Cities and States Developing Creative Approaches to Fund Children’s Savings Accounts

The Challenge:
Children’s Savings Accounts (CSA) are proving to be a powerful tool for growing college funds and building children’s aspirations for their future. CSAs are long-term, incentivized savings or investment accounts for postsecondary education that help promote economic mobility for children and youth. Advocates have found that the idea and goals of CSAs can be appealing to policymakers from across the political spectrum. However, while able to generate initial interest from policymakers, advocates often find that their efforts can stall when it comes to the question of how to fund a program. This paper provides advocates and policymakers with several funding options—including examples from the city and state-levels—for establishing publicly-supported CSA programs. For more information about CSAs in general, please visit savingsforkids.org.

Potential Opportunities:
The most straightforward public funding source for a CSA program is a legislative appropriation, but this option can be a non-starter in many regions. So instead of relying on a state legislature, policymakers and advocates have pursued other types of innovative funding described below.

▪ TYING FUNDS TO EXISTING DISCRETIONARY FUNDS & CONTRACTS
  More examples are emerging of city and state government officials establishing CSAs with discretionary funds, meaning flexible dollars that are not designated for a particular purpose. Treasurers or other agency officials sometimes have wide discretion in how to use these flexible, un-earmarked dollars, such as fees paid directly to their agencies, without going through the legislative appropriations process. One-time payments—such as earnings from legal settlements—can also provide funding to get a CSA program off-the-ground. In these cases, it’s important to have a plan for long-term funding and sustainability once the initial funding sources runs out.

  For advocates who want to pursue this strategy, the first step is to identify discretionary funds over which treasurers or other government agency officials have independent authority to make spending decisions. Then, once they gain initial interest from the official in starting a CSA program, they can suggest using that discretionary pot of money for funding it. One pitfall of this approach is that a new government official can decide to use the funds for an entirely different purpose, since the funds are not designated for CSAs in statute. Government discretion over the funds can make it easier to kick-start a CSA by bypassing the legislative process, but that same flexibility leaves CSA funding vulnerable to the whims of politicians—which means that CSA supporters must continually advocate for the program.

Examples:
❖ College Kids (St. Louis, MO) - City Treasurer Tishaura Jones is an elected official, who is in charge of both the city’s banking system and parking services. Using her discretionary authority over the use of parking fees paid to the Treasurer’s Office, she was able to allocate some of the parking fees and fines to fund initial account deposits and savings incentives for the College Kids CSA program.
❖ **College Kick Start (Nevada)** - The program is operated by the Nevada State Treasurer’s Office and is funded through fees paid to the Treasurer’s Office by the state’s 529 plan managers, the private companies that manage the CSA plans.

❖ **CollegeBoundBaby (Rhode Island)** – In a slight twist on Nevada’s model, Rhode Island included a provision in its contract with the state’s 529 program manager, Ascensus, which requires Ascensus to provide funding for the $100 initial deposit available to all babies born in the state.

❖ **CHET Baby Scholars (Connecticut)** – A statewide CSA program uses assets from the defunct Connecticut Student Loan Foundation (CSLF) to fund the CHET Baby Scholars program. The program will continue until the funds are used, or until advocates find another source of funding.

### Strategic Partnerships in Education

Some cities have leveraged strategic partnerships with postsecondary education organizations outside of the policy and legislative arenas to find new sources of funding. As opposed to advocating for access to discretionary funding, this strategy requires taking a holistic look at all education funding sources – public and private – that already support college grants and then building relationships with funders to integrate CSAs into the existing model. This approach can help ensure that existing scholarships and grant programs are being used to their full capacity and are reaching low-income students.

**Examples:**

❖ **Earn to Learn (Arizona)** – “Earn to Learn” provides matched-savings scholarships, financial capability education, and success coaching for high school juniors and seniors. It is a joint effort between the nonprofit program administrator, the Arizona Board of Regents, three Arizona state universities and Assets for Independence (AFI), a federal grant program within the U.S. Department of Health & Human Services. This innovative program was the first in which a public university system applied for and received existing AFI dollars.

❖ **Oakland Promise (Oakland, CA)** – Oakland Promise is a cradle-to-career initiative which plans to triple the number of low-income Oakland public school students who graduate college. The Oakland Mayor and Oakland Unified School District Superintendent partnered with the City of Oakland, the East Bay College Fund, the Oakland Public Education Fund, 22 colleges, and several major donors to ensure affordable tuition for all low-income Oakland residents. The program plan combines needs-based college scholarships with college savings accounts for all Oakland students. The Kindergarten to College component of the program will open $100 college savings accounts for every child entering kindergarten, and Brilliant Baby will open $500 college savings account for every Oakland baby born into poverty.

❖ **Tacoma Housing Authority (THA) Education Project (Tacoma, WA)** – THA partnered with local schools, the Tacoma Community College, service providers and funders to increase the number of 8th grade THA residents enrolled in the state’s College Bound Scholarship Program (CBS). CBS ensures that low-income high school graduates are able to access college scholarships if they enroll by 8th grade. With the cooperation of the Tacoma community and major funders such as the Bill and Melinda Gates Foundation, THA has enrolled approximately 100% of all eligible students compared to the 81% state average. More recently, THA created a CSA program for kindergartners and 6th graders at a local school, which helps create a pipeline into the CBS program.

**Recommendations:**
The examples above are not meant to be comprehensive, but they do highlight the importance of thinking creatively about CSA funding alternatives. If your coalition of CSA advocates has sizeable support and is ready to explore funding opportunities, remember the following:

1. **Look beyond appropriations**: It may be possible to access government funds that do not get appropriated through the legislative process.

2. **Pursue discretionary funds, but strategize long-term**: Discretionary coffers may be available in your local city or state’s account, but the resources are not necessarily renewable or unlimited.

3. **Be innovative about finding the right partners**: Find partners outside of, or in hidden corners of, the public sector. For example, find ways to streamline efforts with the Department of Education or local private and philanthropic organizations.