooling. It contributed to higher class attendance as well. Research also suggests that more children conceptualize themselves achieving higher levels of education and make higher education plans. This results in an increase of the economic mobility for the children in Maryland by lowering the amount of debt needed for higher education, providing a cushion for higher education cost, and encouraging low to moderate income children to pursue higher education.

Children's savings accounts would benefit rural, urban and suburban children across the state. It will help parents or guardians receive a jumpstart on investing. For many low to moderate income families, this will be their first attempt at investing and long term saving. This means that low to moderate income families are less likely to know about investment options, and be more uncertain about them. Receiving \$100 in the Maryland College Investment Plan, will spread knowledge about the saving plan and make the plan more appealing.

¹ <http://cashmd.org/reports-and-pubs/>